

Lifting the Veil: Integrated Reporting, Materiality Determination and Stakeholder Inclusivity

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Abstract

Materiality is constructed within the critical accounting literature as a fractured and disputed concept and practice. Within this literature, materiality is simultaneously re-presented as a technical-rational and objective 'truth', a shield for questionable reporting and assurance practices, and a paternalist, protectionist tool used to deliberately veil and mythologise the workings of the accounting profession. Increasingly, 'other' stakeholders outside of the accounting profession are being brought into this messy, conflictual, and veiled space. However, it is unclear how, or to what extent materiality and materiality determination processes are actually open to alternative stakeholder voices. In this research I examine materiality and stakeholder inclusivity within an integrated reporting context that appears to forward stakeholder engagement within materiality determination processes.

This research embraces a political, power-laden materiality. Through engaging preparers, consultants and assurers (integrated reporting participants), or those in a position of greater relative power in integrated reporting materiality determination processes (materiality processes), I bring dominant framings of materiality, and materiality processes 'into the light'. By examining the perceptions these integrated reporting participants have towards the role of stakeholders, and how stakeholders are perceived to be included within materiality processes, I further explore to what extent these processes are open to the liberation of stakeholders and their voices. This exploration is informed by Freire's (2005) conceptions of banking and dialogic education, and the explicit theorisation of materiality processes as spaces where education between the integrated reporting participants and stakeholders, can and does take place.

This research examines the perceptions of (16) integrated reporting participants through a Q methodology (Q) and semi structured interview approach. Eleven further financial and nonfinancial preparers, consultants, assurers, standard setters, and accounting academics were engaged in semi structured interviews to inform the Q component of the research method. Through the use of Q, this research finds that integrated reporting participants are largely united in a collective, subjective understanding of materiality: an understanding that privileges their own voices and strategic organisational agendas. Though semi structured interviews reveal the majority of integrated reporting participants engage with stakeholders in their materiality processes, this research finds that stakeholders' voices are interpreted through an organisational framed lens. Stakeholders are further perceived to hold largely

compliant, passive, and silent roles within materiality processes. A Freirean-informed critical evaluation and analysis of the key research findings reveals that materiality processes, as educative spaces, oppress, rather than liberate stakeholders and their voices. They are found to be more reflective of conceptions of banking education than dialogic spaces. Drawing on Freire's (2005) conception of dialogic education I further deliberate on alternative, dialogic framings of materiality and materiality processes that promote the liberation of stakeholders and their voices.

This research contributes to the use of Freire (2005) within critical dialogic literature through the explicit theorisation of materiality processes as educative spaces. This research further extends conceptualisations of Freirean oppression with critical dialogic literature through theorising oppressive relationships in a space that is not outwardly or explicitly oppressive. This research also contributes to the use of Q in critical accounting research through allowing subjective understandings to be constructed by the integrated reporting participants themselves, rather than relying on existing typologies. The dominant, collective understanding of materiality within the integrated reporting participant group further challenges existing critical materiality literature that presents materiality as a fractured and contested concept. This research has further implications for integrated reporting practice, as the integrated reporting participants rely on their own subjective understandings of materiality to inform their materiality processes and stakeholder engagement, as opposed to referencing available integrated reporting guidance.

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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Ambiguous, complex, subjective, objective, technical-rational. Hidden, contested, protectionist, iconic, and universally understood. These are some of the conflicting terms used within the literature to describe, or characterise the fractured and conflict laden concept and processes of materiality. This research is informed and influenced by critical perspectives that express concerns over the limited degree of openness, transparency, and indeed debate, over materiality determination processes, and the role of stakeholders and stakeholder inclusivity within these processes. The so called 'veiled' workings of materiality have led to concerns that the concept may be used to stifle the reporting of information that might otherwise be of significance to stakeholder groups and shield questionable accounting, reporting and assurance practices (Edgley, 2014; Edgley, Jones & Atkins, 2015). In seeking to 'open up' materiality determination processes and the role of stakeholders within them, this research aims to make visible a crucial reporting and assurance concept that Unerman and Zappetini (2014) argue has been largely overlooked by (critical) researchers within social and environmental accounting and reporting research. More specifically, the purpose of this research is to examine how preparers, consultants, and assurers, who I establish in this thesis are in a position of greater relative power in integrated reporting materiality determination processes (hereafter referred to as materiality processes), perceive the roles of stakeholders within integrated reporting materiality. I discuss the objectives of this research in more depth in section 1.4.

My own personal experiences of confusion of what materiality means and what it means to 'do' materiality, gained through experience as a financial assurer in New Zealand, form the

personal motivation for the research. Although materiality was central to almost every task that I was assigned to as an assurer of financial information, I began to question *what* and *why* it was determined the way it was. And, importantly, *how* materiality was determined with very little, if any, observable regard to the users of financial statements who would be educated in the financial performance and prospects of the organisation I had a hand in assuring. I began to question the emphasis on the role of professional judgement in determining an appropriate materiality, and decisions about materiality made on behalf of report users without knowledge or apparent concern for the needs of the shareholders and other stakeholders for whom the report was intended. I began to question the assumption that ‘the accountant knows best’, and that if the accountant considered an event, issue, figure to be ‘material’ then it must be, with little to no debate and dialogue with holders of alternative perspectives. In other words, I struggled to comprehend the ambiguous (Edgley, 2014) and paternalistic (Roberts & Dwyer, 1998) materiality that I had been introduced to in my studies, and began to question the extent of the influence and dominance of a singular voice within materiality determination processes.

The inclusion of materiality within other, nonfinancial¹ forms of reporting and assurance caused me further concern². I was concerned with how the appropriation of materiality, a concept and process so intrinsically entwined with the protection and promotion of the financial accounting profession (Dumay, Frost & Beck, 2015; Roberts & Dwyer, 1998) could be conceptualised and developed within a nonfinancial reporting space (Canning, O’Dwyer, & Georgakopoulos, 2019; O’Dwyer, 2011). For Busco, Frigo, Riccaboni and Quattrone (2013) and Unerman and Zappetini (2014), it is the complexity of nonfinancial reporting disclosures

¹ Within this research the term ‘nonfinancial’ denotes accounting, reporting, and assurance that captures and presents externally reported information, issues, events that fall outside of traditional external financial accounting, reporting, and assurance (including, though not necessarily limited to, social and environmental, and sustainability accounting and reporting). Financial accounting, reporting, and assurance is understood to be captured through and guided by international and local financial reporting and assurance frameworks, standards, and guidelines.

² These reflections were influenced and informed by exposure to social and environmental accounting and reporting in my final year of university study, just prior to taking up a position as an accountant in financial assurance.

that makes materiality significant as an area for future research. Puroila and Mäkelä (2019, p. 3) further argue that the introduction, rather than appropriation, of materiality in nonfinancial reporting challenges the narrow scope and the dominance of shareholder interests within financial materiality through “enabling explicit discussion and dialogue on what is considered relevant ... information in which context.” Through an empirical examination of subjective meanings of materiality within integrated reporting in New Zealand, this research opens up the ‘veiled’ and ‘protected’ workings of a pervasive accounting, reporting and assurance concept (Corporate Reporting Dialogue et al., 2016), contributing to the emerging, critical materiality debate. Integrated reporting potentially enables more inclusive forms of materiality and, by extension, reporting and assurance through explicitly forwarding stakeholder engagement within materiality processes. The potential to examine the perceptions of ‘other’ voices in materiality processes adds a further layer of complexity to the research and builds on Puroila and Mäkelä (2019) and other critical arguments for stakeholder inclusivity within reporting (and assurance) processes (Cooper & Owen, 2007; O’Dwyer, Unerman, & Hession, 2005; Owen, Swift, Humphrey, & Bowerman, 2000).

Within this chapter I introduce and argue the significance of this research. I begin to ‘set the scene’ through discussing the emergence of integrated reporting and how it forms the site of analysis in the following section. Further in the chapter I situate the research within the critical materiality debate and introduce the theoretical perspective of the research. I present the objectives of the research, and introduce the methodological underpinning and the methods employed to respond to the research objectives. I also discuss the intended contributions, and provide an outline of the structure of the thesis.

1.2 The research site

Integrated reporting, directed by the International Integrated Reporting Council (the IIRC) and supported by the International Integrated Reporting Framework (hereafter, the Framework) is a reporting movement gaining considerable industry attention and momentum in reporting practice (Conradie, 2014; de Villiers, Rinaldi, & Unerman, 2014, KPMG, 2017). Heralded as the future of organisation reporting, integrated reporting attempts to move organisations towards a forward looking, strategic and value oriented approach to external reporting, with a focus on integrating³ financial and nonfinancial ‘capitals’⁴ within a singular reporting format (IIRC, 2013c). Of particular significance to this research is the importance the Framework places on directly and explicitly engaging stakeholders within materiality processes.

The IIRC present integrated reporting as a *disruptive* change in the reporting landscape (IIRC, 2019). The intent of the IIRC, self-described as a “global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs [non-governmental organisations]” (IIRC, 2013c, p. 1) is to significantly reform ‘traditional’ accounting and reporting, disrupting the corporate financial reporting norm through the creation of, and the envisaged replacement of conventional annual reports and reporting frameworks with “a globally accepted framework for accounting for sustainability” (The Princes Accounting for Sustainability Project & Global Reporting Initiative, 2010). The IIRC, together with its original partners The Prince’s Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI), conceived a report that brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format – put briefly, in an “integrated format” (The Princes Accounting for Sustainability Project & Global Reporting

³ Though the IIRC and the Framework explicitly identify the connectivity and integration of financial and nonfinancial ‘capitals’ as a distinguishing feature of integrated reporting, it is worth commenting here that the vast majority of integrated reporting literature falls within the nonfinancial accounting, reporting and assurance literature.

⁴ The Framework (IIRC, 2013c) presents six capitals: financial, manufactured, intellectual, human, social and relationship, and natural.

Initiative, 2010). What has arguably developed, through the publication of a discussion paper *Towards Integrated Reporting – Communicating Value in the 21st Century* (IIRC, 2011) in 2011 and the eventual release of the Framework in 2013 (IIRC, 2013c), is a framework that appears to privilege neoliberal framings of sustainability (Lai, Melloni, & Stacchezzini, 2014; Thomson, 2015) and promote organisation ‘value’⁵ as “the next step in the evolution of reporting” (IIRC, 2013c, p.1).

The stated primary purpose of producing an integrated report is to explain to the providers of financial capital (interpreted by Flower (2015) and Milne and Gray (2013) as an organisation’s shareholders) “how an organization creates value over time” (IIRC, 2013c, p. 4). Though an integrated report is explicitly identified as targeting this particular audience and their assumed user needs, the Framework further postulates that 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, 2013c, p. 4). However, from the principles conveyed within the Framework itself it is unclear how and to what extent these specifically named stakeholder groups ‘benefit’ from understanding an organisation’s value creation model.

Burke and Clarke (2016), Churet and Eccles (2014), Eccles and Krzus (2010), and Higgins, Stubbs, and Love (2014) praise integrated reporting as an innovative reporting change in the ‘right’ direction, arguing integrated reporting represents a ‘shift’ away from the shareholder centric, largely financial view toward both internal strategy and external reporting that is identified as currently prevalent in traditional corporate reporting. However, other more critical researchers appear less optimistic about the potential of integrated reporting as presented in the Framework to ‘shift’ reporting away from the business case approach to reporting, or

⁵ The IIRC shies away from explicitly defining ‘value’. The Framework states value is “not created by or within an organization alone. It is: Influenced by the external environment; Created through relationships with stakeholders; Dependent on various resources.” (IIRC, 2013c paragraph 2.2).

meaningfully influence or reform reporting practices or organisation perspectives toward sustainability⁶ (see Atkins and Maroun (2015), Thomson (2015), Tweedie and Martinov-Bennie (2015)). Despite the IIRC attempting to differentiate integrated reporting from sustainability reporting/reports and thus create distance between integrated reporting and broader sustainability debates (IIRC, 2013c; IIRC, 2019), Tweedie and Martinov-Bennie (2015, p. 50) argue that as the IIRC is an “institutional product” stemming from sustainability reporting conventions, it is subject to legitimate sustainability critique. Milne and Gray (2013, p. 20) argue that integrated reporting “has virtually nothing – and certainly nothing substantive – to say about either accountability or sustainability” describing the integrated reporting discussion paper as “a master of obfuscation and avoidance of any recognition of the prior 40 years of research and experimentation”. Brown and Dillard (2014) similarly argue that integrated reporting as presented in the Framework makes no attempts to engage with prior critiques of nonfinancial reporting, particularly from a stakeholder accountability perspective, while Flower (2015) goes so far as to assert that the IIRC have ‘failed’ in regards to acknowledging and forwarding social agendas and stakeholders interests and empowerment.

While integrated reporting is identified by Brown and Dillard (2014) as potentially opening up some areas of reporting, specifically through considering the complexity and interconnectivity of both financial and nonfinancial aspects of organisation performance, it is also perceived to potentially narrow or obstruct a multiplicity of voices in the reporting process. In suggesting that integrated reporting represents a “triumph of the realists”, Flower (2015, p. 15) argues that integrated reporting, as presented in the Framework, serves to perpetuate and reinforce rather than challenge the status quo, thus reproducing narrow ideological business case framings of financial and nonfinancial reporting and environmental sustainability. As Thomson

⁶ The Brundtland Report definition of sustainable development is commonly cited in the nonfinancial reporting literature in relation to sustainability. The Brundtland Report defines sustainable development the ability to “meet the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 43).

(2015, p. 21) comments, integrated reporting appears to be “too deeply rooted in the business case for sustainability rather than the sustainability case for business”.

Brown and Dillard (2014, p. 1134) similarly express concerns that integrated reporting “continues to privilege the interests, perspectives and values underpinning mainstream accounting”. Though stakeholders are to be considered by report preparers throughout the Framework, the singular intended audience of an integrated report as presented by the Framework is the providers of financial capital, for the purposes of enabling a “more efficient and productive allocation of capital” (IIRC, 2013c p. 2). For Brown and Dillard (2014, p. 1132), an investor focus emphasises stakeholder management over legitimate stakeholder inclusivity and engagement, effectively “closing down critical appraisal outputs necessary for taking multiple perspectives and value conflicts seriously”.

As outlined in the Framework, stakeholders are to be engaged within the materiality guiding principle and materiality determination guidelines. Key stakeholders are described as significant in determining substantive ‘relevant matters’ to be disclosed (IIRC, 2013c). However, stakeholder relationships are considered within the framework from a ‘value added’ perspective. The materiality guiding principle similarly emphasises the importance of events and impacts from a value perspective: “An integrated report should disclose information about matters that substantively affect the organisation’s ability to create value over the short, medium and long term” (IIRC 2013c, paragraph 3.17). Risks, outcomes and opportunities that affect or have the potential to affect an organisation’s ability to create value are emphasised throughout the materiality guiding principle. The concept of a ‘reporting’ boundary further stresses the importance of prioritising the information needs of financial capital providers through the narrowing of stakeholders to be considered within materiality processes to immediate employees, customers, suppliers, business partners, communities and ‘others’. This description of materiality is reflective of the value creation focus of the Framework and represents a departure from other nonfinancial oriented guidelines (such as those produced

by AccountAbility and GRI) that consider materiality and materiality processes from a stakeholder perspective (AccountAbility, 2008; GRI, 2013).

However, as Brown and Dillard (2014) identify, the Framework attempts to acknowledge some of the complexities inherent in current organisation practices by placing organisations within the wider social and natural environments in which they operate and recognising the significance of stakeholder relationships (see also Adams, 2015; Simnett & Huggins, 2015). Rinaldi, Unerman, and de Villiers (2018, p. 1306) further suggest that the journey of integrated reporting is not yet 'complete', and that without "considering the journey in its entirety, it is difficult to understand the effects of IR [integrated reporting] and the extent to which practices and tactics at different stages of the IR journey may have contributed to changing the field".

This research explores perceptions of stakeholders and their roles within materiality processes at a time where integrated reporting processes are fluid and in a stage of development (Rinaldi et al., 2018). The inclusion and acknowledgement of interconnectivity between financial and nonfinancial 'capitals' within the Framework brings together financial and nonfinancial aspects of materiality in a way that has not been explicitly approached before. This potential for a shift in the reporting and assurance landscape (Adams, 2015; de Villiers et al., 2014; Simnett & Huggins, 2015) provides an opportunity to explore potential changes or developments in meanings, processes, and significantly perceptions towards stakeholders and their roles as they advance. I now position the proposed research within the critical materiality and stakeholder literature, and introduce the theoretical positioning of the research.

1.3 Situating the research within the literature

I position this research within critical debates that recognise and seek to challenge the dominance of organisations and the accounting profession within materiality and materiality processes (Dumay et al., 2015; Edgley, 2014; Roberts & Dwyer, 1998). In taking this position I acknowledge arguments presenting materiality as contested and evasive, eluding decisive definition and codification (Edgley, 2014; Roberts & Dwyer, 1998). Within this thesis I explore materiality as purposefully 'hidden' and protected by the accounting profession to further isolate stakeholder groups and legitimise and promote the accounting profession and their role as 'experts' (Dumay et al., 2015; Edgley, 2014; Houghton, Jubb, & Kend, 2011; Iyer & Whitecotton, 2007; Roberts & Dwyer, 1998). I further consider debates that consider materiality as an inherently political mechanism used by managers and people working on behalf of organisations together with the accounting profession to promote a singular voice and strategic agenda, particularly through nonfinancial reporting (Dumay et al., 2015; Roberts & Dwyer, 1998), creating and disseminating a 'myth' as an absolute truth (Brown, 2009).

I further position this research within literature arguing for and promoting the emancipation of stakeholder rights and specifically voice within external reporting and external reporting processes (Andon, Baxter, & Chua, 2015; Edgley, Jones, & Solomon, 2010; Passetti, Bianchi, Battaglia, & Frey, 2017). In doing so, I identify with 'radical', critical dialogic debates (Brown & Fraser, 2006) that acknowledge and attempt to disrupt power imbalances within stakeholder-manager relationships. I situate this research within broader critical dialogic (and monologic) accounting debates. Specifically, I consider Freirean-informed dialogic accounting as central to the theorisation of stakeholder inclusivity and the stakeholder-preparer/consultant/assuror relationships within this research.

1.4 Introducing the theoretical perspective

Characterising mainstream nonfinancial and financial reporting practices as monologic, Brown (2009) argues that current accounting and reporting practices reject the validity of multiple perspectives and the complexities and power dynamics within manager/stakeholder relationships. Financial reports in particular are presented as an implicit, all encompassing ‘truth’ with the “facts speaking for themselves... delimit[ing] the parameters of debate and deny[ing] voice to alternative (often critical) perspectives” (Brown, 2009, p. 316). For Brown (2009, p. 317), accountants “unavoidably “make the world mean” through their interpretations”, meaning that the accounting for, and the reporting of, a singular perspective inherently denies the reporting of and for other, or multiple perspectives. Thus monologic accounting and reporting provides a mechanism for report preparers to “entrench their meanings and preferences and (wittingly or unwittingly) to “universalise” their partial positions” (Brown, 2009, p. 316). By contrast, critical dialogic accounting rejects a universal dominant narrative – seeking to legitimise a diversity of perspectives within accounting, reporting, and assurance (Bebbington et al., 2007; Brown, 2009; Brown & Dillard, 2014; Edgley et al., 2010). Through a critical dialogic lens, accounting, reporting, and assurance is reconceptualised as a “means of breaking down hegemonic discourse” (Edgley et al., 2010, p. 536), and a means to challenge and transform, or move away from, dominant neoliberal and business case logics that inform current (monologic) accounting, reporting, and assurance practices.

I position the research within critical theorisations of dialogic accounting and engagement (Bebbington et al., 2007; Brown, 2009; Brown & Dillard, 2014, 2015; Brown, Dillard & Hopper, 2015; Thomson & Bebbington, 2004, 2005), drawing and building on the work of Freire (1970/2005)⁷ within this literature (Contrafatto, Thomson, & Monk, 2015, Denedo, Thomson, & Yonekura, 2017; Solomon & Darby, 2005; Thomson & Bebbington, 2004; 2005). Freire’s

⁷ The revised edition of *Pedagogy of the Oppressed* which I cite in this thesis was published in 2005.

(2005) conceptions of banking and dialogic education explore the antagonistic relationship between the 'oppressed' and the 'oppressors', and the potential for disruptive social transformation of the 'oppressed' and also 'oppressors' through transformative problem posing education, praxis, and action. Freire's (2005) conceptions of dialogic education further pursue the demystification of 'reality' through breaking down and exposing the constructed 'myths' (or realities) of the oppressed that have been continually reinforced, disseminated and indoctrinated by the oppressors through societal norms. Dialogue, critical reflection and reflexivity through dialogic education are emphasised as means of achieving social transformation and emancipation from existing, dominating, social structures. As described by Bebbington et al. (2007, p. 362), dialogic education is intended to "bring about emancipatory change to a social order, using educative projects designed to facilitate conscientisation⁸ and reflexive dialogue with different actors." Dialogic education "exposes the contradictions in their lives" (Bebbington et al., 2007, p. 364) and provides a platform for critical reflection and transformative action (praxis).

In this research I draw inspiration from Bebbington et al. (2007), Brown (2009), and Brown and Dillard (2014), building upon the role of education in critical dialogic conceptualisations of accounting and accounts in these works to frame accounts and the processes underlying their construction as inherently educative. I explicitly theorise these processes, and integrated reporting materiality processes in particular, as educative spaces where education can, and does, take place. In theorising materiality processes as educative spaces, I contend that Freire's (2005) conceptions of banking and dialogic education are both sympathetic and relevant to the current financial and nonfinancial reporting environment that integrated reporting and the participants of this research are situated within. The dialectic themes of domination and liberation, and silence and voice, underlying Freire's (2005) conceptions have

⁸ From the Portuguese *conscientização*: "learning to perceive social, political, and economic contradictions, and to take action against the oppressive elements of reality" (Freire, 2005, p.35). I explore conscientisation, the oppressor and the oppressed, and praxis further in chapter four.

particular relevance for the struggle of stakeholder concerns to be heard and taken seriously within integrated reporting materiality processes specifically.

Within this research I draw on Freire's (2005) conceptions of banking and dialogic education⁹ to critically analyse and evaluate materiality processes, and the relationships between the actors engaged in these processes. I further draw on Freire's (2005) conceptions of dialogic education to reflect on alternative framings of materiality processes that could promote and liberate stakeholders' voices. I now introduce the objectives of this research that emerge from these critical dialogic reflections on materiality processes and stakeholder inclusivity.

1.5 Research objectives

Considering 'opening up' within dia/polylogic frame, Brown and Dillard (2014, p. 1127) argue that openness concerns the way "outputs are understood and represented to wider audiences; how they contribute to opening up or closing down decision making, institutional commitments, participatory processes and public debate." Conceptually, from a Freirean-informed standpoint, to 'open up' is to move away from a dominant monologic reality that rejects the validity of a diversity of perspectives, towards a reality that lends to the facilitation of dialogue, legitimising diverging and competing perspectives, and is educative: encouraging critical thinking and reflection (praxis) that leads towards transformation or change (Freire, 2005). Within this research I consider 'open up' and the process of 'opening up' within these dialogic debates.

⁹ I interpret Freirean-informed dialogic accounting as dialogic accounting drawing specifically on Freire's (2005) conceptions of banking and dialogic education within the wider dialogic and monologic framing of accounting and reporting.

Through this research I aim to make visible materiality and materiality processes that lead to the dissemination of a singular dominant 'truth' by those in a position of relative power within materiality processes (Brown, 2009; Freire, 2005). I further aim to explore the perceptions of the role of stakeholders and stakeholder inclusivity from those in a position of relative power to consider whether, and to what extent, the integrated reporting context allows materiality processes to 'open up' to stakeholders. I then draw on Freire's (2005) conceptions of banking and dialogic education to critically evaluate and analyse relationships and interactions within materiality processes. Lifting the materiality 'veil' of those in a position of greater relative power within materiality processes is significant for this research as understandings of the concept of materiality, and the perceptions of stakeholders within those understandings, in turn influence materiality processes, and the 'openness' of these processes for stakeholders. In this sense, this research is not necessarily comparative, i.e. it does not consider whether integrated reporting 'opens up' materiality processes more or less than other financial and/or nonfinancial contexts for stakeholders. Rather, I intend to focus on whether integrated reporting itself allows for dialogue, legitimating diverging and competing perspectives, and facilitating critical education.

I articulate the aims of this research in the following two research objectives:

Research objective one: To investigate whether, and to what extent, materiality determination is 'opened up' to stakeholders within the integrated reporting context.

This research objective is addressed through the following research questions:

- 1(a) What are integrated reporting preparers, consultants, and assurers understandings of the materiality concept?
- 1(b) What are preparers, consultants, and assurers integrated reporting materiality determination processes? And how do these processes relate to preparers, consultants, and assurers understandings of the materiality concept?
- 1(c) Who do integrated reporting preparers, consultants, and assurers identify and recognise as stakeholders within materiality determination processes?
- 1(d) How are stakeholder roles perceived and stakeholders included by integrated reporting preparers, consultants, and assurers within materiality determination processes?

Research objective two: To draw upon Freirean conceptions of banking and dialogic education to critically evaluate and analyse whether, and to what extent stakeholder voice is liberated within integrated reporting materiality determination processes.

The theoretical and methodological underpinnings of this research explicitly recognise the influence of (asymmetrical) power, domination and also education and language in the construction of social reality and the people who live within it (Alvesson & Deetz, 2010). I now discuss the methodological ethos of the research, researcher reflexivity, and the methods engaged to address the research objectives.

1.6 Methodological stance, reflexivity and method

Moon and Blackman (2014, p. 1167) identify three fundamental elements of research: ontology, “what exists in the human world that researchers can acquire knowledge about”; epistemology, “how knowledge is created”; and philosophical perspective, “the philosophical orientation of the researcher that guides her or his action”. In this section I briefly address my ontological and epistemological position, and relate this position to the methodology underpinning this research.

As Moon and Blackman (2014) describe, ontology relates to the nature of the world and the nature of reality – and, in turn, what can then be ‘known’ about the world and about reality (Moon & Blackman, 2014; Guba & Lincoln, 1994). Relativism is based on the belief that no one ‘true’ reality exists, and that reality is experienced in the human mind. As reality is experienced through the human mind, it is thus not static or objective; rather, “reality is relative according to each individual who experiences it at a given time and place” (Moon & Blackman, 2014, p. 1170). This is in contrast to realism, which holds that there is one single ‘true’ reality that exists independent of human experience (Moses & Knutsen, 2012). For example, when considering the concept and processes of materiality, realists would argue that materiality is universally defined and experienced. In this research I identify with a relativist ontology, and

believe that as reality is experienced in the human mind, individuals define and experience the concept and processes of materiality differently.

Crotty (1998) argues that to talk of meaning is to talk of meaningful reality. If reality gains meaning through knowledge, epistemology relates to what constitutes knowledge, how knowledge is created, and what it is then possible to 'know' (Moon & Blackman, 2014). An individual's epistemological position is significant within research as it informs how the researcher seeks to acquire knowledge. I identify with a constructionist epistemology that posits that humans construct knowledge through their engagement with, and interpretation of, the world. Moon and Blackman (2014, p. 1172) consider constructionist research to have particular value in "generating contextual understandings of a ... topic or problem" and understanding how experiences in turn shape perceptions on the world. Different people may experience the same phenomena (materiality concept and processes, for example) in different ways, as experience is informed by cultural, social and historical perspectives (Moon & Blackman, 2014).

My personal ontological and epistemological position frame how I understand the world and reality, and what can be 'known' about that reality. These positions in turn have consequences for this research, in that they direct but also constrain the methodological approaches taken, and the research aims, objectives and questions that can be asked. Through seeking to both open up and make visible 'veiled' and 'protected' workings of materiality, and explore the potential for liberation of stakeholder voice within materiality processes, this research draws on a methodological stance inspired by the philosophies of critical theory. For Alvesson and Sköldbberg (2009, p. 110) critical theory is "characterized by an interpretative approach combined with a pronounced interest in critically disputing actual social realities". In line with my personal ontological and epistemological position described above, critical theory rejects the notion of an objective, independent reality, considering that consciousness is instead both constructed and constricted by multiple, domineering ideological social constructs within which

interactions occur (Agger, 1998; Alvesson & Willmott, 2003; Held, 1990; Morrow & Brown, 1994). This methodological stance argues the existence of complex, hidden power structures within ideological constructs restrict and subjugate certain groups (Agger, 1998; Held, 1990; Morrow & Brown, 1994). From this position, the role of the researcher is to make these domineering ideological structures visible, and in doing so challenge and critique “the presuppositions of approaches to the nature of reality, knowledge and explanation” (Morrow & Brown, 1994, p. 7).

Morrow and Brown (1994, p. 7) identify an important dimension of critical research “is associated with the self-reflexivity of the investigator”. For Shaw (2010, p. 234) reflexivity “is an explicit evaluation of the self”. This methodological stance acknowledges the voice of the researcher within the research, and specifically the importance of iterative reflexivity throughout the course of the project to lay open the preconceptions, assumptions, and situated knowledge of the researcher. As I identified earlier in the chapter, this research carries a personal motivation based on my own experiences, frustrations and confusion with materiality within financial assurance. I further acknowledge that these experiences have shaped to some extent how I came to understand materiality and materiality processes. However, I recognise that my experience did not involve engaging with a reporting organisation’s stakeholders beyond the occasional ‘theoretical’ engagement with the opinions of the shareholders of the organisation being assured (e.g. at times I would consider what would the shareholders think or do if they became aware of certain information).

Throughout the course of this research, I came to realise (like I am sure many other PhD students experience) that my personal understandings of what I thought I knew were challenged and affected as the research continued to develop. Specifically, my ideals of what materiality could (or perhaps should) be and mean were challenged, and my notions of what a materiality process is were expanded. I reflect on my role and influence as the researcher further in chapter five. However, I recognise here that my analysis and interpretations may be

one possible position, and that other interpretations may exist (Alvesson & Deetz, 2010; Alvesson & Skoldberg, 2009). Reflective processes have been a key component and personal experience of my research journey thus far. I have also placed specific emphasis on clearly articulating the methodological stance, the research design and the research design decisions made, the assumptions underlying the research methods used, and how I used them in this research, and the methods of analysis. Through engaging with reflective processes throughout this research, being open and clear about my role and influence throughout the research process, and emphasising clarity in theoretical and methodological approaches, I propose that the analysis and interpretations drawn are 'reasonable'.

Bebbington et al. (2007, p. 370) emphasise that undertaking a dialogic approach does not "preclude engagement with those who currently hold power". Freirean dialogics (Bebbington et al., 2007, p. 370) recognises that as the oppressed are caught within a constrictive social structure, so are the oppressors "sowing the seeds of their own destruction". In seeking to open up meanings, Freirean-informed dialogics recognises and legitimises a plurality of perspectives. However, there is value in undertaking a dialogic approach to open up not just those marginalised voices of the oppressed, but also to uncover and expose the voices of the oppressors (Bebbington et al., 2007).

In this research I engaged with integrated reporting preparers, consultants, and assurers who, I establish, hold a position of greater relative power within materiality processes. Specifically, I engaged organisation preparers, consultants (hired by organisations to design and run materiality processes) and assurers directly involved, and with knowledge of, materiality processes as participants in this research. Through engaging with these specific groups I aim to make visible how those who hold a position of greater relative power within materiality processes understand materiality and materiality processes, who they perceive as stakeholders and why, and how they perceive stakeholder engagement and the role of stakeholders within materiality processes. The decision to engage with those in a position with

greater relative power as opposed to those who could be viewed as in a position of lesser power (stakeholder groups, for example) is reflective of the aims of this research. That is, to make visible materiality understandings and materiality processes, and critically evaluate and analyse the perceptions of those in a position to create and disseminate a dominant 'truth' through materiality processes.

To achieve the research objectives, I focused on methods that would acknowledge and unveil contested, multiple meanings of the materiality concept and allow for power imbalances within materiality processes and stakeholder engagement to be captured and critiqued. I employed two research methods that are further discussed in chapter five: Q methodology with integrated report preparers, consultants, and assurers, and semi structured interviews with integrated report preparers, consultants, and assurers.

Each of the two methods were used to respond to research objective one and the related research questions. Q methodology and semi structured interviews captured subjective understandings of the materiality concept and perceptions of materiality processes and stakeholder inclusivity respectively. The response to research objective two draws upon the learnings from research objective one findings to critically evaluate and analyse current materiality and explore how Freirean-informed dialogic framings can liberate stakeholder voice.

1.7 Intended contributions

I intend, through this research, to contribute to the areas of literature, theory, method and practice. In this section, I outline the intended contribution to each of these areas.

In explicitly framing reporting as an educative space and a space where educational encounters takes place (as set forward in section 1.3), I set out to further dialogic accounting debates that have alluded to reporting itself as an educative practice (Bebbington et al., 2007; Brown, 2009; Brown & Dillard, 2014). Specifically, I set out to argue that materiality processes within reporting regimes is a crucial part of a wider pedagogic project where dialogic education can and does take place. In framing materiality processes as an educative space, I seek to further contribute to dialogic accounting through the Freirean-informed framing of the relationships between integrated report preparers and assurors and the stakeholders whom they choose to engage, who I argue, through a Freirean-informed lens, are in a position of lesser power and influence. The theoretical framing of this relationship provides a foundation to further critically evaluate and analyse the openness of materiality processes and provides a position from where I suggest dialogic alternatives to stakeholder engagement in order to ‘transform’ stakeholder voice within materiality processes.

This research aims to contribute and extend the critical materiality debate. I intend to add to this debate through empirically unveiling and analysing the meaning of materiality, defined in the literature as fractured, ambiguous and contested. I set out to make a further contribution to critical accounting method through the design of Q within the research, extending the work of Byrch, Milne, Morgan, and Kearins (2015) whose typologies of sustainable development were previously developed and referenced in Hopwood, Mellow, and O’Brien (2005). Through utilising Q, I seek to uncover subjective understandings of the materiality concept – without preconception or drawing upon existing nonfinancial and financial literature to frame or name the subjective understandings that are uncovered. In doing so I draw inspiration for this approach from literature outside of the accounting discipline (Barry & Proops, 1999; Davies & Hodge, 2007; van Eeten, 2001; Webler, Tuler, & Krueger, 2001), particularly the reflexive climate change policy work of Ockwell (2008). I further seek to contribute to critical accounting method through extending Brown and Dillard’s (2014) argument of Q as a ‘pluralist’ method through placing emphasis on the possibilities Q opens up for further reflection and debate,

acknowledging yet critically challenging the meaning(s) of materiality that emerge through the application of Q.

Through uncovering materiality processes, I also set out to make a contribution to integrated reporting and assurance practice. The contributions in this area are twofold. First, through shedding light on materiality processes, and the role of stakeholders within this process, I aim to make these processes visible to the preparers, consultants, and assurers I engaged with for this research and also visible to other integrated reporting preparers, consultants, and assurers who were not engaged in this research. It is hoped that this visibility, together with the Freirean-informed framing of alternative framings of materiality processes, will be of value in establishing a best practice model of stakeholder inclusive materiality processes for current and future reporters and assurers. The second contribution I set out to make regards the influence and usefulness of the Framework itself. Analysis of the intentions of the Framework versus the implementation of the framework in 'practice' may have some implications for the IIRC in terms of understanding how the concepts of materiality, stakeholder engagement and materiality processes within the Framework are interpreted and referred to (or not referred to) by integrated reporting preparers, consultants, and assurers, and thus the overall effectiveness and influence of the Framework for these practitioners.

1.8 Outline of the thesis

I set out the remaining chapters of this thesis as follows: In chapter two I examine integrated reporting as the site of the research. I examine debates on the potential for integrated reporting to enable transformative change, and analyse the IIRC's conceptualisation of materiality and materiality processes through the Framework and supporting background documents to 'set the scene' for the research.

In chapter three, I review two strands of literature: the materiality literature, and the (nonfinancial¹⁰ accounting, reporting, assurance) managerial stakeholder engagement literature. I critically review understandings of the materiality concept within the extant materiality literature, and arguments for the materiality concept as ambiguous and contested. I further examine paternalism within materiality processes, and the recognition and engagement of stakeholders. I explore conceptual managerial approaches to stakeholder recognition and engagement within the literature that ‘close down’ the potential for stakeholder liberation in juxtaposition to alternative, emancipatory approaches to stakeholder inclusivity that I discuss in the following chapter. I close the chapter by explicitly identifying the ‘gaps’ within the literature that provide the foundation for this research.

In chapter four, I discuss Freire’s (2005) conceptions of banking and dialogic education, drawing on these conceptions to define the theoretical approach of this research. I further position this research within the critical dialogic and Freirean dialogic accounting literature, and crucially frame materiality processes as educative spaces. In the following chapter (chapter five), I present the research design and how it addresses the research objectives, the research methods and how they were used, and the collection and analysis of the research data.

I present the empirical findings relating to the first research objective in chapters six and seven. In chapter six I respond to research questions 1(a) and 1(b), analysing the integrated reporting participants’ understandings of materiality, materiality processes, and how materiality understanding(s) in turn influence these processes. In chapter seven I respond to research questions 1(c) and 1(d), presenting analysis for the identification and recognition of

¹⁰ As integrated reporting is debated largely within the nonfinancial literature, I also focus my discussion of stakeholder engagement within this broader literature.

stakeholders within materiality processes, and the integrated reporting participants' perceptions of stakeholder roles within these processes.

In chapter eight I draw on my learnings from the findings presented in chapters six and seven to respond to the second research objective. I draw on Freire's (2005) conceptions of banking and dialogic education to critically evaluate and analyse the extent to which stakeholders and their voices are liberated within materiality processes. I suggest a Freirean-informed dialogic accounting way forward that promotes stakeholder agenda(s) and voice(s).

I conclude the thesis in chapter nine through summarising and reflecting on the responses to the research objectives, and highlighting the contributions this research makes to knowledge. In this chapter I also further deliberate on the limitations of the research and provide suggestions for areas for future research.

CHAPTER TWO: INTEGRATED REPORTING: SETTING THE SCENE

2.1 Introduction

The purpose of this chapter is to ‘set the scene’ for integrated reporting as the site of analysis for this research. I begin to ‘set the scene’ through an examination of the reporting environment that integrated reporting falls within and the IIRC is attempting to ‘disrupt’ (section 2.2). I then discuss the IIRC’s positioning of integrated reporting as a transformative reporting movement in section 2.3. I present and discuss debates within the literature that critique the IIRC’s transformative arguments and the potential for integrated reporting to enable change at both the nonfinancial reporting (‘global’) and organisation (‘local’) level. In section 2.5 I examine materiality and materiality processes as conceptualised by the IIRC, and then provide a summary to conclude the chapter (section 2.6).

2.2 The (nonfinancial) reporting environment

Financial accounting and reporting is intrinsically embedded within neoliberal ideology, mass industrialism, and globalised markets (Gray, 2006; 2010; Tschopp & Nastanski, 2014) – a socio-political environment which Gray (2006, p. 793) argues is “essentially designed to maximise environmental destruction and [erode] any realistic notion of social justice”. From this perspective traditional financial accounting and reporting ignores the “social costs of environmental pollution, of resource exhaustion, of... cultural or ethical value” (Milne, 1996, p. 135) focusing instead on providing largely economic information for the narrow purposes of aiding financial investment decision making (Beets & Souther, 1999; Gray, 2010; Milne, 1996; Owen et al., 2000). As expressed by Gray (2006, p. 798): “Accounting [and reporting]

produces a social construction of a world of precision and accuracy, of measurement and rationality, of bleakness and inhumanity”.

For Gray (2006, p. 794) the “implicit assumptions of financial reporting and those of social, environmental and sustainability reporting derive from fundamentally different views of the world”. However, the critical nonfinancial reporting literature argues that the nonfinancial reporting environment is dominated by neoliberal ideology and business case logics (Brown & Dillard, 2014; Flower, 2015; Gray, 2010; Spence, 2007), and is defined through contestation and tension. Nonfinancial reporting is considered by organisations to the extent that it may hold relevance for achieving and supporting strategic economic objectives and maintaining organisation legitimacy (Bebbington, 1997; Bebbington et al., 2001; O’Dwyer, 2002; 2003; Owen et al., 2000; Spence, 2007). Asymmetrical power relations characterise stakeholder/organisation relationships (Brown, 2009; Brown & Dillard, 2014; Levy, Brown, & de Jong, 2010, Owen, 2008), and diverse stakeholder perspectives tend to be avoided and/or excluded as nonfinancial reporters are seen to use nonfinancial reports to manage stakeholder relationships and promulgate their singular, dominant reality or ‘truth’ (Brown 2009; Milne & Gray, 2013; Spence, 2007; Thomson & Bebbington, 2005). Critical researchers express concern over the degree of completeness, reliability, representativeness and transparency of nonfinancial reports produced by organisations that use nonfinancial reports to forward their own narrow understandings of sustainability, stakeholder responsibility, and their own interests (Milne & Gray, 2013; Milne, Tregidga, & Walton, 2009; Tregidga, Milne, & Kearins, 2014). Critical researchers further question the capacity of economic oriented organisations to positively participate in forwarding a socially, environmentally sensitive (and sustainable) agenda (Beets & Souther, 1999; Cooper, 1992; Gray, 2010; Milne, 1996; Milne & Gray, 2013; Milne, Kearins, & Walton, 2006; Tregidga et al., 2014).

Within this nonfinancial reporting environment, integrated reporting emerges as the latest in a long line of proposed reporting reforms¹¹ that have attempted to challenge the dominance of financially oriented accounting and reporting, and neoliberal, business case framings of social, environmental, and sustainability accounting and reporting. Spence (2007, p. 855) argues that the dominance of the business case within the nonfinancial reporting environment “appears to shape and constrain the ideologies that underpin and are communicated through SER [social and environmental reporting]”. Similarly, Brown and Dillard (2014, p. 1136) suggest:

We consider a fundamental rethink of accounting theory, policy and practice is required if accounting is to take sustainability issues relating to human well-being, social justice and ecological integrity seriously. Otherwise it risks continuing to legitimate the very ideas, systems and structures – those focused on shareholder primacy and neo-classical economic understandings – that should be questioned.

Considering the arguments put forth by Spence (2007) and Brown and Dillard (2014), for integrated reporting to *disrupt* the nonfinancial reporting environment it needs to challenge and ultimately ‘transform’ the business case and the neoliberal ideologies that direct and shape nonfinancial reporting. In the following section I discuss integrated reporting and the transformative change debates within the extant literature.

2.3 Integrated reporting and transformative change

Through framing integrated reporting as a *disruptive* reporting movement, the IIRC explicitly attempts to differentiate integrated reporting from sustainability and other forms of nonfinancial reporting. It explains on its official website:

Generally, sustainability reports cater to a broad stakeholder base and communicate organizational impacts on the economy, the environment and society. By contrast, an integrated report explains to providers of financial capital how the organization creates

¹¹ Thomson (2015 p. 19), for example, identifies “The Corporate Report (ASSC, 1975), Corporate Social Accounting (Estes, 1976), Making Corporate Reports Valuable (ICAS, 1988), The Greening of Accountancy (Gray, 1990) and more recently the Global Reporting Initiative and Connected Reporting Framework” as previous proposed reporting reforms bearing some similarities to integrated reporting.

value over the short, medium and long term. Notably, the integrated reporting movement was founded on the premise that traditional financial reporting, with its disproportionate emphasis on historical financial statement performance, provided an incomplete picture of the organization's ability to create and preserve longer term value. Integrated reporting, therefore, extends the scope of the core investor document beyond financial capital to also reflect the influence of human, intellectual, manufactured, social and relationship, and natural capital (IIRC, 2019).

Despite the IIRC's attempts to position integrated reporting as distinct from reporting for sustainability (or as the next evolution thereof) (Adams, 2015; Humphrey, O'Dwyer, & Unerman, 2017), much of the research and commentaries within the extant literature bring integrated reporting into the broader sustainability reporting debate (see, for example: Brown & Dillard, 2014; de Villiers et al., 2014; Flower, 2015; Gibassier, Rodrigue, & Arjales, 2018; Jensen & Berg, 2012; McNally & Maroun, 2018; Stubbs & Higgins, 2014; Thomson, 2015; van Bommel, 2014). Tweedie and Martinov-Bennie (2015, p. 50) argue that although an integrated report is *not* a sustainability report, "the IIRC is an institutional product of the sustainability reporting tradition" (given that it was founded by the GRI and A4S), thus integrated reporting is legitimately subject to critique on sustainability grounds" (also see: Flower, 2015; Humphrey, O'Dwyer, & Unerman, 2017, Thomson, 2015; Unerman & O'Dwyer, 2007). Given the prominence of stakeholder inclusivity within sustainability (and other forms of nonfinancial) reporting (and increasingly assurance) literature (see, for example: Brown 2009, Brown & Dillard, 2014, Higgins et al., 2014), and the relevance of stakeholder inclusivity for this research, I explore integrated reporting and the potential for integrated reporting to enable transformative 'change' within these debates. In particular I discuss two separate but connected debates identified in the extant literature. Firstly, the potential for integrated reporting to challenge and disrupt the nonfinancial reporting environment (i.e. the 'global' level), discussed above (section 2.3.1). And secondly, how, or whether, integrated reporting change enables transformative change at the organisation (i.e. 'local') level (section 2.3.2).

2.3.1 Change at the nonfinancial reporting level

The development of the IIRC and integrated reporting from its conception in 2010 to the release of the Framework in 2013 are important contextual moments. Like Tweedie and Martinov-Bennie (2015), Flower (2015, p. 1) suggests the IIRC and integrated reporting has its roots in sustainability reporting, with the IIRC promoting integrated reporting as a 'replacement' for sustainability reports, together with "Traditional financial statements; Management commentaries; Governance and remuneration reports" (Flower, 2015, p. 3). Flower (2015) further draws attention to what he argues as similarities between the conceptualisation of integrated reporting capitals in the IIRC (2011) Discussion Paper and concepts of sustainability and sustainable development derived from the Brundtland Report. Flower (2015, p. 4) argues that the IIRC (2011) Discussion Paper "reveals that the IIRC accepted the basic tenets of social and environmental accounting: the firm's reporting should reflect the effect of **all** resources on which **society** depends for prosperity" (Flower's emphasis). In presenting this argument he draws on the following excerpt from the IIRC (2011) Discussion Paper:

[integrated reporting] reflects the use of an effect of all the... 'capitals'... on which the organization and society depend for prosperity and... communicates... the value that it [the organization] creates for investors, employees, customers and more broadly, society (IIRC, 2011, p. 5)

Flower's (2015) analysis of the development of integrated reporting uncovers a fundamental shift from early integrated reporting discourse (from the release of the IIRC (2011) Discussion Paper) to the eventual release of the Framework in 2013. Whereas earlier integrated reporting discourse (IIRC, 2011; IIRC, 2012; IIRC 2013a) appears to promote sustainability/nonfinancial reporting agenda(s), Flower (2015) strongly suggests these agenda(s) have been 'abandoned' by the IIRC in the final Framework in favour of a business case approach that privileges and promotes the agenda of the 'realists': "representatives of the accountancy profession, preparers (notably multinational enterprises) and regulators" (Flower, 2015, p. 15). Rodrigue

(2015, p.128/129), reviewing the conversation between Flower (2015), Thomson (2015) and Adams (2015), outlines Flower's specific areas of 'abandonment':

(1) IR [integrated reporting] is not about sustainability since it defines value as financial value for investors; it places no obligation to report on externalities unless it affects financial value; and it accepts (promotes?) disputable trade-offs between capitals; (2) IR does not foster meaningful stakeholder engagement and does not meet stakeholders' information needs; (3) IR has not evolved to become the promised single unifying report decreasing the corporate reporting burden; and, (4) the framework is too flexible in its reporting requirements, allowing managers to pick and choose on what they report which, Flower argues, will lead to little change in corporate reporting practices.

For Flower (2015), not only does integrated reporting 'fail' to disrupt the nonfinancial reporting environment, but the IIRC and Framework have fallen 'capture' to the 'realists' whom they first set out to challenge. The colonising of the IIRC by (financial) professional accounting bodies and the subsequent 'squeezing out' of nonfinancial and sustainability voices is a suggestion put forth by Flower (2015) to explain the intent of the IIRC and the business case positioning in the Framework.

van Bommel (2014, p. 1157) uses a sociology of worth theoretical framework to analyse emerging views on integrated reporting within what he describes as a 'heterogeneous' reporting environment. His findings suggest the integrated reporting field has fallen under managerial and professional capture: "The dialogue between the actors in the integrated reporting field seems to be strongly influenced by professionals, namely accountants and investors who, either more or less insidiously, propagate their market/industrial agendas, thereby advancing their own commercial positions" (van Bommel, 2014, p. 1178). Though he identifies that the meaning of 'integrated reporting' is at that stage not yet solidified, integrated reporting is perceived as privileging capitalist market concerns (identified as market/industrial worth) "at the expense of advancing social and environmental justice (civic/green worth)" (van Bommel, 2014, p. 1177).

The influence of professional groups within the IIRC is further empirically explored by Humphrey et al. (2017) who examine the emergence and attempts of the IIRC to

institutionalise integrated reporting and 'reconfigure' the corporate reporting field. Humphrey et al.'s (2017) findings support van Bommel (2014) and Flower (2015) through suggesting the behaviours and underlying philosophy of the IIRC (represented in the Framework) are influenced by dominant professional accounting groups that comprise the IIRC. The authors echo Flowers' (2015) areas of 'abandonment', suggesting the dominance of professional accounting 'philosophies' within the IIRC are evidenced through: the construction of an 'enlightened' long term shareholder (see also Thomson, 2015); the shift towards reporting (financial) value and capital to and for the shareholder and away from broader stakeholders and stakeholder inclusivity; the 'desertion' of sustainability rhetoric and the creation of clear boundaries between integrated reporting and other types of nonfinancial and sustainability reporting; and, the shift in positioning towards the business case, influenced by the IIRC's attempts to reduce the perceived 'threat' of integrated reporting to established financial reporting bodies (affiliated with IIRC members) and to secure ongoing support from these bodies in the future (Humphrey et al., 2017).

Thomson (2015) agrees with Flowers' areas of sustainability 'abandonment' and offers further insights into integrated reporting's potential for transformative reporting and organisational change. Thomson (2015) begins by asking how integrated reporting differs from previous attempts to challenge pervasive neoliberal framings of sustainability. He suggests integrated reporting is "an accounting-sustainability hybrid practice... that builds on the strengths of accounting, such as robust quantitative evidence gathering, relevance, materiality, reliability, comparability and assurability, to translate the sustainability discourse into a "language" understandable to organisational decision-makers" (Thomson, 2015, p. 19). Thomson (2015) identifies that integrated reporting could increase the visibility of the (financial) consequences of consuming capitals, and the integrated thinking concept could potentially change how organisations approach (siloe) processes. However, like Humphrey et al. (2017) and van Bommel (2014), Thomson (2015) argues that the emphasis placed on 'enlightened' financial investors and their (financial) information needs structurally constrains integrated reporting

from pursuing a meaningful sustainability programmatic and/or addressing power asymmetries in stakeholder/organisation relationships (see also Milne and Gray, 2013; Tweedie & Martinov-Bennie, 2015, La Torre, Bernadi, Guthrie, & Dumay, 2019).

Adams (2015, p. 23) attempts to move integrated reporting away from the sustainability debate engendered by Flower (2015) and Thomson (2015). She argues the main purpose of integrated reporting is not to advance sustainability and sustainability reporting, but to promote “a different way of thinking about corporate success and reporting”. Adams (2015) contends this way of thinking results in organisation level change from a short term to a long term financial and strategic outlook, a broader consideration of ‘value’ (beyond financial value), and a consideration of how value is created for an organisation. Adams (2015) presents her argument through a brief discussion of two of the key concepts of the Framework: value (including value to whom) and the capitals.

In considering the *meaning* of value within integrated reporting¹², Adams (2015, p .25) recognises Flower’s (2015) critique of the IIRC’s concept of value as “‘value for investors’ and not ‘value for society’”. Adams (2015) does not attempt to disagree with Flower’s (2015) position. Rather, she argues for a mutually beneficial connection between ‘value for investors’ and ‘value for society’ that appears to reiterate the business case arguments made by Flower (2015) and Thomson (2015). However, how the interests of these two groups (investors and society) are aligned is not clear in the paper, or in the Framework or supporting background papers Adams refers to (IIRC, 2013b; IIRC & Ernst & Young, 2013). Adams (2015) identifies that neither the Framework nor the supporting value background paper provide a substantive

¹² Within the Framework, value is explained as being created or manifested through interdependencies and specifically interactions between and within financial and nonfinancial oriented capitals. An example in the Framework discusses: “the maximisation of financial capital (e.g. profit) at the expense of human capital (e.g. through inappropriate human resources and policies and practices) is unlikely to maximize value for the organization in the long term” (IIRC, 2013c, p. 11). From this perspective, an integrated report then becomes a reflection of the integrated thinking process, which in turn should, under the Framework, influence managerial decision making, strategy, and long term value creation (Jensen & Berg, 2012).

definition for value or value creation, despite the inherent significance of the concept to integrated reporting. The background paper on value and value creation (IIRC & Ernst & Young, 2013) acknowledges that value means different things for different people, and in different contexts, and describes value in terms of generic themes as opposed to attempting to prescribe an overarching explanation or definition. Little guidance is provided on how to understand or interpret what value might mean, and what it might mean to *whom* within integrated reporting. The concept is not characterised within the Framework beyond the extent of “Value created by an organization over time manifests itself in increases, decreases, or transformations of the capitals caused by the organization’s business activities” (IIRC, 2013c, paragraph 2.4). However, the Framework and supporting background papers clearly identify financial investors as the ‘audience’ of value, and value is ultimately understood in financial terms:

“Providers of financial capital equate value creation with the potential for future cash flows and sustainable financial returns, but this also takes into account the importance and limitations of different forms of capital for value creation. ... Integrated reports should enable providers of financial capital to assess whether, and to what extent and how an organization’s use of, and outcomes for, all the capitals adds to financial value” (IIRC & Ernst & Young, 2013, p. 11).

Drawing on her earlier work (Adams, 2013), Adams (2015) identifies the onus of developing meaning for value in integrated reporting falls back onto the reporting organisations and “how they define value and the relevance of stakeholder views and the six capitals to their concept of value” (Adams, 2013, p. 52). How ‘value’ has been conceptualised by reporters within integrated reporting, and the consequences of these conceptualisations for reporting change is an area that remains relatively unexplored in the literature.

Adams (2015) suggests the multiple capital model promulgated in the Framework may encourage broader thinking on how value is created within organisations, and the risks that affect the process of value creation. Brown and Dillard (2014 p. 1133) also suggest that, relative to traditional accounting and reporting, integrated reporting “broaden[s] out in some respects and admit[s] a degree of complexity”. Coulson, Adams, Nugent, and Haynes (2015)

appear to agree on the potential for integrated reporting to broaden organisations' horizons, and further provides a more 'global' (versus 'local') perspective. Coulson et al. (2015, p. 304) suggest that through the multiple capital Framework the IIRC is attempting to shift capital markets "from a "financial capital market system" to an "inclusive capital market system"". This argument parallels with the IIRC's construction of the 'enlightened investor' discussed by Humphrey et al. (2017) and Thomson (2015) through suggesting that investors *need* or *want* an inclusive capital investment market. However, rather than focus on the investor(s), Coulson et al. (2015) explore this shift through an exploration of the metaphor of 'capital' within the Framework.

Coulson et al. (2015) begin by acknowledging that the IIRC have populated the Framework with the language of financial accounting, reporting, and financial capital market systems. 'Materiality' and 'reliability and completeness', for example, are terms found within financial reporting standards and are also guiding principles within the Framework (IIRC, 2013c). The authors deliberate on the appropriateness of the use of term 'capital' specifically, commenting that there is:

fear on one side that people and nature become captured by economic hegemony and their intrinsic value and sense of morality is lost, often unconsciously through symbolic violence... This reflects a fear that the predominant meaning of capital has come to be represented, quite literally, by money or assets bought for money, and that which is owned. In turn, more inclusive conceptions of capital as stores of value or wealth are seen as mere metaphors challenged by a desire for, among other things, pragmatism, reductionism and scientific management (Coulson et al., 2015, p. 291).

Thomson (2015) argues the inclusion of financial accounting language may be perceived as an attempt by the IIRC to 'translate' sustainability discourse for a primarily financial decision-making (organisation) audience. Coulson et al. (2015) takes a slightly different perspective by suggesting capital as a metaphor for "stores of value or wealth" (Coulson et al., 2015, p. 291) can bring attention to external 'capitals' identified by the Framework, their relationships and interdependencies, and "enhance accountability and stewardship for a broad set of capitals and promote understanding of their interdependencies" (Coulson et al., 2015, p. 298-299).

However, the authors are further cognisant of the dominance of the business case within integrated reporting framings and the subsequent potential for reductionism and the monetisation of external capitals the Framework identifies. Specifically, Coulson et al. (2015) argue there is increasing pressure for the monetisation of natural capital in particular (see Barter (2015) for a further discussion) and suggest *how* value is understood within integrated reporting (i.e. whether in terms of monetised value or more complex ideas of intrinsic or moral value) will in turn influence whether organisation and market interpretations of 'capital(s)' place emphasis on "commercial benefit" or "wider value systems" (Coulson et al., 2015).

Coulson et al. (2015) and Thomson (2015) suggest the potential for integrated reporting to meaningfully challenge and transform the nonfinancial reporting environment is ultimately in the hands and perceptions of organisation decision makers and their interpretation(s) and application(s) of value and the other principles of the Framework, including materiality. In the following section I explore integrated reporting literature that examines how integrated reporting informs or has changed reporting processes at the organisation (i.e. 'local') level.

2.3.1 Change at the organisation process level

In this research I investigate perceptions at the level of the preparer/consultant/assuror. However, given that materiality processes occur within organisation structures that preparers, consultants, and assurors are bound by, organisation level research provides useful insights on developing integrated reporting (and assurance) processes and the potential for reporting (and assurance) process change.

The Framework allows integrated reporting preparers and other organisation decision makers considerable flexibility on how an integrated report should be prepared, and what information might be included in an integrated report, by adopting a principle based approach rather than a prescriptive one. Integrated report preparers are left to "exercise judgement" (IIRC 2013c,

paragraph 1.10) on what is disclosed and how. The Framework does not provide concrete guidance on how, and to what extent, financial and nonfinancial capitals are to be integrated within integrated reports, or how integrated reporting 'fits' within current financial reporting and assurance practices. Though the Framework emphasises the importance of drawing connections between financial and nonfinancial capitals (such as revenue and market share, and investment in human resources), limited, generic guidance is offered on how connections between financial and nonfinancial capitals may be drawn, and value understood, qualified, and discussed. Consequently, the Framework has received criticism over the practical aspects of implementing integrated reporting in organisations (Abeysekera, 2013; Conradie, 2014; Haller & van Staden, 2014; Stubbs & Higgins, 2014).

A growing body of literature explores the implementation of integrated reporting within organisations and the influence on organisation reporting processes. Rodriguez-Gutiérrez, Correa, and Larrinaga (2019) undertake an exploratory study on the transformative potential of integrated reporting. Their findings reveal organisations adopt elements from a diversity of design archetypes in the nonfinancial reporting field (as suggested from the GRI framework), rather than following the IIRC and Framework exclusively. Rodriguez-Gutiérrez et al. (2019) further identify the extent to which the implementation of integrated reporting has influenced organisation reporting processes varies between organisations. Some of their interviewees (managers) did not cite the Framework or the IIRC as an influence while others identify integrated reporting as an unachievable ideal. Further interviewees perceived the IIRC to be an inspirational catalyst for broadening board agendas to take corporate social responsibility and sustainability more seriously, and at the reporting process level, for involving a broader cross-section of organisation members in integrated reporting processes (see also Stubbs and Higgins (2014)). The authors suggest that the capacity for integrated reporting to inform transformative, *disruptive* change in organisation reporting processes and structures is, however, limited due to reporting organisations holding a position of schizoid incoherence: a position of tension between the demands of the Framework, broader sustainability reporting

archetypes, and the prevailing (financial) systems privileging shareholder value and reporting regulation.

Higgins, Stubbs, Tweedie, and McCallum (2019) compare the 'journey' metaphor within the IIRC publications and in early integrated reporting adopter organisations in terms of structural (e.g. internal collaboration, management information systems), cultural (e.g. integrated thinking, organisation mindset and approach to value creation), and reporting process (e.g. relevant key performance indicators, meaningful disclosure, holistic discussion of performance) change. The authors find the journey metaphor is pervasive within IIRC, with "much... made of the agency – or the ability – of this new reporting framework – to drive change" (Higgins et al., 2019, p. 19). Higgins et al. (2019) suggest reporting organisations are on an integrated reporting 'journey', though the journey is not at the transformative scale the IIRC promotes.

Higgins et al. (2019) find limited progress in terms of structural and cultural change within the early adopters. The reporting process journey was found to be more advanced, with managers identifying and implementing aspects of the Framework "to meet specific contextual issues and challenges, without ... buy[ing] into a broader transformative narrative that does not meet their reporting interests or needs" (Higgins et al., 2019 p. 20). Specifically, Higgins et al. (2019, p. 19) suggest reporting process change is most evident in the pronounced focus on material issues and stakeholder (particularly investor) information needs, with "associated developments in the materiality processes used to prepare the reports to better identify these needs." In considering the 'needs' of (financial) stakeholders, a manager within one of the reporting organisations considered that integrated reporting goes beyond communicating the value and value creation process to "educate investor analysts on what they need to get out of us as well. It needs to be a two way conversation" (T2)" (Higgins et al., 2019, p. 17). This statement echoes the perspective of the IIRC & Black Sun Plc (2012, p. 19) who comment that organisation change can come through understanding integrated reporting as "an

opportunity for organisations to take on a more educational role about their place in broader society.” In the following section I examine materiality within integrated reporting, and the potential for change to be enabled through the IIRC’s conceptualisation of the concept and process of materiality more specifically.

2.4 Integrated reporting and materiality

Materiality within integrated reporting is an area that requires further debate within the integrated reporting literature. Integrated reporting literature that does mention materiality skirts around it, without addressing materiality directly and explicitly (see, for example: Burke & Clark, 2016; Farneti, Casonato, Montecalvo, & de Villiers, *forthcoming*; Lai, Melloni, & Stacchezzini, 2018; Stent & Dowler, 2015). Steenkamp (2018, p. 230) more directly engages with the concept and process of materiality through content analysis of what she describes as the “top 10 South African companies of the 2015 Ernst and Young Excellence in Integrated Reporting Awards”. She investigates how these companies disclose material issues and materiality processes, and also what companies disclose about the meaning of materiality within 2014 and 2015 integrated reports. Steenkamp (2018) identifies the presence of a ‘gap’ between definitions provided in company reports and the IIRC’s definition, yet further identifies that materiality and materiality processes form a significant part of how these reporting companies enact integrated reporting in their organisation. Steenkamp (2018, p. 239) identifies that companies describe a number of techniques within materiality processes, ranging from consultations and “internal deliberations” to “formal and informal engagements with key stakeholders, governments, communities and investors”. The content analysis further identifies actors within materiality: “executive management, the risk committee and the board... a materiality panel of independent experts, selected personnel, and thought leaders from a range of stakeholder groups.” (Steenkamp, 2018, p. 241-242).

A limitation of Steenkamp (2018) is that these issues are only listed and not analysed in-depth. However, Steenkamp (2018) offers some useful insights into how companies present materiality and materiality issues, and identifies areas for potential future research around the perceptions of materiality within integrated reporting and the role of the actors identified (and those excluded) within materiality processes. Given the limited empirical debate within the extant integrated reporting literature, I draw primarily on the IIRC's Framework (IIRC, 2013c) and other documentation to begin to 'set the scene' for materiality (concept) and materiality processes within integrated reporting, the site of the research. In this discussion I consider the IIRC's framing of materiality (concept) and materiality processes and the potential, within this framing, to be 'opened up' to stakeholders.

2.4.1 Materiality in the Framework

In attempting to reconcile and connect seemingly ideologically disparate financial and nonfinancial reporting elements within a singular reporting format, for primarily a financial capital audience (IIRC, 2013c; Flower, 2015; Milne & Gray, 2013), the IIRC has adopted and attempted to (re)define reporting classification elements familiar with financial reporting and assurance (Coulson et al., 2015; Thomson, 2015). Similarly, the adoption of the term *materiality* brings the nonfinancial into the sphere of the financial, given the concepts strong, and pervasive historical financial reporting and assurance underpinning (Messier, Martinov-Bennie, & Eilifesen, 2005). The IIRC has (de)constructed and (re)conceptualised materiality in the language of the Framework through placing emphasis on the creation and communication of an organisation's future 'value'. The materiality guiding principle in the Framework (IIRC, 2013c, paragraph 3.17) states that:

An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.

The glossary of the Framework, paragraph 9 (IIRC, 2013c, p. 33) provides the following definition of material/materiality:

A matter is material if it could substantively affect the organization's ability to create value in the short, medium, or long term.

Through presenting materiality as forward-looking and value-focused, the Framework appears to move away from financial reporting and assurance framework definitions of materiality, to be discussed in chapter three. However, and despite appearing to move away from financial reporting and assurance conceptions of materiality, the Framework embraces financial reporting and assurance concepts of material error and personal judgement within integrated reporting materiality.

Material error is presented in the Framework under the guiding principle of *reliability and completeness*, as opposed to the materiality guiding principle. This association indicates the perceived relationship materiality has, not only with determining an integrated report content (as per the materiality guiding principle guidance in the Framework), but also with the reliability of information included and the extent that the information reported is comprehensive. The pseudo definition offered by the framework for material error states (IIRC, 2013c, paragraph 3.39): “An integrated report should include all material matters, both positive and negative, in a balanced way and *without material error*” (emphasis added). The Framework further elaborates on ‘freedom from material error’ in paragraph 3.46 (IIRC, 2013c):

Freedom from material error does not imply that the information is perfectly accurate in all respects. It does imply that:

- Processes and controls have been applied to reduce to an acceptably low level the risk that reported information contains a material misstatement
- When information included estimates, this is clearly communicated, and the nature and limitations of the estimation process are explained.

This explanation of ‘material error’ echoes the language used throughout the financial reporting and assurance framework (IAASB, 2013). In particular, the appropriation of the term ‘material misstatement’ and the concept of the use of ‘controls’ to mitigate the risk of material

misstatement explicitly mirrors the wording and intent of financial assurance standard International Standard on Auditing (ISA) 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. The objective of the assessor in ISA 315, paragraph 3 (p. 6), explicates:

... to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.

Thomson (2015) offers that the use of financial reporting language in the Framework may be seen as an attempt by the IIRC to 'translate' sustainability for a financial oriented audience. However, in the case of materiality, the almost direct appropriation of error, risk, and control thinking into the Framework supports Flower (2015), Humphrey et al. (2017) and van Bommel's (2014) arguments that the IIRC has been colonised by the (financial) accounting profession. Error, risk, and control appear to be included in the Framework with little consideration (appearing to be given) to the nature of financial versus nonfinancial reporting disclosures. For example, whereas financial disclosures are perceived largely to have a basis in measurement, this is not necessarily the case with nonfinancial disclosures that may place emphasis on more subjective, narrative information that is not easily able to be measured, or is not appropriate to measure. The concept of 'error' within integrated reporting may in itself be highly problematic as it implies that there is a 'right' and a 'wrong'; not taking into account inherently grey, less understood, or misunderstood nonfinancial issues, impacts or events that are neither 'right' or 'wrong' but highly nuanced and subjective¹³.

The Framework and background documents reinforce the paternalistic and protectionist framings of materiality discussed by Roberts & Dwyer (1998) and Dumay et al. (2015) by placing the responsibility and onus of integrated reporting on those in a position of greater

¹³ Stakeholder views on what might be considered to be material (social and relationship capital) or implicit employee knowledge (human capital) are both examples discussed in the Framework where the concept of material error, as framed by paragraph 3.46, appears to be inappropriate.

relative power within reporting organisations. Those charged with governance are considered to have a reviewer type of role within materiality (i.e. responsibility for reviewing the report once compiled), with the responsibility for the preparation of the report placed in the hands of senior managers and 'others' within the organisation (IIRC, 2013c). The Framework privileges the subjective judgements of these individuals within materiality. As highlighted in paragraph 1.10 of the Framework:

Those responsible for the preparation and presentation of the integrated report therefore need to exercise judgement, given the specific circumstances of the organization, to determine:

- Which matters are material
- How they are disclosed, including the application of generally accepted measurement and disclosure methods as appropriate.

The significant influence and explicit power given to the report preparers named by the Framework appears to close down space and opportunity for other stakeholders, especially stakeholders' external to the organisation, to meaningfully participate in materiality decisions on *what* is material, and *how* material items are presented. Given the prominence of *value* within definitions of materiality stated in the Framework, the Framework appears to further shut other stakeholders out from debate on the meaning of value within integrated reporting materiality.

The privileging of the voices and understandings of report preparers in regards to value within integrated reporting materiality is made more explicit in the Framework background documents. The *value* background document, for example, positions value as highly subjective and nuanced, meaning different things to different people within reporting organisations (IIRC, 2011). Value, and materiality by extension, is thus open to be influenced and informed by the subjective opinions, prejudices, and reporting agendas of report preparers. In considering value to whom, the IIRC deliberately distances itself from responsibility to other stakeholders outside of providers of financial capital, the primary intended audience and beneficiary of integrated reporting (Gray & Milne, 2013). Though the

process of compiling and publishing an integrated report is vaguely identified as being of some value to these 'others', paragraph 2.4 of the Framework authoritatively states that value is created *by the organisation* itself, *for itself*, and it is this value that has been created which is material for the providers of financial capital reporting as opposed to 'other' stakeholder groups. Though the relationships and interactions between capitals are perceived within the Framework to be of some relevance to 'others' outside of the providers of financial capital, social and relationship capital (encompassing key stakeholder relationships) and other capitals within materiality are to be assessed only to the extent that it is through their existence that the organisation is perceived to create value for itself and for the providers of financial capital.

The understandings of value' within integrated reporting materiality is an area that is under explored in the literature, and is outside the scope of this research. However, as Coulson et al. (2015) and Barter (2015) argue, how 'value' is understood within integrated reporting in the broader sense has significant implications for the potential of integrated reporting to disrupt or reinforce narrow ideological business case framings that dominate the current nonfinancial reporting environment. The interpretation of value within integrated reporting also has implications for the stakeholders within integrated reporting materiality and the role stakeholders are able to play in materiality processes. I now discuss the role of stakeholders within materiality processes as framed by the IIRC in the Framework.

2.4.2 Stakeholders and materiality determination in the Framework

The Framework stipulates that 'key' stakeholders should be engaged within materiality processes, though only to the extent that a perceived understanding of their views is considered to be 'critical' (IIRC, 2013c, paragraph 3.22) in applying judgement when

identifying relevant matters¹⁴ in the materiality process. The Framework thus encourages filtering, understanding, and interpreting stakeholder views through an organisation focused lens. Though the Framework and background documents do not explicitly state what or who is meant by the term 'key stakeholders', some guidance on who these might be is given. In considering the role of judgement in determining what information is material to disclose, paragraph 3.29 of the Framework identifies that regular engagement with the providers of financial capital is needed to:

ensure the integrated report meets its primary purpose” of providing “insights about the resources and relationships used and affected by an organisation... how the organization interacts with the external environment and the capitals to create value over the short, medium and long term.

The concept of a reporting boundary, Figure 1 below, further encompasses the legal entities and internal and external organisation stakeholders whom the organisation should consider within materiality processes, listing the aforementioned employees, customers, suppliers, business partners, communities and the parent company, joint arrangements, subsidiaries, and other investments.

¹⁴ The concept of relevant matters is discussed in paragraph 3.21 of the Framework (IIRC, 2013c) as: “those [matters] that have, or may have, an effect on the organization’s ability to create value. This is determined by considering their effect on the organization’s strategy, governance, performance or prospects.”

Figure 3: Entities/stakeholders considered in determining the reporting boundary:

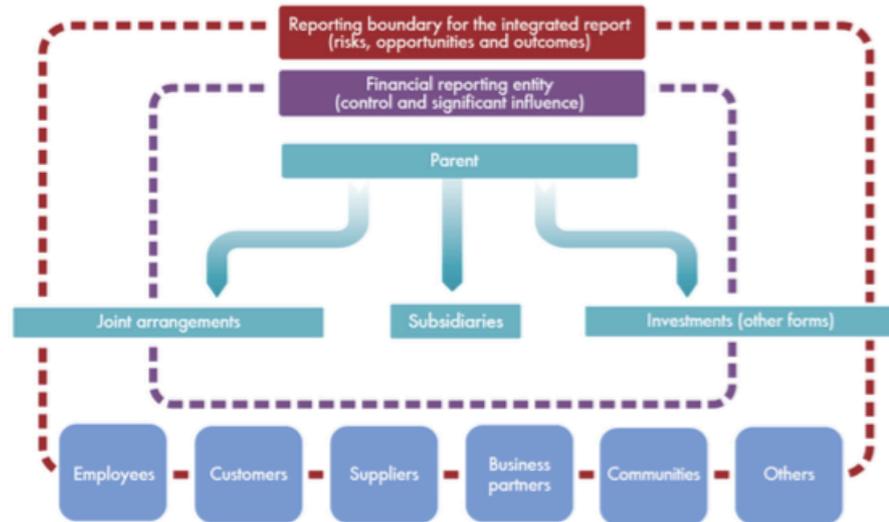


Figure 1: Integrated reporting boundary model (IIRC, 2013c, p. 20)

The financial entities – encompassing the parent company, joint arrangements, subsidiaries and other investments, are central to the reporting boundary model, as “it is the financial reporting entity in which providers of financial capital invest and therefore need information about” (IIRC, 2013c paragraph 3.31). As has been noted, the other mentioned stakeholder groups are considered within materiality to the extent that they influence the organisation’s ability to create value. More specifically, the creation of a reporting boundary and the inclusion of these stakeholder groups within it are intended for the purpose of allowing the organisation to identify the risks, opportunities and potential outcomes that each of these stakeholder groups pose in obstructing or enhancing the organisation’s ability to create value for itself (IIRC, 2013c paragraph 3.34 and paragraph 3.35). Risks, opportunities, and potential outcomes are further identified as having potential influence or impact on an organisations internal strategy, and internal and external resource allocation for the creation of value. Paragraph 3.35 of the Framework (IIRC, 2013c) connects the reporting organisation and the stakeholders named in the reporting boundary model through “the nature and proximity of the risks, opportunities and outcomes” (IIRC, 2013c paragraph 3.35) the named stakeholders have in relation to the organisation.

Choosing to explicitly name these stakeholder groups in particular within the reporting boundary model has the effect of legitimising particular stakeholder groups within integrated reporting (O'Dwyer, 2005). The Framework makes clear that to be called an integrated report, a report must be prepared and presented in accordance with the guidance presented within the framework – including the guidance presented in the materiality guiding principle around the reporting boundary and the stakeholders named within it. In legitimising these named stakeholders within integrated reporting, the Framework de-legitimises so-called 'fringe', or 'other' stakeholders – those that might have a stake in the business but fall outside of the stakeholder categories that are explicitly named. For example, international NGOs, social and environmental activists, and others who might be considered to be 'critical' are not named as legitimate stakeholders within the reporting boundary model, though they may be considered to be under the 'Community' or 'Other' stakeholder headings.

The inclusion or exclusion of 'other' stakeholder groups within materiality, as well as the named stakeholder groups, is further complicated through the caveat of what the Framework and supporting background documents describe as "legitimate stakeholder needs and interests" (IIRC, 2013c p. 2). Stakeholders needs and interests are to be considered within integrated reporting materiality – though only to the extent that the organisation considers their needs and interests to be legitimate. The implication that some stakeholder needs and interests are legitimate further suggests that some stakeholder needs and interests are not considered legitimate within integrated reporting. The question of legitimacy of needs and interests is thus taken out of the hands of the stakeholders – whether they be named or other – with the power over the legitimacy of their respective beliefs, values, words and needs placed within the power of the organisation through the report preparer. Stakeholders may consider their demands on an organisation to be legitimate – though their perspective, within integrated reporting, is meaningless unless the report preparer agrees. Through the Framework, the IIRC places stakeholder recognition and the ability to legitimise stakeholder views and interests in the hands of those in a position of greater relative power in integrated

reporting materiality processes: This potentially opens the door to situations where materiality can be deliberately used to manipulate the legitimacy of stakeholder claims against the organisation. It further leads to potential for the door to remain open only to those stakeholders who needs, concerns and interests align with that of the organisation, or whose voices align with the image of the reporting organisation, and close the door on critical voices in materiality debates.

The potential for integrated reporting materiality, as framed and conceptualised by the IIRC, to be 'opened up' to stakeholders is therefore heavily dependent on the perceptions and materiality decisions of those in a position of greater relative power within integrated reporting materiality processes. It is thus in the hands of these individuals, who form the focus of this research, as to whether, and/or to what extent, integrated reporting materiality processes disrupt the paternalistic and protectionist workings of materiality to be discussed in chapter three, and move away from narrow business case framings towards an emancipatory approach to materiality (concept and determination process) and stakeholder engagement.

2.5 Chapter summary

In this chapter I have 'set the scene' for integrated reporting as the site of the research. I have explored relevant extant literature that considers and debates the potential for integrated reporting to initiate disruptive change within a nonfinancial reporting (and assurance) environment dominated by narrow, neoliberal framings of accounting, reporting, and stakeholders. I have further discussed the concept of materiality and materiality processes within integrated reporting, and considered the transformative potential of materiality, as conceptualised by the IIRC as a transformative site for stakeholder voice. With this scene set, I now review the broader materiality and stakeholder literatures relevant for this research.

CHAPTER THREE: LITERATURE REVIEW: MATERIALITY AND STAKEHOLDERS

3.1 Introduction

This research examines how preparers, consultants, and assurers, holding positions of greater relative power in materiality processes, perceive the role of stakeholders within those processes. I further investigate whether materiality processes are 'opened' up to stakeholders within the integrated reporting context. In this chapter, I review the two strands of literature I draw upon to build the foundation of this research: materiality (the concept and the processes), and stakeholder recognition and the role of stakeholders in (nonfinancial) reporting and assurance.

I begin by examining and discussing the development of divergent, contested meanings of materiality (the concept) within the extant materiality literature in section 3.2. In section 3.2 I discuss the forms materiality processes take, placing particular emphasis on the various actors and their role within materiality processes. In the third section of the chapter (3.3) I examine the recognition of stakeholders within nonfinancial reporting and assurance. Here I further review managerial approaches that 'close down' the role of stakeholders in nonfinancial reporting and assurance. This provides a juxtaposition to the potential of Freirean-informed dialogic accounting to 'open up' reporting and assurance to stakeholders which is discussed in the following chapter. In section 3.4 I make explicit the gaps in the literature that, through this research, I contribute to. I summarise the chapter in section 3.5.

3.2 Exploring materiality: the concept and process

Materiality is recognised as a critical concept in both financial and nonfinancial reporting and assurance literature and practice (Brennan & Gray, 2005; Edgley et al., 2015; Houghton et al., 2011; Iyer & Whitecotton, 2007; Messier, Martinov-Bennie & Eilifsen, 2005; KPMG, 2017). Despite materiality being described as an ‘iconic reporting concept’ (Edgley et al., 2015, p. 1), the workings of materiality remain veiled and elusive (Brennan & Gray, 2005; Edgley, 2014). Materiality persistently evades detailed codification, particularly within professional reporting and assurance guidance (Edgley, 2014; Roberts & Dwyer, 1998). This is especially the case with nonfinancial reporting and assurance (Edgley et al., 2015; Faux, 2012; Unerman & Zappetini, 2014). Edgley (2014, p. 255) brings attention to materiality as a “*seemingly* time-honored concept” [emphasis original]. This inflection implies that while outwardly materiality may appear to be a longstanding tradition and practice, there remains an underlying and troubling ambiguity as to *what* materiality means, what it means to *whom*, and *how* materiality is used within wider reporting and assurance.

I begin this section through examining the multiple and conflicting understandings of materiality debated in the literature. I explore the role and dominance of paternalistic materiality decision makers in the literature in the second half of this section.

3.2.1 Understanding materiality through the literature

Debate on the materiality concept within the literature is messy and circular, reflective of the ambiguous, fractured, and contested understandings of the materiality concept that the literature presents. In this section I focus on critical debates within this literature to establish the materiality concept as contested and power laden, with multiple meanings and interpretations.

The materiality concept is broadly acknowledged as being concerned with determining what events and issues are important enough to be included within reporting, and significantly, what events and issues are not considered to be important enough to be included. Historically, materiality has typically been viewed within a financial reporting and assurance framing (Messier et al., 2005). The concept is, however, increasingly appropriated within nonfinancial reporting and assurance – largely through the inclusion of materiality within visible nonfinancial guidelines GRI G4, AccountAbility 1000 standards, SASB guidance and the Framework (AccountAbility, 2018, 2008; De Martinis & Burrowes, 1996; Edgley et al., 2015; GRI, 2013a; 2013b; Heitzman, Wasley & Zimmerman, 2010; IIRC, 2013a; 2013b; 2013c; Messier et al., 2005; SASB, 2018).

Examining the significance of materiality to reporting an assurance, Unerman and Zappetini (2014) suggest the aim of materiality is to increase the effectiveness of reporting communication. Iyer and Whitecotton (2007, p. 52) similarly describe that the purpose of materiality is to avoid report users being “buried in an avalanche of trivial disclosures that is not conducive to informed decision making”. It has further been argued that materiality is significant in that it separates and distinctly recognises important information, and in filtering out less significant information, enhances reporting clarity, understandability and integrity (Edgley et al., 2015; Iyer & Whitecotton, 2007; Unerman & Zappetini, 2014).

In attempting to build an understanding of *what* materiality is, Eccles and Krzus (2015) explore materiality as a social construction. They present it as having a mutually negotiated meaning, where people generally develop a ‘common understanding’ of what materiality entails within reporting and assurance practice and under law: “it can be said that these institutions [materiality] are *socially constructed* [emphasis original]: they exist only to the degree that meaning is shared between a given institution and its audience” (Eccles and Krzus, 2015 p. 120). Eccles and Krzus (2015) argue that materiality is constructed through the use of both symbolism and societal agents to create and disseminate what they describe as a universal

meaning. Societal agents are identified as people who hold a position of power and influence within society: “judges, commissioners, legislators, trustees and board members” (Eccles and Krzus 2015, p. 120). The ‘shared’ meaning that Eccles and Krzus (2015) describe is, therefore, not necessarily one that is developed through democratic contribution and participation. By identifying societal agents who could reasonably be assumed to hold a higher degree of power within society, Eccles and Krzus (2015) imply that symbolism around the meaning of materiality is, consciously and/or unconsciously, created and disseminated by societal agents who carry authority. The meaning constructed by those societal agent(s) is then ‘imposed’ upon the intended audience of the materiality communicate.

Eccles and Krzus (2015) present the assumption that the ‘audience’ (who I interpret as those in a lesser position of power than the societal agents the authors identify) has sufficient ability to understand the ‘shared’ meaning of what may or may not be considered to be ‘materiality’. Prior research indicates that this assumption does not necessarily hold in assurance practice in particular. Houghton et al. (2011), present an analysis of focus group interactions and interviews with stakeholders of audit and assurance engagements¹⁵. They find a distinct absence of a shared understanding of materiality within various stakeholder groups, commenting that difference “exist in perceptions of the meanings, application, importance and consequences of the concept of audit materiality and the level of understanding held about its relevance to the audit function” (Houghton et al., 2011, p. 482). The difference is especially significant between those that are perceived to have some form of ‘technical literacy’ and familiarity with the assurance process, and those that have none.

¹⁵ Houghton et al. (2011, p. 486) used both focus groups and individual interviews with assurance engagement stakeholders to investigate how stakeholders understood financial materiality and materiality judgements and what they thought about potential public disclosure of materiality. Stakeholders engaged in the study were audit report users (professional analysts and private investors), purchasers of assurance services (including board members, directors, and management), suppliers of assurance services, audit standard setters and audit regulators.

Understandings, or perhaps misunderstandings of what materiality is, and the consequences of what materiality means at both theoretical and practical levels are identified by Houghton et al.'s (2011) participants. Houghton et al. (2011) argue that misunderstandings on the materiality concept are, at least in part, due to a lack of education, openness, and disclosure around how materiality has been interpreted and used by suppliers of professional audit and assurance services. Houghton et al. (2011, p. 490) find that even those who have been engaged at a management level or above within the overall audit process have a limited or at least restricted understandings of what materiality actually *is*, with one participant mentioning that “some managements do not have a good understanding of audit materiality... even board members sometimes lack real understanding of the concept”.

Placing more faith in the ability of stakeholders to conceptualise the meaning of materiality, Unerman and Zappetini (2014, p. 184) argue “any definition of materiality represents a contested arena” where the meaning of materiality is constructed through “tense” negotiation between stakeholders and organisational agents. Within this negotiation, Unerman and Zappetini (2014, p. 184) recognise the influence of capital “may wield disproportionate power in this negotiation in a way that could partly or wholly marginalise the voices of other stakeholders.” Power asymmetries within stakeholder/manager relationships and a lack of education and visibility has led critical voices (Edgley 2014, Iyer & Whittecotton 2007, Roberts & Dwyer 1998, Unerman & Zappetini, 2014) to suggest the materiality concept and materiality related processes are purposefully utilised and perpetuated within accounting and assurance professions to further alienate report users and stakeholder groups from understanding the work that they do, while simultaneously legitimising and promoting the work of the profession as a so-called ‘public service’. Edgley (2014) argues that even within the accounting profession the lines that define the materiality concept are blurred and vague, serving to enhance the potential for manipulation of materiality and judgements around materiality processes to justify questionable accounting, reporting and assurance practices, and shield professional misconduct (see also Solomon & Edgley, 2008). This perspective is reinforced

by Unerman and Zappetini (2014, p. 173) who express concern that a lack of understanding of materiality and materiality processes, especially within a nonfinancial reporting and assurance context, could “enable companies to use (or abuse) materiality as a justification for not disclosing issues that many stakeholders might consider to be very important”. Solomon and Edgley (2008) also express concerns over the potential for management to ‘hide’ behind a narrow interpretation of materiality, limiting reporting to only financial information and potentially avoiding nonfinancial disclosures.

Deegan and Rankin (1997) and Houghton et al. (2011) contend that accountants and assurers consistently seek a conclusive definition of materiality. However, it is unclear whether this pursuit seeks to make materiality and its workings visible, or to further legitimise and entrench the role of the accounting and assurance professionals as materiality gatekeepers and ‘experts’. The reluctance of professional guidance standard setters to provide decisive, authoritative guidance in terms of defining materiality has historically been identified as a potential contributor to the vague, malleable nature of the materiality concept and the veiled workings of materiality decisions and processes (Edgley 2014; Edgley et al., 2015). Edgley et al. (2015, p. 4) consider this to be the case within both financial and especially nonfinancial reporting and assurance, and criticise the guidance available (relating here to financial assurance standards ISA 320 (International Standard on Auditing 320: Materiality in Planning and Performing an Audit), and nonfinancial AccountAbility AA1000 standards and GRI G4) as a set of “generic characteristics”. ISA 320, for example, provides an interpretive definition of materiality, concerned with reducing the probability of “uncorrected and undetected misstatements” (IAASB, 2013, paragraph 9). Misstatements and omissions may be considered ‘material’ if they could reasonably be expected to influence the decision making of the users of financial statements. The determination of materiality ‘thresholds’ deciding what constitute material misstatements or omissions, though considered within the context of surrounding circumstances, ultimately falls under the ‘professional judgement’ and personal discretion of the assurer (IAASB 2013, paragraph 4).

Puroila and Mäkelä (2019) argue that the introduction of materiality within nonfinancial reporting and assurance challenges the narrow scope and the dominance of shareholder interests within materiality. Through a nonfinancial framing, materiality has broadened to consider socioeconomic and environmental issues, and the needs and views of a reporting organisation's wider stakeholder groups (Puroila & Mäkelä, 2019). For example, in the AA1000 standards (AccountAbility, 2018; 2008), materiality is defined as "identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on an organisation and its stakeholders" (AccountAbility, 2018, p. 20). GRI G4 takes a similar perspective in considering materiality to be reflective of "the organisation's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders (GRI, 2013a, p. 17). For both GRI G4 and the AA1000, materiality processes are considered significant in prioritising information and ensuring information included in reporting is both balanced and comprehensive, with emphasis on understanding organisational contexts and 'sustainability drivers' (Accountability, 2018, 2008; GRI, 2013a).

Eccles and Krzus (2015) and Iyer and Whitecotton (2007) argue the limited authoritative guidance available has led to meanings of materiality to be influenced and unofficially defined by how the concept has been interpreted in practice. Indeed, even within the legal system materiality has been defined according to how it is used in practice. In discussing how the United States Supreme Court have interpreted materiality in existing case law, Eccles and Krzus (2015, p. 121) argue "materiality is grounded in law that specifies that its meaning must be defined in practice by the particular circumstances of the company". Iyer and Whitecotton (2007, p. 50), considering the same case law, stress that such "authoritative pronouncements ... emphasised the profession's fiduciary responsibility to society and user/stakeholders". The authors further interpret materiality as implicitly encompassing an ethical responsibility to 'do no harm', in the sense that judgements concerning materiality affect not only the decision

makers but also others who rely on the outcomes of those decisions for their own decision making.

For Edgley (2014) the multiple, metaphorical discourses on materiality have opened up space for divergent meanings of “knowledge objects” of materiality to emerge. She finds that materiality is constituted as representing: “a social responsibility; a solution to the problem of over auditing; a solid epistemic foundation for auditing; a tolerable error; a rule of thumb; a risk management technique; and a mysterious professional lens and shield” (Edgley, 2014, p. 260). Edgley (2014) argues these multiple constructions of materiality are made possible through the consideration of materiality as an abstract rather than definite concept, where the only consistent boundary limiting interpretation of the concept is that something is found to be material only by it *not* being immaterial. Eccles and Krzus (2015, p. 119) go so far as to characterise materiality as ‘binary’: “A fact is either material, in which case it should be reported, or it is not material, in which case it does not need to be reported”. From this perspective, materiality and specifically materiality decisions are absolute. An issue is either material or it is not. It is reported or it is not (Eccles & Krzus, 2015; Iselin & Iskander, 2000). Brennan and Gray (2005), while acknowledging the material/immaterial contradiction, claim that there is a certain amount of flexibility around the application of the materiality concept. The authors argue flexibility may be attributed to a human element of materiality in terms of: a) consideration of what events or issues may be important to the users of reports and, crucially; b) professional judgement in determining what is material and what is not.

Carpenter et al. (1994) and Puroila and Mäkelä (2019) more explicitly examine materiality as a socio-political, as opposed to technical-rational phenomenon. Carpenter et al. (1994), utilising an experimental approach, find that political influences within assurance firm culture in turn influence individual approaches to materiality, and encourage the conformity and uniformity of individual assurors materiality judgements within the firm. Puroila and Mäkelä (2019, p. 3) consider materiality more broadly, placing the concept within “the bigger picture

of the role of corporate communication, particularly in constituting the broader societal understandings on sustainable development: what is to be sustained, for whom, how and who decides what is sustainable". The authors argue that as accounting "is acknowledged to possess significant social power in its ability to shape a particular concept of, for instance, sustainable development" (Puroila & Mäkelä, 2019, p. 3), as a crucial concept within accounting, and also reporting and assurance, materiality is significant in how the 'truth' of organisations is developed. Further than this, how materiality is understood has implications for the communication or presentation of this 'truth' to a broader social (stakeholder) audience, and the representation of stakeholders within organisation reports.

This section has illustrated the messiness of materiality as presented and discussed in the literature. In the following section I consider the social and political elements of materiality, introduced above, in more depth, exploring and critiquing literature discussing materiality processes through the materiality decisions and the decision makers engaged, and paternalistic and protectionist framings of these processes.

3.2.2 Materiality roles and materiality decisions

This research engages with the perspectives and experiences of those in greater positions of relative power within integrated reporting materiality processes. In chapter two I discussed the IIRC's conceptualisation and framing of materiality processes, and the potential for the liberation of stakeholder voice within this conceptualisation and framing to 'set the scene' of the research. In this section I further review and critique materiality processes, positioning this research within broader materiality process debates. Within the materiality literature, materiality processes are presented with a materiality 'decision and decision making' framing. Further, there are limited connections between how the materiality concept is understood and materiality decisions and decision making (see Edgley et al., 2015, discussed below, as an

exception). In this section I examine and analyse materiality decisions and the roles of materiality decision makers to identify and focus attention on those in positions of greater and lesser relative power, and identify those voices that are privileged within materiality decisions and decision making.

In discussing and critiquing relevant extant literature, I place materiality processes, materiality decisions and materiality decision makers within a critical framework of managerial capture and professional paternalism (Edgley et al., 2010, p. 532). Critical accounting perspectives argue that current, especially nonfinancial reporting and assurance processes are increasingly falling under managerial capture (Edgley et al., 2010; O'Dwyer, 2003; Brown & Fraser, 2006). The concept sees managers 'hijack' reporting, assurance and related processes in order to achieve their own ends (Baker, 2010; Ball, Owen, & Gray, 2000; O'Dwyer, Owen & Unerman, 2011; Owen et al., 2000; O'Dwyer & Owen, 2005; O'Dwyer 2003). Managerial capture is evidenced by O'Dwyer (2003; 2005), Owen et al. (2000), Ball et al. (2000) and O'Dwyer and Owen (2005), who each raise concerns over the degree of (assuror) independence and transparency in nonfinancial assurance engagements within their empirical research. They suggest management exert undue influence and control within nonfinancial assurance and reporting processes.

Managerial capture represents a shift (instigated by an organisation's management) away from the wider social responsibility and transparency concepts where the nonfinancial reporting and assurance movement is rooted to a narrow, restricted and edited public representation of organisations, their practices, and their outputs (O'Dwyer, 2003). Owen et al. (2000, p. 85) argue the managerial capture concept:

sees management take control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to the society it serves.

For Baker (2010, p. 863), managerial capture emerges as a managerial mind-set, entrenched in the “wider relations of power in which managers are themselves embedded”. Baker (2010) and Gray, Dey, Evans and Zadek (1997) argue that a power disparity exists between organisations and their managers, and wider stakeholders, with stakeholders seen largely to be in a position of lesser relative power, created and perpetuated through the capture and manipulation of social and environmental issues through organisational reporting practices. However, the relatively static positioning argued by Baker (2010) and Gray et al. (1997) does not necessarily capture the complexity of power relations within and between organisations and stakeholders, and particularly between organisations and stakeholders perceived to be in a position of relative power, such as influential institutional shareholders, for example (Solomon & Darby, 2005). However, and despite this limitation, managerial capture is of significance to the framing of this research: particularly given the Freirean-informed theoretical approach taken and defined in chapter four.

Viewed from a managerial capture perspective, current prevailing management approaches to nonfinancial reporting and assurance are purposefully ignorant of the power conflicts and complexities inherent within management and stakeholder relationships (O’Dwyer, 2003). Managerial capture has specific relevance and significance to materiality processes, as judgements concerning materiality decisions within those processes demonstrate signs of being influenced by underlying motivations of decision makers: typically managers and assurers (Edgley et al., 2015; Solomon & Edgley, 2008). Empirical evidence suggests materiality decisions are highly judgemental and subjective (Brennan & Gray, 2005; Canning et al., 2019; De Martinis & Burrowes, 1996; Edgley et al., 2015). Views and judgements on materiality decisions vary greatly between different groups of decision makers (managers, assurers and stakeholders) based on personal/professional experiences and differing perceptions of external context (Messier et al., 2005; O’Dwyer 2003) and also individual perceptions of risk and fear (Guenin-Paracini, Malsch, & Paille, 2014). Edgley et al. (2015, p. 14) identify that individual subjectivity and competing logics on the operationalisation of

materiality processes leaves both understandings of the concept of materiality and materiality processes “susceptible to management capture”. Roberts and Dwyer (1998, p. 569) take a more critical perspective, and consider managerial capture of conventional materiality processes as an almost inevitable consequence of unjustified professional paternalism.

Roberts and Dwyer (1998 p. 569) examine financial reporting and assurance frameworks, accounting practitioner documentation and relevant literature to present an analysis of the accounting professions’ use of “materiality in [financial] audit performance and audit communications”. Specifically, they present two opposing perspectives to consider the use and role of materiality in the accounting profession: functionalist and critical theory. The functionalist perspective promotes the accounting profession as comprising public servants standing behind a publically oriented message to ‘do good’ to justify and legitimise both an exclusive “monopoly over a field of knowledge” (Roberts and Dwyer 1998 p. 570). That is, knowledge of materiality, and what could be perceived as the right of the profession to operate as an autonomous, self-regulated collective. Functionalists argue that it is the subjective nature of materiality that gives rise to the need for professional materiality ‘experts’ to navigate the complexity of materiality nuance (both in terms of the meaning(s) of materiality and the materiality processes). Capitalist competition between professional firms and the presence of legal liability models are emphasised to assure the public of the legitimacy of materiality decisions made (Roberts & Dwyer, 1998).

Within this research I more closely align with the critical theory perspective on materiality (meaning(s), decisions and processes) and the profession that Roberts and Dwyer (1998) present through their analysis. The critical theory perspective rejects notions of the accounting profession as wholly oriented towards the public interest. Within this perspective, individuals are organised and represented to the public as ‘experts’ “in order to enhance their collective welfare, rather than to promote and protect the public interest” (Roberts & Dwyer, 1998, p. 570). Roberts and Dwyer (1998), drawing on Larson (1977) and Kultgen (1988), argue that “a

professional ideology has developed that encourages individual and collective efforts to mystify the function of a profession ... professions promote “myths” regarding the intellectual character of their work, their dedication to public service, and the effectiveness of self-regulation” (Roberts & Dwyer, 1998, p. 570). As functions of the accounting profession, materiality (meanings) and materiality processes are thus seen as deliberately veiled and mystified by the profession to maintain and perpetuate the profession’s existence as ‘experts’ in the eye of the public and, significantly for this research, to act as a barrier for materiality non-experts, such as stakeholders to engage with.

From this perspective, materiality processes and decisions therein cannot help but be inherently paternalistic. Roberts and Dwyer (1998, p. 571) describe paternalism as the “ability to define human need in its [the professions] area of expertise and thereby influence society’s goals.” In the case of materiality decisions and processes, report preparers/managers and assurers “define human needs” (Roberts & Dwyer, 1998, p. 571) through making decisions on behalf of organisations, report users and ‘other’ stakeholders on what information is considered to be material and what information is not considered to be material (Edgley et al., 2015; Roberts & Dwyer. 1998; Unerman & Zappetini, 2014). Significantly these decisions are largely made: (i) without the consent of report users and other individual stakeholders and stakeholder groups, (ii) using report preparer/manager and assessor assumptions about the needs of report users and other individual stakeholders and stakeholder groups, and (iii) on behalf of, and promoted to be in the best interests of, report users and other individual stakeholders and stakeholder groups (Roberts & Dwyer, 199; Dumay et al., 2015; Edgley et al., 2015).

Despite arguments that present materiality decisions as subjective and heavily influenced by the judgements of assurers and managers, materiality tools conventionally employed to aid materiality decisions do not make allowances for subjectivity, and appear rigid. For example, Iselin and Iskander (2000, p. 20) examine the use of materiality thresholds in financial

reporting and assurance, defining a materiality threshold as the “dividing line between material and immaterial information”. In a nonfinancial context, Moroney and Trotman (2015) utilise an experiment methodology to ask financial assurers to make materiality decisions on a fictitious water accounting scenario. Though the authors introduce qualitative factors to the experiment (such as the introduction of a breach of contract into the scenario), assurers were asked to consider the materiality of an assurance difference that was either a five or ten percent threshold of the water accounting base. The experiment was designed under the premise that financial assurers would rely on their experience within financial assurance and would bring that experience across to an environmental assurance context. However, this experiment, and the general experimental approaches to materiality decision making taken by researchers and outlined in Messier et al. (2005) does not question or challenge the relevance and appropriateness of materiality threshold based approaches for complex nonfinancial reporting and assurance issues or allow for alternative processes for materiality decision making that may exist outside of conventional models of materiality.

The use of a threshold supports understandings of materiality as an absolute, with clear boundaries existing between what is considered material and immaterial. Material issues are therefore material through surpassing a predetermined threshold; usually defined by managers and assurers through the use of a percentage, such as a predefined percentage of income (Eccles & Krzus, 2015; Iyer & Whitecotton, 2007; Hsu, Lee, & Chao, 2013). For Hsu et al. (2013), rigidity of materiality tools and processes are necessary to avoid flexibility in both financial and nonfinancial reporting that could lead to ‘disasters’ such as the 2001 – 2002 Enron scandal. However, Canning et al. (2019, p. 22) contend the extensive ambiguity inherent in the nonfinancial domain in particular necessitates flexibility “when seeking technologies capable of addressing non-financial data”.

From a critical paternalistic point of view, the ‘expert’ use of materiality thresholds is potentially problematic as it assumes that the use of a calculated percentage to filter information is

appropriate for the information needs of report users and stakeholders, and that a threshold is sufficient to capture the complexity of (financial and nonfinancial) issues that report users and stakeholders might consider to be material. What could be perceived as the 'scientific' or technical (Brown & Dillard, 2014) nature of materiality thresholds (i.e. the use of a percentage and the calculation of that percentage) may further support the need for materiality experts i.e. to apply a percentage and to calculate, and exclude other, alternative voices within materiality processes. From this more critical perspective, Hsu et al.'s (2013) argument for rigidity of materiality tools and processes could be further reinterpreted as another iteration of the functionalist need for materiality experts to 'protect' the public from such scandals that the accounting profession arguably creates.

The use of materiality thresholds in financial and nonfinancial reporting and assurance is further encouraged through academic approaches to materiality judgements and decision making research that measure and observe, rather than critically evaluate or challenge, dominant materiality decision making practices. Messier et al. (2005) conduct a literature review of prior empirical research on materiality decision making and materiality processes. They identify that the literature is largely positivist in nature. Specifically, two dominant approaches are identified as used by researchers to 'test' materiality decisions and professional judgement: archival and historical based research and behavioural, experiment based research. Briefly touched on above, experimental research presents preparers, assurers and (occasionally) users with scenarios where they are asked to exercise judgement and make materiality decisions in relation to differing theoretical contextual, external influences (e.g. market disclosures and pressures, accounting and reporting standards), audit fees, internal controls (Messier et al., 2005), and nonfinancial, qualitative factors such as perceived environmental and community impact in relation to a particular event (Moroney & Trotman, 2015; Deegan & Rankin, 1997). These studies are helpful in that they provide some evidence of what drives and influences decision making in materiality processes. However, as Messier et al. (2005) identifies, much of the research is premised on the assumption of

relevance of dominant conventional materiality thresholds, with researchers designing experiments and presenting decisions that support narrow and rigid models of materiality decision making.

Dumay et al. (2015) consider nonfinancial materiality decision making from a material legitimacy¹⁶ perspective. They emphasise a business case oriented approach to materiality decision making through focusing on how issues 'material' to the organisation and major stakeholders respectively can be merged to achieve 'win-wins' for both the organisation and major stakeholders (Dumay et al., 2015 p. 2). The two organisation case studies they present are useful in that they demonstrate the potential consequences of paternalistic decision making.

In Dumay et al.'s (2015) study, managers from both organisations stress the importance of material issues in framing their nonfinancial reporting, regardless of the nonfinancial reporting framework used. However, the approach managers take to incorporating the perspectives of major stakeholders' material issues appears to be very much based upon *their perceptions* of what the needs and concerns of the major stakeholders are, driven by an overriding belief that what is good for the organisation must be perceived to benefit major stakeholder groups (Dumay et al., 2015). The authors interpret what emerges as a manipulative approach to the development and eventual reporting of material issues that represents the organisation's perspective on what major stakeholder groups consider to be material. As Dumay et al. (2015, p. 20) comment, "both companies have a propensity to report on their achievements and pay scant attention to the reasons why other "material issues" remain outstanding". The authors describe the subsequent report as "lime-greenwashing" (Dumay et al., 2015 p. 14): nonfinancial reports containing some aspect of 'truth' but manipulated and managed to

¹⁶ Dumay et al. (2015, p. 2) define material legitimacy 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).

present a positive framing of the organisation and its activities. These findings echo concerns expressed by Unerman and Zappetini (2014, p. 172) who explicitly argue the significance of materiality decisions made by managers in constructing “a powerful image of the ‘reality’ of the organisation in the minds of a range of economically powerful stakeholders”.

Edgley et al. (2015) interviewed financial and nonfinancial assurers to investigate how the introduction of a new stakeholder logic within materiality guidance challenges existing, conventional materiality logics and processes. The authors identify two conventional materiality logics as dominant: market logic, that “underpins the accumulation and maintenance of material wealth” (Edgley et al., 2015 p. 3) and professional logic which, like Roberts and Dwyer’s (1998) functionalist approach, “is rooted in the public interest and commerce but independent of both” (Edgley et al., 2015 p. 3). Stakeholder logic is described in the study as challenging “the ethics of capitalism” and extends “the focus of reporting, from a narrow financial account, to the non-financial impacts of organisations on society” (Edgley et al., 2015 p. 3).

Edgley et al. (2015) find that rather than competing, seemingly divergent conventional logics and stakeholder logics are hybridised by financial and nonfinancial assurers. The consequence is that new, individualistic understandings of materiality developed (influenced by individual assurers prior experience, and firm culture) followed by changed materiality processes. Edgley et al. (2015) contend the variations of changes in the understanding of materiality have an influence on the variation of changes subsequently witnessed in materiality processes. Specifically, the stakeholder logic has been “commercialised” (Edgley et al., 2015 p. 13) by nonfinancial assurers, with “the focus of materiality [shifting] away from the report towards improving corporate performance and aligning materiality with strategy”. Though the authors present evidence that the introduction of the stakeholder logic has shifted and “extended the focus of reporting” (Edgley et al., 2015 p. 3) from having a purely economic, historical orientation, it is unclear from this study whether, or to what extent, the introduction

of the stakeholder logic has enabled assurors to reflexively “challenge the ethics of capitalism” (Edgley et al., 2015 p. 3) or *include* stakeholders within financial and nonfinancial materiality assurance processes.

Dumay et al. (2015) and Edgley et al. (2015) form part of a limited (but growing) body of literature that explores alternative approaches to nonfinancial materiality. Specifically, this growing body of literature is concerned with examining the growing role and influence of stakeholders within nonfinancial reporting and assurance materiality processes and materiality decision making (Dumay et al., 2015, Edgley et al., 2015, Edgley et al., 2010; O’Dwyer 2002). Critical voices in particular have long advocated for the radical inclusion of stakeholder voice to challenge managerial capture mechanisms and improve transparency in nonfinancial reporting and assurance (see for example Gray et al., 1997; Owen et al., 2000, 2001; O’Dwyer, 2003, 2005). Puroila and Mäkelä (2019), in their qualitative analysis of materiality assessment as presented in sustainability reports, identify that stakeholders are engaged within sustainability reporting materiality assessment through a range of “participatory methods” (Puroila and Mäkelä, 2019, p. 13) such as interviews, surveys, stakeholder panels and workshops. However, Puroila and Mäkelä (2019) also argue that though a range of stakeholders *appear* to be engaged within materiality assessment, the way that stakeholder voices and perspectives are presented in sustainability reports implies an illusory and misleading consensus amongst the stakeholders engaged. Individual stakeholder voices and perspectives are lost through the use of tools, such as the GRI materiality matrix, that supports the presentation of stakeholder voices and perspectives as a unified whole (Puroila & Mäkelä, 2019). Puroila and Mäkelä (2019, p. 22/23) conclude that the presentation of materiality assessment in sustainability reports “is a value-laden, political judgement of what matters in corporate sustainability, favouring the corporate financial interests and falling short of addressing the complexity of sustainable development.”

Puroila and Mäkelä (2019) identify that the extent to which stakeholder engagement in materiality processes enables stakeholders to challenge power asymmetries and open materiality up to a multiplicity of stakeholder voices and agendas is an area that requires further examination. The following section introduces the argument for radical, emancipatory, (Freirean-informed) dialogic inclusivity through presenting and reflecting on first, how stakeholders are recognised within nonfinancial reporting and assurance, and secondly, managerial approaches that have previously been taken in examining and explaining manager/assuror and stakeholder relationships.

3.3 Constructing stakeholders and closing down stakeholder engagement

In this section I examine how stakeholders have been conceptualised within nonfinancial reporting and assurance literature, focusing on how managerial constructions of stakeholders specifically influence stakeholder recognition and engagement. This section further forms as an introduction to the theoretical approach I employ in this research, discussed in chapter four, through examining how dominant managerial constructions of stakeholders, recognition, and engagement close down spaces for stakeholders to have their voices heard, and be taken seriously, within nonfinancial reporting and assurance. How, and what stakeholders are recognised has particular significance for this research, as “the identification of context-specific corporate stakeholders is a key issue for stakeholder engagement in materiality assessment... If a particular interest group is not seen as a stakeholder at all, then their interests are perhaps not identified as relevant sustainability issues” (Puroila & Mäkelä, 2019, p. 8).

Conceptualisations of stakeholders within the extant literature tend to focus on stakeholders’ actual or perceived economic relationships with, to, or upon an organisation, taking these

relations as a 'given' (Crane & Ruebottom, 2011; Puroila & Mäkelä, 2019). Mitchell, Agle, and Wood (1997), quoting Freeman (1984, p. 46) argue that within broader management theory, a stakeholder can be defined as "any group or individual who can affect or is affected by the achievement of the organisation's objectives". Mitchell et al. (1997, p. 853/854) further suggest that stakeholders can be:

identified as primary or secondary stakeholders, as owners and nonowners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as rights-holders, contractors, or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influencers; and as legal principals to whom agent-managers bear a fiduciary duty.

The above construction provided by Mitchell et al. (1997) is useful to some extent in that it acknowledges the potential breadth of individuals and groups who may be considered to be stakeholders of an organisation. However, the authors do not explicitly deliberate or acknowledge the effect 'naming' stakeholder groups has on legitimating certain groups as stakeholders and, by proxy, de-legitimizing those 'others' who are not identified. However, they do recognise that through the act of 'naming' a group or individual as a stakeholder, managers effectively 'construct' their stakeholders, identifying and characterising them as groups or individuals who are deserving of management recognition and, from a critical perspective, perception management, and manipulation (Owen et al., 2000).

Mitchell et al. (1997) and O'Dwyer (2005) both deliberate on the motivations behind naming (and thereby constructing, and legitimising) stakeholder groups. Mitchell et al. (1997, p. 857) argue that stakeholder identification is pragmatic and dependent on the professional judgement of managers, "based upon the practical reality of limited resources, limited time and attention, and limited patience of managers dealing with external constraints". O'Dwyer (2005), drawing on empirical evidence of how managers and consultants within an international aid organisation (ASPO) recognise stakeholders within a social reporting process, similarly finds that managers involved in the social reporting process identify the more convenient stakeholders as legitimate stakeholders to engage. Perrault (2017) argues

that organisations tend to recognise and engage with stakeholders who are perceived to have potential contributions to corporate strategy, or a higher social 'status', whereas O'Dwyer (2005) further contends accountability relationships between the organisation and stakeholders, either real or perceived, influence how managers name stakeholder groups/individuals for inclusion in social reporting processes specifically.

O'Dwyer (2005) deliberates on how power asymmetries influence what stakeholders are named and legitimised through social reporting processes and how stakeholders identified can be representative of a broader management agenda. Specifically, O'Dwyer (2005) finds that managers and a consultant engaged in a social reporting process strategically manipulated perceived accountability relationships to justify who were considered stakeholders and who were not. Service providers over whom ASPO had "unremitting power" (due to the service providers being wholly dependent on APSO for economic survival) were argued as having a "'direct" accountability relationship" (O'Dwyer 2005, p. 285) with the organisation and were identified as legitimate stakeholders. Such stakeholders were "unlikely to engage in a process where they might criticise and potentially alienate "the only hand that feeds them" (IS1)" (O'Dwyer 2005, p. 285). The identification policy used by managers and the consultant led to the failure to identify the groups ASPO aims to reach: local communities (and/or their representatives) in developing nations. As O'Dwyer (2005) comments, the consequences of failing to identify these local communities and engage them within the social reporting process left "key stakeholders, if not *the* key stakeholders without a voice prior to the instigation of the process remained unheard and were therefore denied any possibility of participating in or influencing any form of transformation in their relationship with ASPO" (O'Dwyer, 2005, pp 284/285).

Through naming select groups and individuals as stakeholders, managers are able to exercise power over all potential stakeholder groups/individuals (i.e. not *just* those named), to legitimise (the perception and reality of) stakeholder claims, and, from a paternalistic view, either deny

or impose upon groups and individuals the right to self-identify as 'legitimate' organisational stakeholders (O'Dwyer 2005, Thomson & Bebbington 2005). I do not intend to infer that stakeholders not explicitly named or considered by managers do not lay or are unable to make claims on organisations, or do not consider themselves to be legitimate stakeholders of an organisation. Though important, it is not within the scope of this research to explore how stakeholders construct their own identities as stakeholders. Rather, through taking this stance I consider the recognition and construction of stakeholders by managers operating within an organisation context to be a power laden exercise that has consequences for inclusion and exclusion of groups/individuals for formal mechanisms of engagement with the organisation, and thus the potential for engagement to be 'opened up' or 'closed down' to a heterogeneity of stakeholder voice (Brown, 2009).

O'Dwyer (2005, p. 29) describes stakeholder engagement as "a multitude of practices where organisations adopt a structured approach to engaging with stakeholders". Conventional, managerialist approaches to stakeholder relationships and engagement are dominated by business case logics. As Brown and Fraser (2006, p. 104) discuss, the business case focus is on "identifying and pursuing forms of CSR [corporate social responsibility] and SEA [social and environmental accounting] that result in 'win-wins' for both business and wider stakeholders". Through the business case, nonfinancial reporting and assurance, and engagement within these practices is utilised as a management tool for controlling the expectations and perceptions of the organisation within stakeholder consciousness to gain and maintain organisation legitimacy (Brown and Fraser, 2006, O'Dwyer, 2003; O'Dwyer & Owen 2005).

Managerial approaches to stakeholder engagement further oversimplify stakeholder groups as homogenous, limiting the potential for stakeholder engagement to open up to diverging, competing, or complementary interests, characteristics, agendas, and failing to recognise the different ways that stakeholders organise themselves (Brown & Dillard, 2015; Crane &

Ruebottom, 2011; Miles, 2017). Gray et al. (1997), Owen et al. (2000), and Matten and Crane (2005) suggest approaches to stakeholder engagement that encourage ideals of democratic participation. Crane, Matten, and Moon (2004) further theorises stakeholders as ‘citizens’ within engagement as opposed to objects tethered to organisations through an economic relationship, may provide a way forward. Each of these papers suggest stakeholder democracy as a way forward in terms of potentially broadening stakeholder recognition to include multiple perspectives and ideologies, and the level of influence stakeholders can potentially have in forwarding their voices and agendas within stakeholder engagements (Crane et al., 2004; Gray et al., 1997; Owen et al., 2000; Matten & Crane, 2005). Within this research, I draw on Freire’s (2005) *Pedagogy of the Oppressed*, and his conceptions of banking and dialogic education within this work, as an alternative radical democratic theoretical approach that I discuss in chapter four. In the next section I outline the ‘gaps’ in the literature that this research addresses.

3.4 ‘Gaps’ in the literature and chapter summary

Puroila and Mäkelä (2019, p. 8) contend that:

The concept of materiality and the recent emphasis on the materiality assessment process in corporate sustainability reporting have potential to enable and highlight explicit discussions and evaluations on what is required, important, and material in corporate sustainability, and from whose perspective. Materiality assessment itself is valuable as an inclusive practice.

However, and despite these claims, how materiality is understood and determined, especially within the nonfinancial reporting context Puroila and Mäkelä (2019) highlight, is an area that requires further exploration. Within the literature the materiality concept is argued as fractured, contested, and elusive, and the veiled workings of materiality processes and materiality decisions have led critical researchers to critique materiality as protectionist and paternalistic, and deliberately mystified by the accounting profession to maintain and perpetuate the role of

the profession as materiality 'experts' and gatekeepers (Edgley, 2014; Edgley et al. 2015; Roberts & Dwyer, 1998). Placing materiality within a socio-political framing, Carpenter et al. (1994) and Puroila and Mäkelä (2019) argue that how materiality is understood and enacted in practice is significant in how the 'truth' of reporting organisations is developed, and how that 'truth' is then presented and communicated to a social (stakeholder) audience.

Stakeholder literature reviewed in this chapter further brings attention to how narrow managerial constructions of stakeholders and engagement can limit the potential for stakeholder engagement to open to a heterogeneity of voices, interests and agendas. O'Dwyer (2005) in particular argues that the construction and recognition of stakeholders in engagement is representative of the power managers have to legitimise stakeholder claims and voices on organisations. Within a materiality context, Puroila and Mäkelä (2019) further argue that whether and to what extent the inclusion of stakeholder engagement in nonfinancial reporting guidance, such as that included in the IIRC Framework, challenges (or imposes) paternalism and managerial capture, or empowers stakeholders and opens up to heterogeneity of voice(s), or addresses stakeholder and manager power asymmetries within materiality processes and decision making in *practice* is an area that requires further investigation.

Unerman and Zappetini (2014) identify that (critical) research on the materiality concept and especially materiality processes within nonfinancial reporting and assurance appears to be limited. Much of the research that has been performed tends to focus on examining approaches to materiality decision making within nonfinancial assurance, drawing on positivist, experimental research designs and methods to assess assessor views and outputs perspective (Brennan & Gray, 2005; Carpenter et al., 1994; Edgley, 2014; Faux, 2012; Messier et al. 2005; Moroney & Trotman, 2015). These studies, though useful in understanding what drives materiality decisions in materiality processes, do not necessarily open up to exploring materiality as a fractured and contested concept, or a socio-political,

power laden, process. Though the inclusivity of stakeholders within materiality decision making has been empirically explored within a nonfinancial assurance context by Edgley et al. (2015), the authors identify that further debate is needed to 'open up' materiality in nonfinancial reporting and assurance to increase understanding and transparency of a complex and contested concept and process.

This research aims to confront the veiled nature of materiality, opening up and examining the materiality concept and processes, and the role of stakeholders within them, through significant in-depth empirical investigation. This research further examines the influence of power as a significant force influencing stakeholder engagement, and the development of dominant 'truths' within materiality processes. Through focusing on the understandings of perceptions of those in a position of greater relative power (i.e. preparers, consultants, and assurors) in integrated reporting materiality processes, I aim to bring these dominant framings of materiality, materiality processes, and the role of stakeholders within these processes, 'into the light' to be critically evaluated, analysed, and potentially challenged through the theoretical approach taken in this research.

In this chapter I have reviewed literature relating to the materiality concept and process, and the construction of stakeholders and stakeholder engagement. I have summarised key points within the literature to identify the 'gap' in the literature that this research addresses. In the next chapter, I discuss and define the theoretical approach taken in this research, that is, Freirean-informed dialogic accounting.

CHAPTER FOUR: THEORETICAL PERSPECTIVE: DEFINING A FREIREAN-INFORMED DIALOGIC APPROACH

4.1 Introduction

In this chapter I define the Freirean-informed dialogic theoretical approach used in this research, and position this theoretical perspective within both broader critical theorisations of dialogic accounting and engagement, and Freirean-informed dialogic accounting literature in particular (Bebbington et al., 2007; Brown, 2009; Brown & Dillard, 2014; 2015; Brown et al., 2015; Thomson & Bebbington, 2004; 2005). I begin by discussing the critical dialogic accounting literature this research is broadly positioned within in section 4.2, before discussing the parts of Freire's (2005) radical, democratic pedagogy and his conceptions of banking and dialogic education¹⁷ that I draw on to inform the theoretical perspective of the research (section 4.3). I outline educative space(s) and oppressor/oppressed relationships, key conceptualisations underlying Freire's (2005) pedagogy, and discuss Freire's (2005) conceptions of banking and dialogic education. In section 4.4 I then examine Freirean-informed dialogic accounting more specifically, focusing on how Freire's (2005) pedagogy and conceptions of dialogic education have been used and interpreted in existing accounting (conceptual and empirical) literature. I discuss how Freire's (2005) conceptions of banking and dialogic education inform the theoretical perspective of this research, and how they help to frame materiality processes as educative space(s) in section 4.5. In section 4.6 I summarise the chapter.

¹⁷ In this thesis I use the terms 'education' and 'conceptions of education' within a Freirean specific versus broader education context, that is in a way consistent with understandings of 'education' and 'concepts of education' within the Freirean-informed dialogic accounting literature (see Thomson & Bebbington, 2004; 2005). Any references made in this research to 'education' are thus made within a Freirean-informed dialogic accounting, as opposed to broader education, context.

4.2 Critical theorisations of monologic and dialogic accounting

Theorisations of dialogic accounting seek to disrupt narrow, *monologic* framings that dominate 'mainstream' accounting and reporting. Monologic accounting – accounting and reporting “overwhelmed by the pre-given values and assumptions of capitalism” (Aleksandrov, Bourmistrov, & Grossi, 2018, p. 1119) – de-politicises accounting through denying the political within accounting (Brown, 2009; Dellaportas, 2015). Dellaportas (2015) argues the de-politicisation of accounting is witnessed through an increasing distance between accounting and the broader cultural and social contexts within which accounting takes place. Dellaportas (2015) contends the increasing emphasis on technical rationalism with 'conventional' accounting practice leaves contestable values and beliefs of hegemonic neoliberal ideology unquestioned, and unchallenged. For Brown (2009) (see also Brown & Dillard, 2015) consensus oriented, “third way” (Mouffe, 2000) approaches to democracy depoliticise nonfinancial accounting through refusing to acknowledge the existence and influence of power in accounting spaces, decision making, and through erasing “antagonism from political discourse”. 'Dialogic accounting attempts to re-politicise, or place emphasis on the political within accounting through legitimising alternative (and at times, conflicting) viewpoints and ideologies, making alternative voices and viewpoints visible and challenging dominant and powerful elites that exist within what is recognised as a pluralistic society (Brown et al., 2015).

The entry point of dialogics into the (nonfinancial) accounting literature comes through engagement with the work of Bakhtin (Macintosh & Baker, 2002; Bebbington et al., 2007; Dillard & Roslender, 2011, Catchpowle & Smyth, 2016; Brennan, Merkl-Davies, & Beelitz, 2013) and particularly the radical democratic humanist Freire (Thomson & Bebbington, 2004; 2005; Bebbington et al., 2007) to theorise heteroglossic accountings and dialogic engagements respectively. Latter work has drawn upon radical agonistic democratic thinkers Laclau and Mouffe (Holdaway, 2018, Brown 2009; Brown & Dillard, 2014; 2015). The two schools of thought (Freirean-informed dialogics and agonistic dialogics) both recognise the

de-politicisation of monologic framings of accounting, and attempt to highlight and counter the dominance of “powerful elites” within these framings (Bebbington et al., 2007; Brown, 2009; Denedo et al., 2017). Similarly, both schools of thought promote a plurality of diverse (and sometimes contesting/conflictual) views and perspectives within accounting (Bebbington et al., 2007; Brown, 2009). Where they differ is the means through which these ends may be achieved. Agonistic-informed dialogics draws primarily on the works of Ernesto Laclau and Chantal Mouffe, and argues for democratic participation in accounting that creates spaces for “contested interpretations of liberal democratic values, [and] enables collective identities to form around different positions and provides citizens with real choices.” (Brown, 2009 p. 321). Within agonistic-informed dialogics “democracy and liberation are always unfinished”; this is in contrast to Freirean-informed dialogics which takes a more dialectical view of liberation and subjugation (as I discuss further in this chapter). The other key point of departure in the two streams of thought are the emphasis that Freirean-informed dialogics places on the role of *education* as a crucial political mechanism for change¹⁸.

Within this research I draw upon Freirean-informed dialogics to critically analyse and evaluate materiality processes and the role of stakeholders in them. However, I have found it useful to draw upon broader dialogic accounting literature to conceptualise monologic and dialogic accounting and I situate this research within these wider debates.

4.2.1 Monologic accounting

As introduced above, monologic accounting is characterised by the dominance of a singular, (neoliberal) privileged view within reporting. Epistemologically, Brown (2009, p. 329) argues monologic accounting is often positivist, “dominating within a given knowledge-power structure”. The emphasis placed on presenting frameworks underpinning the preparation and assurance of reports as ‘neutral’ and ‘objective’ reinforces the knowledge-power structure

¹⁸ See Brown and Dillard (2019) for a discussion on agonistic education.

through giving weight to the assumption that “‘objective’ standards are assumed to benefit everyone¹⁹”. Financial reports in particular are presented as an absolute, rational ‘truth’, the impartial and neutral presentation of the ‘facts’ of accounting (Brown, 2009).

The reporting of a singular dominant voice allows “powerful elites” to “entrench their meanings and preferences and (wittingly or unwittingly) “universalize” their own partial positions” (Brown, 2009, p. 316). The accounting for, and reporting of, a singular ‘objective truth’ leaves little space for the existence of other ‘subjective truths’ within the monologic frame – shutting down and limiting the parameters of discussion and debate (Brown, 2009; Tregidga, 2017). In shutting down discussion and debate, monologic accounting further widens the divide between the accounting profession and non-accountants, reinforcing and promoting the paternalistic role of the accountant as ‘expert’ and ‘gate keeper’ (Brown, 2009; Dellaportas, 2015; Roberts & Dwyer, 1998). Competing perspectives outside of dominant orientations are, through this lens, marginalised and alternative voices are lost (Brown, 2009; Bebbington et al., 2007). Limiting the parameters of debate further shuts down models of democratic participation through which alternative voices may be heard.

Brown and Dillard (2015, p. 248) maintain that the limited neoliberal focus of (traditional) accounting and accountants is “inadequate for a profession [accounting] that purports to act in the public interest ... particularly given the profound social and environmental impacts that flow from corporate practices.” The authors argue that a shift away from an accounting frame that privileges the goals, perspectives and values of capitalist markets, financial investors and business is needed to “grapple with the messy, complex, contradictory and power-laden nature of social worlds in pursuit of democratic governance practices that take pluralism, ideological conflicts and struggles over meaning seriously” (Brown & Dillard, 2015, pp.

¹⁹ This assumption is on the basis that humans are rational, economic beings who are individually motivated by their own economic self-interest (Brown, 2009 p. 329).

247/248). I present dialogic accounting as one possible means of disrupting the ideology and values monologic accounting frames present and reproduce.

4.2.2 Dialogic accounting

Where monologic accounting privileges and promotes the dominance of a singular voice and ideological orientation within accounting, dialogic accounting seeks to re-politicise accounting through explicitly recognising heterogeneity of political orientation and voice within accounting and the convergent and divergent views and objectives these (sometimes competing and/or conflicting) orientations and voices bring (Byrch et al., 2015). Unlike Habermasian ideals of deliberative consensus, dialogic accounting acknowledges and embraces the existence and importance of conflict within plural positions (Brown, 2009; Brown & Dillard, 2014; Brown et al., 2015). *Critical* dialogic accounting further recognises unequal power dynamics within contemporary monologic accounting and engagement structures as an oppressive force influencing and underlying engagement (Bebbington et al., 2007; Brown, 2009; Dillard & Yuthas, 2013) and seeks to challenge and transform these structures through iterative, democratic engagement with, and for, the 'other'. In recognising and promoting a plurality of viewpoints, critical dialogics seeks to disrupt monologic hegemonic discourse within accounting, legitimising the voice of the 'other' within accounting and challenging dominant frames that both constrain and direct our attention in accounting and reports (Edgley et al., 2010).

Power is significant in the construction and dissemination of meaning which is both constrained by an individual's self-perception, experience and histories, but is crucially "realised in social interaction" (Bebbington et al., 2007, p. 367) – placing the construction of meaning within a wider 'web' of culture and power. Bebbington et al. (2007) and Brown (2009) argue that power asymmetries within the oppressed/oppressor relationship allow the viewpoints of a few 'powerful elites' to be propagated and established as a universal 'truth',

stifling creativity, critical reflection and debate. As considered by Edgley et al. (2010, p. 536), this aids and perpetuates power asymmetries through allowing “oppressive groups to create and disseminate a “myth” as the dominant version of reality in society,” serving to reinforce dominate and oppressive business case logics within accounting, reporting, and assurance.

Brown (2009) identifies dialogic accounting as social constructionist, with reality and knowledge simultaneously and jointly constructed within the social sphere. Brown (2009, p. 329) particularly considers knowledge as “situation and value-laden – open to critical readings” – a direct departure from the objective ‘truth’ and mythicised reality of the monologic accounting narrative. Through rejecting the mythicised ‘truths’ cultivated through monologic, oppressive universal narratives, critical dialogic accounting further challenges the meanings, stories and accounts that the monologic narrative creates, disseminates and perpetuates (Byrch et al., 2015). Critical dialogic accounting aims to create space for alternative meanings, stories and accounts to emerge and be acknowledged (Byrch et al., 2015). As Brown (2009, p. 337) contends, “it [critical dialogic accounting] is aimed at enabling social actors to engage in wide-ranging discussion and debate about the kinds of organizations and societies they want to help (re)create in a manner that respects their diverse perspectives”. In this way, accounting becomes less of a vehicle to promote hegemonic (neoliberal) interests and more of a participatory mechanism with “the potential to foster democratic interaction” (Brown, 2009, p. 317), making visible the social and environmental priorities and values of the ‘other’, and promoting transparent and inclusive decision making (Boyce, 2000).

The development of dialogic democratic participatory tools and frameworks within critical accounting literature draw from a largely agonistic pluralist²⁰ perspective (Holdaway, 2018;

²⁰ Brown (2017) identifies three different generations of pluralist political theorists have been engaged and debated within the accounting literature throughout the past 25 years (i) first generation, drawing on the works of Arthur Bentley, Harold Laski, Ernest Baker and Mary Parker Follet (ibid, p. 22); (ii) second generation, drawing on the works of Robert Dahl, Charles Lindblom and David Truman (ibid, p. 26); and (iii) third generation, drawing on the work of William Connolly, Ernesto Laclau, Chantal Mouffe,

Brown, 2009; Brown & Dillard, 2015; Brown et al., 2015), with the exception of Bebbington et al. (2007), who draw upon Freirean literature more specifically²¹. Brown (2009) notably draws upon pluralist, agonistic and dialogic literature to develop a critical dialogic conceptual framework for accounting for sustainability. She theorises how this framework could be applied through an existing accounting tool (the sustainability assessment model) to overcome the monologic colonisation of accounting and foster democratic dialogue. Through theorising how an existing tool could be repurposed from an instrument of monologic colonisation to a mechanism for developing alternative, democratic dialogic-oriented accounting/accounts, Brown (2009) argues that accounting tools in themselves are neither monologic or dialogic in nature. However, her argument that a new form of critical dialogic accounting can be pursued through the (re)utilisation of existing accounting tool(s) does not recognise the underlying purposes that an accounting tool may have been designed for and/or the underlying epistemic consequences of theorising dialogic accounting through tools potentially designed for a monologic framing of accounting (Aleksandrov et al., 2018).

Dillard and Yuthas (2013) and Brown and Dillard (2014) subsequently reflect that 'new' forms of dialogic accounting technologies, appraisal methods and engagement are needed to reflect the complexity of pluralistic voice(s) to capture and reconstruct information to meet a diversity of needs. However, Harun, Van-Peursem, and Eagleton (2015) and Aleksandrov et al. (2018) caution that even accounting tools designed with an underlying dialogic intent are open to manipulation and may be implemented in a monologic way. Harun et al. (2015) present a case study of accounting reform within the Indonesian public sector and evaluate the potential for the broader public to be dialogically engaged with fiscal aspects of local municipality government. The authors contend that, despite the presence of dialogic rhetoric associated with the accounting reform, and the backing of regulation and legislation, long standing

James Tully and Iris Young. Much of the work in agonistic democracy within dialogic accounting literature draws upon third generation pluralist political theorists.

²¹ I discuss Bebbington et al. (2007) further in section 4.4.

political traditions influence the implementation of 'new' forms of dialogically oriented accounting and divert dialogic accounting intent. In this case study, the Harun et al. (2015, p. 707) found evidence that the accounting reform further strengthened the power and influence of the Indonesian central government over the local municipality: "Dialogic opportunities were held in check by the manner in which power over decision making bypassed LG [Local Government]. While the enthusiasm for "reform" was high, the need to comply with contradictory and confusing requirements removed our local participants from the potential to offer informed "voice" and made it more difficult for the public to participate as well."

As with Harun et al. (2015), Aleksandrov et al. (2018) identify a gap between dialogic accounting rhetoric and practice. Aleksandrov et al. (2018) utilise a case study approach to explore participatory budgeting as a form of dialogic accounting. Similarly to Harun et al. (2015), Aleksandrov et al. (2018) found that the design and implementation of participatory budgeting tools were subject to monologic accounting capture. However, where Harun et al. (2015) argue historical patterns as a barrier to dialogically oriented accounting, Aleksandrov et al. (2018) maintain that individuals' reflexivity limited dialogic accounting potential. The authors identify the presence of a "reflexivity trap" where:

actors are unaware of their reflexivity limitations and this makes it difficult or impossible to escape from the trap in terms of defining better alternative actions (e.g. in our case, in terms of new alternatives for dialogic accounting). ... There is, therefore, a kind of "vicious circle" where actors' possible future institutional embeddedness, their reflexivity and choice of institutional actions are becoming trapped by their past embeddedness, reflexivity and choice of institutional actions (Aleksandrov et al., 2018, p. 1118)

Aleksandrov et al. (2018) suggest that an individual's reflexivity is both shaped and influenced by their past experiences of institutional embeddedness and action. However, this suggestion presents the possibility of opening up an individual's reflexivity to be aware of and imagine alternative actions that exist outside of the institutions that an individual may be constrained by and/or subjected to. Within this research I seek to recognise the historical institutional and

political influences identified by Harun et al. (2015) and Aleksandrov et al. (2018) as influences that 'trap' reflexivity and, in turn, present barrier(s) to dialogic oriented accounting.

Where Dillard and Yuthas, (2013), Brown and Dillard (2014), and Brown (2009) present agonistic pluralist frameworks, accounting technologies, appraisal methods and stakeholder engagements as a means to pursue dialogic accounting, I present educative, rather than agonistic, framings of critical dialogics as an alternative. Though I acknowledge the political and pluralistic debates within the critical (agonistic) dialogic literature, I consider politics and plurality within an educative framing of accounting and engagement, i.e. inclusive accounting and engagement that politically educates. In taking this stance I depart from agonistic democratic politics in favor of a perspective that places emphasis on the politics of pedagogy, and through pedagogy, radical transformatory action. This departure is primarily based on a perspective that all reporting and reporting processes are inherently educative, presenting a space where education can and does take place. Central to this perspective is the argument that education is itself political. I have found it useful to reflect upon Thomson and Bebbington (2004, p. 611) who contend that education and educative processes are political for three reasons:

First, education plays a constitutive role in that it tells us what we know about the world. Second, that when education is used to maintain existing power differentials and to keep people in "their place" it is an oppressive force. Third, given that education enables us to form a view of the world, and to change the world as a result, it has a transformative role. As a result of the diverse possible roles of education within society, the ability to control educational processes is very important.

I draw specifically on the work of *Pedagogy of the Oppressed* by Freire (2005), who through his conceptions of banking and dialogic education in this work, demonstrates how education can either be used as an oppressive force to 'keep people in their place' or can be used to bring about transformatory emancipation from constrictive and oppressive social orders (Thomson & Bebbington 2004; Bebbington et al., 2007). In the following section I present

Freire's (2005) *Pedagogy of the Oppressed*, and the elements of Freire's (2005) conceptions of banking and dialogic education that are relevant to this research.

4.3 Freire's *Pedagogy of the Oppressed*

Freire's (2005) radical democratic pedagogy, and conceptions of banking and dialogic education, were both influenced and informed by his experiences of systemic political oppression in poor, ostracised communities in Brazil. Access to voting rights in Brazil in the 1960s was limited to literate members of the adult population, meaning that the illiterate poor were excluded from participating in democratic political arenas. An educator, Freire proposed (dialogic) education as a means for these communities to gain literacy and voting rights and thereby democratic participation, and it is through observation and encounters with these communities that Freire developed his pedagogy. Freire sought not only to identify and acknowledge systemic oppressive influences within conventional education programmes. Through his radical democratic pedagogy Freire aimed to actively challenge and disrupt the 'lessons' conventional, oppressive education programmes imparted on those they oppressed (Gadotti, 1994; Taylor, 1993). This, together with Freire's own experiences of devastating poverty and political domination²² through 15 years of political exile from his native home (Gadotti, 1994) provide a contextual positioning to begin to comprehend the themes underlying his conceptions of banking and dialogic education, as presented in *Pedagogy of the Oppressed*.

²² Freire was politically exiled from his home country, Brazil for a total of 15 years for his outspoken views on transformative, disruptive education and the absence of basic democratic rights for the underclasses of Brazil. *Pedagogy of the Oppressed* was written and initially published in 1970, six years after the beginning of his exile.

Pedagogy of the Oppressed is an educational work inspired by radical revolutionary leaders Che Guevara and Fidel Castro, and is embedded within the struggles against dominating oppressive structures in Latin America in the mid twentieth century. These struggles, and the Latin American context of the work are evident in the presentation of *Pedagogy of the Oppressed*, where Freire draws attention to examples of dialogic education in practice²³. In this research I draw on conceptions of banking and dialogic education within *Pedagogy of the Oppressed* to develop a Freirean-informed theoretical perspective to critically evaluate and analyse materiality processes and the role of stakeholders in these processes. In drawing upon this work specifically, I acknowledge the situational context and political struggles which both inspired and necessitated the writing and publication *Pedagogy of the Oppressed*. Though the integrated reporting context within which this research is situated is far removed from the political struggles of the illiterate in Brazil in the 1960s (Gadotti, 1994; Taylor, 1993), I argue that the broad themes underlying Freire's (2005) conceptions of banking and dialogic education – specifically silence and voice, and domination and liberation - are both sympathetic and relevant to the current nonfinancial reporting environment, and can help us to understand the struggle of stakeholders to be heard and taken seriously within integrated reporting materiality. Freire's (2005) conceptions of banking and dialogic education also provide a useful framing for materiality processes as educative space(s) and allow for arguments of dominance and paternalism within materiality (Dumay et al., 2015; Puroila & Mäkelä, 2019; Roberts & Dwyer, 1998) to be further explored.

Freire's conceptions of banking and dialogic education explore the antagonistic relationship between the 'oppressed' and the 'oppressors', and the potential for disruptive social transformation of this relationship and the respective realities of each party through dialogical problem-posing education. I begin this section through introducing the themes of liberation,

²³ I further reference the practical examples Freire (2005) presents in my discussion of dialogic education in section 4.3.4.

domination, and power that underlie Freire's radical democratic pedagogy and conceptions of banking and dialogic education.

4.3.1 Liberation, domination, and power within education

In the foreword of *Pedagogy of the Oppressed*, Richard Shaull reflects that Freire's pedagogy is premised on one basic assumption – that man's ontological vocation is to “be a Subject who acts upon and transforms his world, and in so doing moves towards ever new possibilities of fuller and rich life individually and collectively” (Shaull in Freire, 2005, p. 14). The world which Freire relates is not a static or given reality to which man must adapt; it is a reality that may be manipulated and changed. From this perspective the world comes to represent an existential reality that may be worked upon, a problem that can be ‘solved’. Further, in striving to be a Subject, one may differentiate himself or herself from an Object within the world. A Subject is a being who knows, can “name” the world, comprehend her/his position critically, and act upon this reflection²⁴. An Object is simply known and acted upon within the world (Freire, 2005). To be a Subject is this to name the world, and to change it²⁵ (Freire, 2005). To be a critical Subject is to be ‘free’.

Freedom, and the pursuit thereof, is the underlying tenet of *Pedagogy of the Oppressed*. Freire (2005) presents freedom as the antithesis of oppression that is characterised by domination, subjugation, dehumanisation, violence, and critical for this research, the silencing of voice. Throughout Freire's conceptions of banking and dialogic education, opposing concepts, such as freedom and oppression, are presented as absolute. One is either free, or one is oppressed; one is silenced, or one has voice. For Freire (2005), there is no middle ground.

²⁴ Shaull relates the idea of conscientização, or conscientisation, discussed in section 4.3.4.

²⁵ Thomson and Bebbington (2005 p. 510) discuss the positions of ‘Object’ and ‘Subject’ as “intimately linked to beliefs about whether humans are able to transform their own understandings of the world and eventually the world itself.” An objective view “sees human nature and conduct as being determined by the environment within which the human subject lives.” (Thomson & Bebbington, 2005 p. 510). A subjective view perceives the environment as “being a creation of the individual's consciousness.” (Thomson & Bebbington 2005, p. 510). To be a ‘critical Subject’ is to live at the intersection of the objective and subjective dialectic (Dillard, 1991; Freire, 2005; Thomson & Bebbington, 2005).

Within this chapter I similarly present Freire's concepts of the oppressor and the oppressed, and Freire's conceptions of banking and dialogic education as opposing 'forces' for, and against, the liberation of the oppressed.

Considering the above, Freire (2005) explicitly recognises the existence of the oppressor and the oppressed as opposing positions and extensively characterises their relative identities and relationships with each other and between themselves, particularly through the use of education. Bebbington et al. (2007) identify Freire's conceptualisation of power, particularly within the oppressor/oppressed relationship as dialectic in that power has both a positive and negative nature. They comment:

Power is a negative force when it is used to exercise domination or oppression directly (for example, by the state via the police, army or courts) or indirectly (where power, technology and ideology combine to silence at people). At the same time the exercise of power is never complete ... A concentration of conscientization, self-emancipation and solidarity in collective struggle is the outcome of this dialectical understanding of power. (Bebbington et al. 2007, p. 365).

Freire's dialectical understanding of power underlies how he understands the oppressor and the oppressed, and the relationships they have with one another. I now examine how dialectical power is inherently embedded in Freire's conceptualisation of oppressor and oppressed relationship(s).

4.3.1.1 The relationship(s) of the oppressor and the oppressed

Violence is initiated by those who oppress, who exploit, who fail to recognize others as persons – not by those who are oppressed, exploited and unrecognized. It is not the unloved who initiate disaffection, but those who cannot love because they only love themselves. It is not the helpless, subject to terror, who initiate terror, but the violent, who with their power create the concrete situation which begets the "rejects of life". It is not the tyrannized who initiate despotism, but the tyrants. It is not the despised who initiate hatred, but those who despise. It is not those whose humanity is denied them who negate humankind, but those who denied that humanity (thus negating their own as well) (Freire, 2005, p. 37).

Freire (2005) presents an oppressor/oppressed relationship that is defined through subjugation, violence, and dehumanisation, that ultimately manifests in the domination of the

consciousness of the oppressed by the oppressor. He argues that the mythical nature of the reality of the oppressed, which has been constructed by those in power over them, keeps the oppressed ignorant of the realities of the true world (Freire, 2005). The oppressed remain Objects within the world, influenced wholly by those oppressors who hold dominion over them. Freire (2005) argues that the oppressed struggle for freedom as their ignorance results from the totality of the social, economic and political domination to which they are subjected. Within systems of oppression, it is the extent of domination by the oppressors that, in turn serves to dehumanise the oppressed.

Freire (2005) considers that the perception and understanding of humanity and the reality of the oppressed is both shaped and defined by those that oppress them. As articulated by Freire, "Their perception of themselves as oppressed is impaired by their submersion in the reality of oppression" (Freire, 2005, p. 27). The oppressed are trapped within the same structure of thought and action as their oppressors, unable to conceptualise a reality that differs from their current experience of reality (Freire, 2005). The oppressed conform to the consciousness of the oppressor who is in a position of domineering power and begin to mimic the actions of their oppressors and adopt their perceptions as their own. Such utter submersion and loss of identity of the oppressed gives rise to what Freire recognises as a 'culture of silence': a culture where domination is so absolute that those who have been completely marginalised have lost their individual and collective consciousness and voice to 'name' the world (Freire, 2005).

As the oppressed lose their ability to 'name' the world, the oppressors are similarly restrained within the domineering structures they have created. In order to dominate, the oppressor "has no choice but to deny true praxis to the people, deny them the right to say their own word and think their own thoughts" (Freire, 2005, p. 107). In denying the humanity of the oppressed the oppressors themselves deny their own humanity. The struggle for freedom therefore becomes the struggle of the oppressor as well as the oppressed: "The oppressors, who oppress, exploit,

and rape by virtue of their power, cannot find in this power to liberate either the oppressed or themselves” (Freire, 2005, p. 26). However, while Freire’s work implicitly reflects upon the oppressor as similarly repressed through the mythicised reality that they have created, he believes that in themselves the oppressors are incapable of authentically pursuing and attaining ‘true’ liberation. Further than this, Freire (2005) argues that as the oppressed are not aware of their status as the ‘oppressed’; neither are the oppressors necessarily aware of their status as ‘oppressors’ of the oppressed. He argues that it is in the inherent (not necessarily, conscious) nature of the power of the oppressor to corrupt, subjugate and possess: to do otherwise (i.e. to seek to liberate versus dominate) would be to relinquish that power, or to lose that power to the cause of the oppressed. In considering the psychology of the power of the elites, Freire (2005, p. 11) reflects, “Why do they dominant elites not become debilitated when they do not think with the people? Because the latter constitute their antithesis, their very reason for existence. If the elites were to think with the people, the contradiction would be superseded, and they could no longer dominate”.

Freire (2005) argues the oppressor and the oppressed stand as opposing forces against their relative freedoms: The oppressor is afraid of losing their ‘freedom’ to oppress, and the oppressed are powerless of confronting their mythicised reality to embrace their ‘freedom’ (Freire, 2005). The relationship is further complicated by the reliance of the oppressed on their status of oppression, knowing of no other alternative. The oppressed are in a position where they are simultaneously powerless in perceiving their situation as oppressed and ignorant and/or fearful of challenging and transforming their oppressed status or to gain ‘freedom’ (Freire, 2005).

Freire (2005) contends education can either maintain and perpetuate, or disrupt and transform oppression and the realities of the oppressor and the oppressed. I now explore the role Freire (2005) ascribes education in pursuing either domination, or freedom, and discuss what constitutes educative spaces.

4.3.2 Education and educative spaces

Freire (2005) argues 'freedom' is negated by oppressive paternalistic social, economic and political structures that serve to perpetually repress and mythicise the true nature of the reality. He draws upon Illich's (1971) 'hidden curriculum' to explain the relationship education has in constructing and maintaining these oppressive societal structures. As discussed by Thomson and Bebbington (2004, p. 611), the hidden curriculum "suggests that when we are being educated we are not only learning about various 'things' but are also implicitly being taught about our role in society". Thomson and Bebbington (2004, p. 611) provide the following illustrative example:

For example, when young children are reading a book about doctors and nurses several layers of information are introduced. In the first instance, the ability to read and make sense of letters occurs; the child is being educated as to how to read. At the same time, something about (for example) what a doctor or nurse does, what hospitals are, how hospitals function and the fact people get ill are also being conveyed. Further, if in all the books on this topic all doctors are men and all nurses are women then the child reading the book may also be educated into believing that these roles are always sex segregated. This final element of 'education' is what Illich would call the 'hidden curriculum'.

Thomson and Bebbington (2004) quoting Illich (1971, p. 402) identify the purpose of the hidden curriculum is to "hide from its participants [i.e. participants being educated] the contradictions between the myth of the egalitarian society and the class-conscious reality it certifies". Where Illich (1971) proposes the de-schooling of participants, Freire looks to education itself, particularly dialogic education (discussed further in section 4.3.4) as a means of resisting and challenging the influence of the hidden curriculum.

Freire (2005) discusses pedagogy as either reinforcing and perpetuating or disrupting and transforming oppressive societal structures. Education is framed as either the practice of domination or freedom, where the "former attempts to maintain the *submersion* of consciousness [in the mythicised reality]; the latter strives for the *emergence* of consciousness

and *critical intervention* in reality” (Freire 2005, p.62) (emphasis in original). As described by Shaul (in Freire 2005, p. 16):

There is no such thing as a *neutral* educational process. Education either functions as an instrument that is used to facilitate the integration of the younger generation into the logic of the present system and bring about conformity to it, or it becomes the ‘practice of freedom,’ the means by which men and women deal critically and creatively with reality and discover how to participate in the transformation of their world [emphasis in original].

I consider the dialectic education(s) that Freire and Shaul (Freire, 2005) describe within the context of Illich’s (1971) argument of the hidden curriculum to position educative spaces. Within this research I frame educative spaces as spaces where educative interactions, whether the underlying educative agenda is either overt or veiled take place. I argue that educative spaces, in a Freirean sense, exists when education that dominates consciousness (banking education) or seeks to liberate it (dialogic education) exists²⁶. Educative spaces are therefore not necessarily limited to spaces that are obviously educational, such as schools or universities, and may be found in spaces that are more or less informal. In section 4.5 I argue accounting and materiality processes are educative spaces. I further argue that education is not limited to what is taught within education institutions. How I draw on education and what constitutes an educative space is a key argument of this chapter and provides a useful starting point for defining the Freirean-informed theoretical approach used in this research. In the follow section I present Freire’s (2005) conception of banking education that promotes and perpetuates the domination of the consciousness of the oppressor over the oppressed.

²⁶ A broader interpretation of education and educative space is frequently seen across a range of literature that draw upon Freirean-informed dialogics as a theoretical framework (see for example (Abrahams, 2005; Carroll & Minkler, 2000; Pomeroy, Holleran, & Kiam, 2004). Indeed, Freire himself encouraged the adoption of his pedagogy in differing locales, fields and cultures (Freire, 1998). I discuss Freirean-informed dialogics within the accounting discipline in section 4.4.

4.3.3 Conception of banking education

In attempting to create a disruptive, revolutionary pedagogy Freire reflects upon what he interprets as the oppressive nature of 'conventional' systems of education. He discusses the characteristics of these systems and refers to systems mirroring these characteristics as symptomatic of banking education.

Banking education is narrative and mechanical in nature, promoting a teacher-student relationship that inhibits the exchanging of dialogue and limits creativity. The teacher-student relationship is based on the assumption "that the teacher possesses something that the student needs but lacks" (Pomeroy et al., 2004, p. 40). Freire (2005) reflects on this assumption and the unequal power dynamic that the assumption effects, arguing that the dominance of the teacher within education negates even the development of what a student may wish to learn, and how (Pomeroy et al., 2004; Freire, 2005). The banking educational programme and its delivery are dominated by the consciousness of the teacher and the oppressive ideology they represent, and (usually unwittingly) promote and perpetuate (Thomson & Bebbington 2004; Freire 2005). Freire (2005, p. 54) proposes nine characteristics that define the teacher-student relationship within banking systems of education:

- (a) the teacher teaches and the students are taught;
- (b) the teacher knows everything and the students know nothing;
- (c) the teacher thinks and the students are thought about;
- (d) the teacher talks and the students listen – meekly;
- (e) the teacher chooses and enforces his choice, and the students comply;
- (f) the teacher acts and the students have the illusion of acting through the action of the teacher;
- (g) the teacher chooses the program content, and the students (who were not consulted) adapt to it;
- (h) the teacher confuses the authority of knowledge with his or her own professional authority, which she and he sets in opposition to the freedom of the students;
- (i) the teacher is the Subject of the learning process, while the pupils are mere objects.

Within this framing, the job of the teacher is that of prescriber, that is to 'fill' students with the concepts of a "motionless, static, compartmentalized, and predictable" (Freire, 2005, p. 52) reality. Within this system the student is a passive Object, a depository patiently receiving the

all-knowing teachers' communique (Freire, 2005). The success of banking education is indicated by the teacher's ability to 'fill' the students and the students' capacity to be 'filled' (Freire, 2005). Freire argues that within teachers' communiques, words are "emptied of their concreteness and become a hollow, alienated and alienating verbosity" (Freire, 2005 p. 52). Words are mechanically memorised, repeated, and filed away or 'banked'. As Thomson and Bebbington (2005 p. 513) identify, "the student can then withdraw from their 'bank' of knowledge to demonstrate understanding". The student does not critique and does not reflect, the deposits 'banked' losing all meaning to the student. An example used by Freire (2005, p. 52) demonstrates how the significance of meaning is lost through empty repetition:

"Four times four is sixteen, the capital of Para is Belem." The student records, memorizes, and repeats these phrases without perceiving what four times four really means, or realizing the true significance of "capital" in the affirmation "the capital of Para is Belem," that is, what Belem means for Para and what Para means for Brazil.

As students are filled with these arguably 'meaningless deposits', they are also unconsciously being groomed to accept their role as the oppressed within society. In suggesting that banking education implicitly reinforces the status of the students as an oppressed underclass, Freire argues banking education is a mechanism of the oppressor to further dominate the oppressed, disseminating and perpetuating the oppressor's hidden curriculum (Illich, 1971; Freire 2005) to indoctrinate the oppressed to "adapt to the world of oppression" (Freire 2005 p. 59).

Freire (2005, p. 54) maintains education can never be transformatory in nature if it begins with the egoistic interests of the oppressor. This is because any action that is transformatory is contradictory to the freedom of the oppressor to oppress. Banking education, as a dominating mechanism for the oppressor can never be transformatory in nature. As Solomon and Darby (2005, p. 30) describe: "Banking education maintains the submersion of consciousness whereas dialogic education reveals consciousness and critical intervention in reality." Dialogic education, based upon iterative processes of mutual dialogue is presented as the antithesis to banking education.

Banking education communicues are not true *dialogue*. Freire describes *dialogue* as “the encounter between men, mediated by the world in order to name the world” (Freire, 2005, p. 88). Dialogue cannot exist between those who want to name the world and those who reject others this right. For this reason, there can be no *true* dialogue between the oppressor and the oppressed. Freire (2005) argues the purpose, consciously or unconsciously, of educative encounters between the oppressor and the oppressed is always to exercise a domesticating influence over the oppressed. The antagonistic relationship between the oppressor/oppressed leads to the oppressor seeking to dominate and subjugate the consciousness of the oppressed, denying their praxis and thus their humanity. Freire argues that true dialogue “cannot fear the people, their expression, their effective participation in power (Freire, 2005, p. 109). Further, it is “neither a concession nor a gift, much less a tactic to be used for domination” (Freire 2005, p. 118). Similarly, it cannot exist in the absence of critical consciousness and praxis – key tenets of Freire’s (2005) conception of dialogic education.

4.3.4 Conception of dialogic education

Freire (2005) argues that it is through radical, disruptive education that the liberation of the oppressed may be achieved: dialogic, problem posing education premised on *conscientizaçõa* (conscientisation), that is, learning that opens up to the oppressed the dynamics of their mythicised reality and empowers them to pursue liberation from the domination and subjugation to which they are subjected (Freire, 2005; Bebbington et al., 2007). Bebbington et al. (2007, p. 364) further reflect conscientisation “requires exposing and reflecting on “invisible” or “silenced” factors that oppress specific groups, reexamining situations in light of new understandings, problematising existing situations, re-presenting and re-narrating existing situations (thus allowing for “perception of perception”) and identifying solutions to transcend existing situations of oppression”. Where banking education seeks to perpetuate the hidden curriculum and indoctrinate the oppressed to the status of oppression, dialogic education seeks to expose the hidden curriculum and pursue liberation from

dominating systems of oppression through critical reflection, praxis (iterative critical reflection and action) and the constant unveiling of mythicised constructions of reality (Freire, 2005).

Dialogic education emerges as an iterative process that breaks down the vertical hierarchy structure inherent in banking education (Thomson & Bebbington, 2004). Through using educative projects designed to facilitate conscientisation and reflexive dialogue (Bebbington et al. 2007) the power dynamics within the teacher-student relationship are revolutionised “reconciling the poles of the contradiction [within banking education teacher-student relationships] so both are simultaneously teachers *and* students” (emphasis original) (Freire, 2005, p. 72). Teacher and student work together as coinvestigators or teacher/students and student/teachers, sharing responsibility of the education process “both in fact and perception” (Thomson and Bebbington 2005, p. 514). Teacher/students and student/teachers come together in dialogue “to perceive critically *the way they exist* in the world *with which* and *in which* they find themselves; they come to see the world not as a static reality, but as a reality in process, in transformation” (Freire, 2005, p. 63). Dialogue, founded upon “love, humility and faith” (Freire 2005, p. 72) within reformed teacher/student relationships, forms the mechanism for the liberation of the consciousness of the oppressed.

Freire (2005) describes his experiences of dialogic education with the illiterate poor in Brazil in depth, and it is important to acknowledge the influence this context has on the dialogic approach Freire (2005) describes. One of the purposes of dialogic education in the context of *Pedagogy of the Oppressed* was to promote literacy within Brazilian underclasses. For example, Freire (2005) explicitly describes the use of pictorial representations of situations familiar to those within the dialogic education process as an educative tool within the dialogic education process that aims to promote literacy. Freire (2005) further draws on instances of how his work has been applied in the Latin American context to illustrate different aspects of

his conception of dialogic education²⁷. Though this is important to note, within this research I have considered the iterative structure dialogic education processes take, and not necessarily the specific tools Freire describes within dialogic education processes. In taking this approach I have found it useful to consider Thomson and Bebbington's (2004, p. 613) diagram (Figure 2) representing the three stages of Freire's dialogic education: the *determination of the educational programme*, the nature of the *educational processes*, and the *action processes* related to the educational encounter.

As Figure 2 indicates, the three stages of Freire's conception of dialogic education are interrelated and iterative. The following discussion of each of the stages is thus not intended to present a linear progression of dialogic education. Rather, I aim to provide an overview of each stage and demonstrate the relationship(s) between them.

²⁷ One of the more comprehensive instances that Freire (2005) describes relates to decoding limit situations, and is useful to re-present here as a practical example of how he understood his conceptions to be realised in practice:

"In one of the thematic investigations carried out in Santiago, a group of tenement residents discussed a scene showing a drunken man walking on the street and three young men conversing on the corner. The group participants commented that "the only one there who is productive and useful to his country is the souse who is returning home after working all day for low wages and who is worried about his family because he can't take care of their needs. He is the only worker. He is a decent worker and a souse like us."

The Investigator had intended to study aspects of alcoholism. He probably would not have elicited the above responses if he had presented the participants with a questionnaire he had elaborated himself. If asked directly, they might even have denied ever taking a drink themselves. But in their comments on the codification of an existential situation they could recognise, and in which they could recognise themselves, they said what they really felt." (Freire, 2005, p. 99)

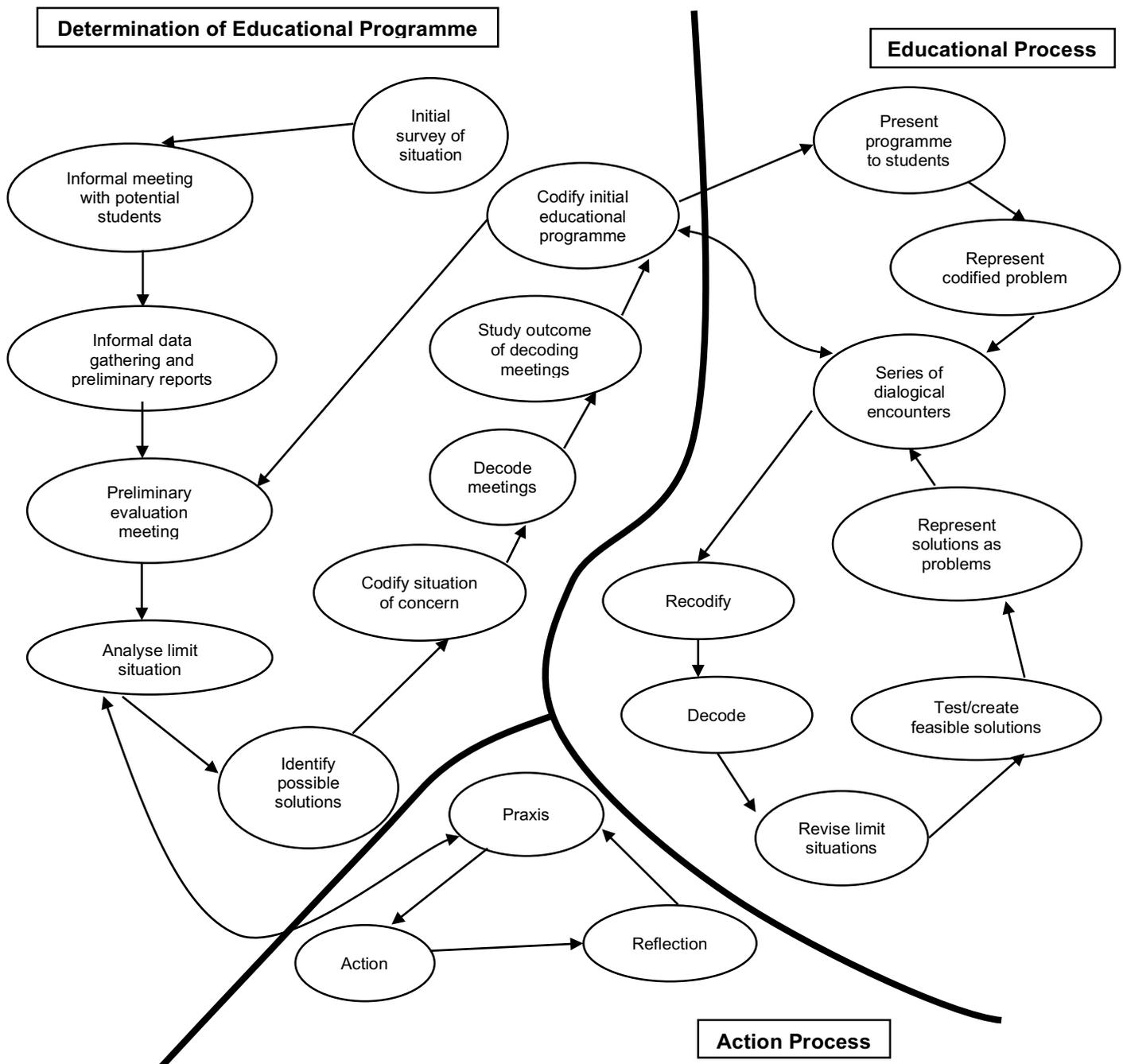


Figure 2: Stages of dialogic education (adapted from Thomson & Bebbington, 2004, p. 613)

Determination of educational programme

Dialogic education is intended to expose and challenge 'limit situations' that ultimately serve to reinforce the hidden curriculum and perpetuate the domination of the consciousness of the oppressed (Freire, 2005; Thomson & Bebbington, 2004). Freire (2005, p. 99) describes limit

situations as “obstacles” to the liberation of the oppressed, “situations [that] stand out in relief from the background, revealing their true nature as concrete historical dimensions of a given reality”. Freire (2005, p. 102) elucidates:

Limit situations imply the existence of persons who are directly or indirectly served by these situations and of those who are negated and curbed by them. Once the latter come to perceive these situations as the frontier between being and nothingness, they begin to direct their increasingly critical actions towards achieving the untested feasibility implicit in that perception.

Dialogic education facilitates the critical reflection/action upon oppressive limitations so that firstly, the limit situation may be identified, and identified as oppressive, and secondly so that freedom from the limit situation may be pursued through critical reflection and action (praxis). *Determination of the educational programme* is concerned with identifying potential limit situations for further ‘study’ that inform, and are in turn informed by, the dialogic education and action processes.

Freire (2005) positions dialogic education and the dialogic education programme more specifically within the lived experiences of those who wish to learn (Bebbington et al., 2007). The dialogic education programme reflects lived experiences and places them within the center of the educational experience, bringing “issues of relevance to the student, not issues which a teacher assumes/believes are important to the student (Thomson & Bebbington, 2005, p. 514) forward to form the basis of the educational programme. Freire (2005) proposes to integrate the lived experiences of the student-teacher(s) within the dialogic education programme through organised, systematic education that re-presents and re-articulates the student/teacher(s) lived experience(s) in such a way that the limit situations present in the everyday, concrete lives of the student-teacher(s) may be identified, critically reflected and acted upon.

As summarised by Thomson and Bebbington (2004) in Figure 2, Freire initially proposes four broad phases towards both understanding and integrating the lived experience(s) of the

student-teacher(s) within the dialogic curricula: *initial survey of the situation; informal meeting with potential students; initial data gathering; and preliminary evaluation meeting*. Freire (2005) presents an 'investigator' to firstly observe the concrete world of potential student/teachers and, through initial dialogue with potential student/teachers, work together with student/teachers to identify lived experiences that then form the basis of the dialogic curricula. Though Freire (2005) recognises the investigator will come into the 'situation' with a preexisting set of perceptions, they should not seek to impose these values upon their initial observations or subsequently draw upon their own values to influence the content of the dialogic curricula. Rather, through observing moments of the everyday life of the student/teacher's, and participatory dialogue with student/teacher' - through which they freely relate their life experiences, the dialogic curricula begins to take shape. As Contrafatto et al. (2015, p. 119) express, the role of the investigator in dialogic projects

"is not to dominate or take control of the project ... Rather their role involves engaging with the community to co-problematise oppressive aspects of life in the community; inspiring the emergence of local activists; bearing witness to the community's oppression... and supporting the design and implementation of transformative projects".

In this way, the content of the curricula is "neither a gift nor an imposition – bits of information to be deposited in the students" (Freire, 2005, p. 93) but a program of education that is mediated through student/teacher(s) experiences of their concrete world.

Problems are posed to student/teachers through codifications: presentations of the concrete world that re-present the familiar lived experience(s) of the 'people' (Freire, 2005). Codifications provide a basis to further uncover and reflect upon underlying oppressive themes that the coded (limit) situations present. Through drawing upon 'ordinary' lived experiences specifically, the dialogic curricula creates the possibility that phenomena that may have been inconspicuous, or not previously outwardly obvious (Freire, 2005) may be seen, or understood, in a different light, presenting opportunities for student/teacher(s) and teacher/student(s) alike to reflect on the hidden curriculum (Thomson & Bebbington, 2005).

Educational process

The *educational process* stage involves a series of dialogic encounters that facilitate the re-presentation of lived experiences and decoding of codifications. As Thomson and Bebbington (2004, p. 613) elaborate, dialogic encounters involve:

“students and teachers abstracting themes, events and ideas from the situations [lived experiences], codifying these abstractions, presenting these codifications to others and receiving codifications. Decoding requires moving from the parts to the whole and then returning to the parts. In decoding students exteriorize their world views, recognizing themselves in that particular situation and how different individuals make sense of and describe that same situation. As the group becomes aware of the situation not as an unchangeable limit situation but as a problem, potential solutions will be introduced into the dialogue. These potential solutions may be posed to the group as problems that require critical analysis via the coding, decoding process. This process can be repeated as often as necessary until there is some form of consensus that the programme should be changed or terminated as the ‘problems’ have been ‘solved’ or redefined (requiring a new educational programme)”.

Through the process of abstracting themes, codifying and decoding, the lived experiences of the student/teachers begin to acquire new meaning (Coulson & Thomson 2006, Thomson & Bebbington 2004; 2005). Their re-presented lived experiences are re-articulated as student/teachers (and also teacher/students) deliberate on the underlying limit situations that characterise their submersion and indoctrination into the consciousness of the oppressed. As Freire (2005, p. 96) explains:

“In the process of decoding, the participants externalize their thematics and thereby make explicit their “real consciousness” of the world. As they do this, they begin to see how they themselves acted while actually experiencing the situation they are now analyzing, and thus reach a “perception of their previous perception”. By achieving this awareness, they come to perceive reality differently; by broadening the horizon of their perception, they discover more easily in their “background awareness” the dialectical relations between the two dimensions of reality”.

Dialogic encounters are mediated through the use of dialogue within and between student/teacher and teacher/student. Within this dialogue, teacher/student’s take the role of co-coordinator, guiding the progression of dialogue and posing problems that challenge student/teachers to go beyond externalising the codified lived situation to seek solutions to address the ‘problem’ the codification presents. Gadotti (1994, p. 29) acknowledges an individual dimension in the process of transforming knowledge in this way. However, he further

argues that Freire's concepts of dialogic education and specifically Freire's presentation of the nature of dialogic encounters is premised on the conscious learning of the collective: "We need each other to discover. Discovery is a social process, and dialogue is the cement of this process" (Gadotti, 1994, p. 29). Where banking education seeks to divide teacher from student and student from student through alienating vertical hierarchical structures, within dialogic encounters student/teachers and teacher/students come together to construct a social community that provides space for meaningful, creative and transformative education, and action, to take place.

Action process

Freire (2005) presents the *determination of educational program and educational process* as starting points for the organisation of oppressed from intellectualism to action. Freire recognises that as the student/teachers and teacher/students are engaged in dialogic education, they continue to participate in their real, concrete world (Thomson & Bebbington, 2004) and, consequently, act and reflect upon that world. As Thomson and Bebbington (2004, p. 613) discuss:

"It is not the case that the limit situation will remain static and unchanged until the students have finished learning. As their knowledge changes so it is likely that their actions will, which in turn will change the situation under study during the process. The praxis dimension of dialogical education attempts to link the educational process to this changing real world situation."

Freire (2005, p. 51) describes praxis as "reflection and action upon the world in order to transform it." As Gadotti (1994, p. 166) further elucidates, praxis "is the unity that should exist between what one does (practice) and what one thinks about what one does (theory). ... it designates the reaction of man to his real conditions of existence, his capacity to insert him in production (productive praxis) and in the transformation of society (revolutionary praxis)". In describing productive praxis, Gadotti (1994) specifically draws upon Marxist philosophy of praxis. His description of revolutionary praxis is more representative of the praxis Freire presents within dialogic education: that is, praxis that revolutionises the oppressed

perceptions and understandings of their position(s) within their real, concrete world and enables them to critically reflect and act upon their world to enact transformative and disruptive change: 'solving' the problems posed through the dialogic encounter process. It is thus not enough for student/teachers to just become aware of the mythicised nature of their oppressive reality through the educational process. For dialogic education to be transformative and emancipatory, the reality of the oppressed (student/teachers) must also be objectively confronted and disrupted through an iterative process of action and reflection directed at the oppressive structures limit situations present (Freire, 2005; Thomson & Bebbington, 2004).

Each of the three stages discussed above – *determination of educational program*, *educational process* and *action* – relate together to form a structure for dialogic education to take place. As the linking arrows in Figure 2 represent, each of the stages is reliant upon the other in such a way that dialogic education emerges as a continuous and iterative process, informed and influenced by the student/teachers re-presentations, re-articulations and reactions of their concrete and abstract oppressive reality(ies). As the world of the student/teachers (and teacher/students) is transformed, the dialogic education process similarly evolves to reflect and address 'new' limit situations as they emerge, are codified and decoded. Unlike banking models of education that present a static, unchangeable mythicised reality, dialogic education presents a reality that is in flux, is changeable, and can be problematised and 'solved'.

Situating Freirean dialogic education within a broader dialogic accounting context, Bebbington et al. (2007 p. 358), identify the potential for dialogic informed stakeholder engagements to extend beyond illusory dialogue to develop into "iterative mutual learning processes designed to promote transformative action ... to explore the potential for dialogic processes to inform accountability relationships between stakeholders and entities". In the following section I further explore how Freirean dialogics specifically has been drawn upon within dialogic

accounting literature to re-frame and re-present alternative 'accountings' and emancipatory models of engagement within and between stakeholders and managers/organisations.

4.4 Freirean-informed dialogic accounting

Freire's (2005) pedagogy and conceptions of banking and dialogic education entered the (nonfinancial) accounting literature through social and environmental and 'sustainability' educators seeking alternative models to teach social and environmental and 'sustainability' accounting (Bebbington & Thomson, 2001; Thomson & Bebbington, 2004; 2005; Coulson & Thomson, 2006). The dialectal relationships of domination and liberation and silence and voice within Freire's pedagogy have been further drawn upon within dialogic accounting literature more specifically to problematise and re-imagine accounting and accounts, and of relevance to this research specifically, stakeholder engagement relationships.

Bebbington et al. (2007) draw upon these dialectical relationships to develop seven motifs of dialogic stakeholder engagement, reframing Freire's theorisation of the oppressor/oppressed relationship within a social and environmental accounting space. In developing the seven motifs, the authors explore social and environmental oppression as a 'problem' social and environmental accounting needs to challenge. The different forms social and environmental oppression take may be found in critical social and environmental accounting literature that attempts to address and make visible universal and specific issues of sustainable development, human rights infringements, and environmental degradation (for example, see Cooper, 1992; Denedo et al., 2017; Killian, 2010; Russell, Milne, & Dey, 2017; Tregidga, 2013; Tregidga, 2017; Tregidga et al., 2014; Vinnari & Laine, 2017). Bebbington et al. (2007) explicitly recognise the influence of 'powerful elites' as a dominating political influence underlying stakeholder engagement and the constructions and dissemination of accounts and

meanings as a universal and dominant truth. For social and environmental accounting to enact (or perhaps enable) change, it must seek to challenge and contest the accounts and meanings powerful elites develop, promote, and perpetuate. In theorising a Freirean-informed approach to stakeholder engagement, Bebbington et al. (2007) identify that, as social and environmental accounting is premised on the assumption that there exists a 'problem' that needs to be solved, social and environmental accounting thus lends itself to problematisations, and the possibility of Freirean-informed dialogic problem posing encounters in the form of stakeholder engagement(s) (Bebbington et al. 2007, p. 369). Bebbington et al. (2007) suggest opening up social and environmental accounting to multiple stakeholder communities and alternative narratives may represent a move towards challenging dominant hegemonic accounting discourse. However, Bebbington et al. (2007) also caution against the possibility of (intentionally or unintentionally) replacing one dominant discourse with another (see also Solomon & Darby, 2005), a move that would "merely replace one set of oppressors with another" (Bebbington et al., 2007, p. 369).

Contrafatto et al. (2015) consider how Freirean dialogics can be drawn upon to inspire and develop 'other' forms and understandings of sustainability accounts outside of dominant discourse. The authors specifically consider the power of alternative accounts of sustainability co-created by Peruvian pupils and teachers embedded within a sustainability activist project to enact praxis and enable transformatory change (Contrafatto et al., 2015). Considering the underlying intent of Freirean dialogic oriented versus conventional corporate social and environmental accounting and reports, Contrafatto et al. (2015, p. 118) discuss "dialogic codifications and dialogic accounts are not intended to hold the community to account for their actions, but are produced by the community for the community in order to transform their future". The co-produced, multidimensional accounts were thus not designed to tell the community a 'story' of sustainability in their community, but were rather a transformatory tool created within and by the community "to problematise, raise consciousness, reevaluate their

gifts and capabilities, identify feasible solutions, inspire actions, legitimate praxes and communicate the changes to others” (Contrafatto et al., 2015, p. 134).

Counter accounting also offers a potentially emancipatory alternative through challenging the power structures and vertical hierarchy inherent in more conventional (monologic) forms of accounting and stakeholder engagement. Counter accounting, as discussed by Gallhofer, Haslam, Monk, and Roberts (2006, pp. 681/682):

... is constituted by information and reporting systems employed by groups such as campaigners and activists with a view to promoting their causes or countering or challenging the prevailing official and hegemonic position. The latter encompasses notably the substantive stance of governments and (especially large) business concerns and established institutions deemed to be politically aligned thereto.

From a Freirean-informed dialogic perspective, counter accounting holds some promise to explore and promote emancipatory accounting that departs from the structural constraints of dominant, oppressive institutions; not necessarily by accounting for the other by the other (Contrafatto et al., 2015; Dey, Russell, & Thomson, 2011) but through challenging the power of dominant oppressive institutions to educate through accounting and accounts. Specifically, counter accounting, viewed as a Freirean dialogic process, aims to provide accounting tools that facilitate dialogue within and between stakeholder groups in a lesser position of power to challenge and attempt to disrupt oppressive conventional accounting and accounts, governance and accountability relationships.

Denedo et al. (2017) apply a Freirean-informed dialogic framework to explore and evaluate the potential of counter accounting as an emancipatory alternative form of accounting in a conflict arena. The authors develop conceptual and empirical insights into the use of counter accounting by international advocacy NGOs (iaNGOs) “as part of their campaigns for reform of the governance and accountability processes associated with impact of oil companies in the Niger Delta on environmental pollution, human rights abuse, social conflicts, poverty, health and biodiversity.” (Denedo et al., 2017, p. 1310). Their findings suggest that the dialogic

co-production process undertaken between the iaNGOs and marginalised local indigenous communities avoided the dominance of a singular powerful voice within the counter accounts produced, and gave marginalised local indigenous communities the capacity to challenge unequal power relations with powerful elites through publicising an alternative account of oppressive policies and practices.

Solomon and Darby (2005) draw upon Freirean conceptions of banking and dialogic education to evaluate engagement between two groups of potentially powerful elites: companies and their core institutional investors. Rather than demythologising private social, environmental and ethical reporting (SEER) disclosure, their findings suggest that powerful elites come together in mutually beneficial dialogue to create and disseminate a joint mythicised version of reality. The authors conclude that, from a Freirean-informed perspective, neither companies nor their core institutional investors are oppressed. However, the act of these two powerful elites coming together to create and disseminate a joint myth serves to further ostracise and exclude 'other' stakeholder groups, who the authors argue due to their exclusion as oppressed, from engaging or potentially becoming engaged in dialogic SEER (Solomon & Darby, 2005).

The authors further suggest that without oppressed stakeholders becoming more closely engaged in the private SEER process, reporting will continue to imitate what they describe as a banking pedagogy, with the consequence of "SEER myths being perpetuated" (Solomon & Darby, 2005, p. 32). Solomon and Darby (2005, p. 32) argue oppressed stakeholder groups may view the challenge to be dialogically included within SEER processes as 'insurmountable', due to what they identify as a key barrier to engagement: recognition of the oppressed stakeholder groups (from a company perspective) and, crucially, invitations to engage (see also O'Dwyer 2005, Thomson & Bebbington, 2005). However, this argument is based on the assumption that oppressed stakeholders are able to, and do perceive the meaning and consequences of their status as the 'oppressed'. Whether that perception does

or does not exist is outside the scope of this research. It is also not clear whether the companies and institutional investors that the study engages with are aware of their status as 'oppressor' within private SEER disclosure processes, or the presence of the mythicised reality(ies) that they jointly create.

Edgley et al. (2010) use a Freirean-informed dialogic lens to explore the extent of managerial capture and/or stakeholder inclusivity within social and environmental assurance processes. Like Solomon and Darby (2005), they identify stakeholder groups of perceived lesser power that are not directly engaged within social and environmental assurance (and also reporting) processes as holding an oppressed status. The authors argue that for social and environmental reporting assurance to be dialogic, these oppressed stakeholders need to be included within a "two-way, consciousness raising process of mutual disclosures between companies and their diverse external constituencies" (Edgley et al., 2010, p. 536). Edgley et al. (2010) do, however, argue that social and environmental assurance is beginning to display some of the characteristics of a Freirean dialogic process through becoming more educative. Their findings indicate that educative processes, driven by assurors as stakeholder advocates, have the potential to reform managerial attitudes towards stakeholders, with subsequent changes in managerial behaviours towards stakeholders observed (Edgley et al., 2010, p. 553). As the authors discuss, "Our research shows that many assurors now consider they are the "voice" of the stakeholders to the company, an independent voice, capable of raising critical consciousness of SER [social and environmental reporting] rather than accepting information in a passive unquestioning manner" (Edgley et al., 2010, p. 553).

As with its pluralist, agonist counterparts (Brown, 2009; Brown & Dillard, 2013; Dillard & Brown, 2015; Brown et al., 2015), Freirean-informed dialogic accounting seeks to challenge dominant and pervasive knowledge-power hierarchies and objective 'truths' evident within monologic accounting, through opening up accounting and accounts to alternative voices and perspectives, meanings, and stories. Through challenging narrow (neoliberal) monologic

accounting(s) both pluralist/agonist and Freirean-informed approaches to dialogic accounting attempt to ultimately transform accounting and accounts to be more inclusive, especially of marginalised voice(s). Where Freirean-informed dialogic accounting departs from pluralist dialogic accounting(s) is through the theorisation of marginalised stakeholder voice(s) and especially engagement. Pluralist arguments draw on agonistic democratic participatory tools as a way to forward dialogue and political agendas within accounting, where Freirean-informed dialogic accounting places emphasis on the explicit problematisation of stakeholder/organisation relationships and engagement as power laden and oppressive, and the emancipation of those oppressed; whether through the promotion and use of alternative accounts that empower stakeholders (Contrafatto et al., 2015) and attempts to disrupt oppressive institutions and structures (Denedo et al., 2017), and/or dialogue that 'opens up' reporting and assurance as potentially educative processes for stakeholders (Edgley et al., 2010).

Critical evaluation of the studies discussed above also present several opportunities to conceptually and empirically contribute to Freirean-informed dialogic accounting development. Firstly, through more explicitly exploring reporting and assurance processes i.e. materiality processes in particular as part of a wider pedagogic project where education can and does take place. And secondly, through extending Freirean-informed framings of relationships and interactions between managers/assurors and stakeholders in a context where the distinction between the oppressor and the oppressed may not be as explicit or outwardly obvious as conflict (Denedo et al., 2017) or socio-economic status (Contrafatto et al., 2015, Denedo et al., 2017). In this following section I present and discuss how I draw on Freirean conceptions of banking and dialogic education to inform the theoretical approach in this research.

4.5 Freirean-informed dialogic accounting in this research

Within the Freirean-informed dialogic accounting literature, engagement has been presented within a more generalised arena of accounting without necessarily explicitly recognising the space within which engagement occurs. Critical perspectives within this literature argue that space needs to be created for dialogic encounters (Bebbington et al., 2007), and alternative space(s) have been constructed, particularly by Contrafatto et al. (2015) and Denedo et al. (2017), within community and counter accounting projects. However, within broader reporting and assurance processes (see Solomon & Darby, 2005; Edgley et al., 2010) wider generalisations of reporting/assurance processes as 'dialogic' appear to ignore the spaces where these 'dialogic' encounters take place. Materiality processes are significant in that they are identifiable spaces where, enabled through the Framework, engagements and interactions between stakeholders and preparers, consultants, and assurers arguably take place. The identifiability and concreteness of this space as a scene for engagement and interaction is why I have chosen materiality processes as the focus of this research.

Viewed within a broader educative framing, reporting, assurance, and reports arguably 'tell' the world what they 'need' to know about the reporting organisation (Thomson & Bebbington, 2004). In this research I argue that reporting and assurance processes, and integrated reporting materiality processes more specifically, constitute educative spaces in the sense that they determine *what* to 'tell' the world *what they 'need to know* about the reporting organisation. Materiality processes themselves can thus be used as an educative process to maintain and perpetuate oppressive, monologic power differentials and vertical hierarchy reporting structures between preparers, consultants, assurers, and stakeholder groups (representative of banking models of education). Or, alternatively, materiality processes can attempt to pursue the emancipation and transformatory potential of those oppressed within conventional systems of (stakeholder) engagement through praxis that, in turn, challenges and disrupts monologic systems of accounting, accountability, and governance

(representative of dialogic models of education). Within this research, I forward the position that accounting, informed by Freirean conceptions of dialogic education, would pursue both reflexive and concrete emancipation from oppressive structures that arise as consequences of monologic framings of accounting and accountability. Freirean-informed dialogic accounting has the potential to increase awareness and visibility of monologic (and neoliberal) colonisation and the dominance of oppressive power structures through dialogic codification and educative dialogic encounters with those oppressed within conventional monologic systems of accounting, accountability and governance.

Earlier I framed educative spaces as formal or informal spaces where educative interactions with an underlying educative agenda (whether the agenda is veiled or overt) can and do take place. Within this research, I argue materiality processes constitute an educative space in the sense that there is potential (enabled through the Framework) for interactions within and between preparers, consultants, assurers, and stakeholders to be educative in terms of learning what is or what is not considered material and why (i.e. the 'agenda'). Materiality processes present further potential to disrupt monologic conceptualisations of reporting and assurance and oppressive vertical hierarchical structures through 'opening up' materiality to (oppressed) stakeholder groups and challenging the processes through which materiality decisions are made. This framing is consistent with one of the objectives of this research, that is, to explore whether, and to what extent materiality processes are 'opened up' to stakeholders.

The theoretical approach for this research is informed by Freire's (2005) conceptualisations of the oppressor and the oppressed, and Freire's (2005) conceptions of banking and dialogic education. I draw on these Freirean conceptualisations and conceptions to critically evaluate and analyse whether, or to what extent, materiality processes liberate stakeholder voice. Central to this critical evaluation and analysis is the theorisation of power and engagement(s)

between preparers, consultants, and assurers, who I establish to be in a position of greater relative power, and stakeholders, who I argue are in a position of lesser power.

Freire (2005, p. 37) argues that an oppressive situation exists where “‘A’ [the oppressor] objectively exploits ‘B’ [the oppressed] or hinders his pursuit of self-affirmation as a responsible person”. Considering this definition, Breault (2003, p. 2) argues “even the freest of societies must revise its list of oppressed peoples to include all of those who are kept from reaching their potential by the attitudes or institutions of another group”. As with Solomon and Darby (2005) and Edgley et al. (2010) I seek to argue that stakeholders excluded from participation and inclusion in reporting and assurance processes can be considered as oppressed; not just through being in a position of lesser power than those who have control of the inclusion and exclusion criteria of materiality processes, but through being denied the possibility to pursue ‘self-affirmation’ within those materiality processes. However, in line with the objectives of this research, I further seek to explore whether and to what extent stakeholders are oppressed or emancipated through ‘inclusion’ in materiality processes. Is ‘inclusivity’ a means for preparers, consultants, and assurers as oppressors to further ‘domesticate’ stakeholders through drawing upon banking models of education, or are stakeholders given voice and ‘inclusivity’ enables dialogic praxis and transformative change within materiality processes? In exploring oppression and domination and freedom and liberation through ‘inclusion’, I examine how understandings of materiality and materiality processes (and stakeholder engagement therein) by those in a position of greater relative power enable or constrain voice, dialogic praxis and transformative change.

4.6 Chapter summary

In this chapter I have positioned the research within critical theorisations of dialogic accounting and engagement, and Freirean-informed dialogic accounting more specifically. I have

presented and discussed Freire's (2005) conceptualisation of the oppressor and the oppressed, conceptions of banking and dialogic education and, significantly, theorised materiality processes as an educative space within which I will draw on these conceptions to critically analyse and evaluate the liberation of stakeholder voice within materiality processes. Now, in the following chapter, I discuss the research design and methods that I have used to respond to the objectives of this research.

CHAPTER FIVE: RESEARCH DESIGN AND RESEARCH METHODS

5.1 Introduction

The purpose of this chapter is to present the research design and the research methods used to address the research objectives. I begin in section 5.2 by re-introducing the research objectives, and outlining the relationship between the research objectives and the three research phases. I then discuss the three research phases together with their respective method(s) and method(s) of analysis, in sections 5.3, 5.4, 5.5, and 5.6. In section 5.7 I consider the ethical considerations of the research. I summarise the chapter in section 5.8.

5.2 Research objectives and the research design

Given this research is informed by a methodological stance that is inspired by the philosophies of critical theory, I reject the notion of an objective and independent reality and recognise, and aim to make visible, the existence of domineering and hidden power structures that constrain and subjugate certain groups (Agger, 1998; Alvesson & Willmott, 2003; Alvesson & Sköldbberg, 2009; Held, 1990; Morrow & Brown, 1994). Within this methodological framing, this research examines power and influence within materiality processes. Specifically, I examine the perceptions of those in a position of greater relative power (preparers, consultants, and assurors) hold in relation to stakeholders (in a position of lesser relative power) and stakeholder's roles within materiality processes. In making power and influence visible, I further attempt to critically question whether, or to what extent, perceptions of stakeholders and their role(s) liberate or silence stakeholder voice, and suggest alternative ways forward

that promote the liberation of stakeholder voice within materiality processes. I re-introduce the research objectives here with the intent to frame the research design:

Research objective one: To investigate whether, and to what extent, materiality determination is 'opened up' to stakeholders within the integrated reporting context.

This research objective is addressed through the following research questions:

- 1(a) What are integrated reporting preparers, consultants, and assurers understandings of the materiality concept?
- 1(b) What are preparers, consultants, and assurers integrated reporting materiality determination processes? And how do these processes relate to preparers, consultants, and assurers understandings of the materiality concept?
- 1(c) Who do integrated reporting preparers, consultants, and assurers identify and recognise as stakeholders within materiality determination processes?
- 1(d) How are stakeholder roles perceived and stakeholders included by integrated reporting preparers, consultants, and assurers within materiality determination processes?

Research objective two: To draw upon Freirean conceptions of banking and dialogic education to critically evaluate and analyse whether, and to what extent stakeholder voice is liberated within integrated reporting materiality determination processes.

5.2.1 Research design overview

In designing the research, I was cognisant of the interplay between the research objectives and the research questions. This interplay is particularly evident in the research questions for research objective one, where I examine how understandings of the materiality concept in turn influence and inform how materiality processes are 'done', and (perceptions of) the roles stakeholders have within those processes. The research design would have to be aware of these interplays, and the research methods chosen would need to allow for connections between the research objectives and the research questions to emerge.

Considering the significance of these interplays within this research, I undertook this research in three connected phases. Research phase one investigates how preparers, consultants, and assurers (who I collectively refer to as integrated reporting participants) understand the concept of materiality, responding to research question 1(a). Research phase two follows research phase one and investigates materiality processes: who integrated reporting participants perceive as the stakeholders and why, and the perceptions of stakeholders'

role(s) therein, responding to research questions 1(b), 1(c), and 1(d). Research phase three addresses research objective two, and the interpretation of data drawing of Freire's (2005) conceptions of banking and dialogic education. Data from research phases one and two inform the response to research objective one. The findings for research objective one in turn inform the response to research objective two.

When considering research methods within each of the research design phases, I was wary of research methods that mechanise the human experience and reduce or erase the significance of meaning (Alvesson & Ashcraft, 2009). I focused on research methods that encourage the perspectives and experiences of the integrated reporting participants within materiality processes to emerge, be captured, and be critically analysed and evaluated. I was specifically interested in research methods that allowed for the articulation “of an alternative position that challenges conventional representations and critically probes (rather than taking at face value) the reporting views and experiences of research participants” (Alvesson & Ashcraft, 2009, p. 64). Two research methods were ultimately used in the research phases: Q methodology (Q) and semi structured interviews. I have summarised the research design phases and the methods used in chronological order²⁸ in Table 1 below.

²⁸ I go further in depth into each of the research methods later in the chapter. Table 1 serves as a reference point that summarises the steps in each of the research design phases in chronological order and identifies the participants engaged in each step of the research process.

Table 1: Research design overview

Research design phase	Research methods used	Participants engaged
<p>RESEARCH DESIGN PHASE ONE</p> <p>Research question 1(a): <i>What are integrated reporting preparers, consultants, and assurers understandings of the materiality concept?</i></p>	<p>Q methodology (stages below):</p> <p>(i) Capturing the concourse.</p> <p>(ii) Constructing the Q set. Testing the Q set.</p> <p>(iii) The Q sort exercise</p>	<p>(i) Concourse participants (16 recruited in total)</p> <p>(ii) Pilot test participants (5 recruited in total)</p> <p>(iii) Integrated reporting participants: preparers, consultants, and assurers (15 recruited in total).</p>
<p>RESEARCH DESIGN PHASE TWO</p> <p>Research question 1(b): <i>What are preparers, consultants, and assurers integrated reporting materiality determination processes? And how do these processes relate to preparers, consultants, and assurers understandings of the materiality concept?</i></p> <p>Research question 1(c): <i>Who do integrated reporting preparers, consultants, and assurers identify and recognise as stakeholders within materiality determination processes?</i></p> <p>Research question 1(d): <i>How are stakeholder roles perceived and stakeholders included by integrated reporting preparers, consultants, and assurers within materiality determination processes?</i></p>	<p>Semi structured interviews</p>	<p>Integrated reporting participants: preparers, consultants, and assurers (15 recruited in total).</p>
<p>RESEARCH DESIGN PHASE THREE</p> <p>Research objective two: <i>To draw upon Freirean conceptions of banking and dialogic education to critically evaluate and analyse whether, and to what extent stakeholder voice is liberated within integrated reporting materiality determination processes.</i></p>	<p>I draw on what I have learnt from research phase one and two findings for this evaluation and analysis.</p>	<p>Integrated reporting participants: preparers, consultants, and assurers (15 recruited in total).</p>

5.2.1.1 Research phase one design

Considering the complexity and ambiguity of the materiality concept, in research phase one I sought methods that are open to complexities and ambiguities, and also allow for understandings of materiality, as a contested concept, to emerge. Q²⁹, a method for capturing subjective perspectives on 'hidden' and contested concepts and issues allowed for the existence and emergence of multiple understandings of the materiality concept. Q thus provides a mechanism through which subjective understandings of the materiality concept may be brought 'into the light' to be discussed with integrated reporting participants and further explored and critiqued. Q also provided a novel tool for the integrated reporting participants to reflect on their own perspectives and experiences, and articulate and express their individual understanding of what materiality means to *them*. Q is the first method I used in this research.

5.2.1.2 Research phase two design

Research phase two immediately followed the integrated reporting participants' engagement with Q and allowed for discussions of the materiality concept, and conversations on the integrated reporting participants' experiences and perceptions of their materiality processes. In this research phase I used semi structured interviews with integrated reporting participants to tease out and discuss their perspectives and experiences with materiality processes and the stakeholders therein.

I used semi structured interviews to respond to research questions 1(b), 1(c), and 1(d), as they allowed me to frame the overall structure of the conversation (Qu & Dumay, 2011) while giving integrated reporting participants space to explore perspectives and experiences that they deemed relevant to the role of stakeholders and materiality processes. The semi structure format also allowed me to probe these participants further if an area of potential interest

²⁹ I discuss how I use Q in this research in section 5.3.

emerged during the conversation, or seek clarification if conversation points were unclear. I discuss the use of semi structured interviews with the integrated reporting participants in section 5.4. Semi structured interviews were also used as part of Q in research phase one (the concourse interviews). The assumptions underlying their use in Q are the same as in research phase two. I discuss the use of concourse interviews in Q in section 5.3.

5.2.1.3 Research phase three design

The third research phase responds to research objective two, through drawing on the Freirean-informed dialogic theoretical approach (discussed in chapter four) to critically evaluate the learnings from research objective one and analyse the extent to which stakeholder voice(s) are liberated in materiality processes.

In this chapter, I present two phases of data analysis. In the first phase (section 5.5) I articulate the methods and process used to derive understandings and interpret the understandings revealed by the Q sort (research phase one), and the interrogation and identification of themes from semi structured interviews with integrated reporting participants (research phase two). The second phase of data analysis, and the focus of this research design phase, is how I applied Freire's (2005) conceptions of banking and dialogic education as a lens to make sense of, and explain, learnings from research design phases one and two. Thus, in this research phase, I draw on Freire's (2005) conceptions of banking and dialogic education to critically evaluate and analyse learnings from the research findings. I discuss this process in section 5.6. I now discuss how each of the research phases were implemented, beginning with research phase one: Q methodology.

5.3 Research phase one: Q methodology

Q methodology has its roots in psychology, and was initially developed by Stephenson (1936, 1953, 1965) who sought a research method that would enable the articulation of people's subjectivity, while acknowledging the inherently contextualised nature of subjective thought and action³⁰ Within the context of Q, subjectivity relates to the communication of an internal thought process, an opinion, or personal knowledge that a person holds in relation to a topic, issue, or concept. Subjectivity is not considered a mental concept, a conscious or unconscious aspect of the mind (Watts & Stenner, 2012). Rather, subjectivity is 'operant', in that a "person's subjectivity is only revealed when he or she expresses a point of view about something concrete from a self-referential standpoint" (Robbins & Krueger, 2000 p. 637). It is a behaviour or action that actively attempts to express or communicate the dialogue that one has going on with oneself in one's own mind (McKeown & Thomas, 2013; Watts & Stenner, 2012). Further, subjectivity is found everywhere – "relating to anything about which an individual expresses a point of view" (McKeown & Thomas, 2013, p. 2). Q allows for subjectivity to be expressed, and further reveals "patterns of perspectives that are situated within people's subjectivity" (Cuppen, Breukers, Hisschemoller, & Bergsma, 2010, p. 581).

Q is also significant in allowing for less dominant perspectives to be uncovered and given voice, challenging more dominant modes of thinking and encouraging critical reflection (Ockwell, 2008; Massingham, Massingham, & Dimnet, 2012; Brown & Dillard, 2014). It is especially useful in uncovering positions held by participants in relation to a contested topic, issue or concept, such as the materiality concept, "rather than accepting decision makers', analysts', or even the participants' predefined categories" (van Eeten, 2001, p. 396). By

³⁰ Stephenson developed Q as a response to R methodology (associated in early to mid 20th century psychology literature with Pearson and Spearman). R methodology uses statistical correlation and factor analysis to examine the relationship between and within separate traits and patterns across population data sets (for example, a survey). Q is the inverse (Stephenson, 1936), using statistical correlation and factor analysis to investigate the relationship of subjectivity between and within individuals in relation to a population of external 'tests', within each individual's frame of reference.

bringing forward these contested discourses, Q can highlight those discourses that were previously 'hidden', presenting the possibility for further reflection and facilitation of debate for marginalised voice. As Watts and Stenner (2012, p. 73) elucidate:

... simply establishing the existence can be a very powerful thing if it contradicts or somehow undermines established preconceptions about a particular category of people, or if it questions our current treatment or professional practice in relation to that category. In such cases, a single viewpoint might be used to realign and redefine how we understand and operate in general.

Q has previously been used to recognise and identify diverse perspectives regarding public and environmental policy, environmental issues, and participation in engagement (Barry & Proops, 1999; Cuppen, 2012; Cuppen et al., 2010; Davies & Hodge, 2007; van Eeten, 2001; Webler, Tuler, & Krueger, 2001). Within the accounting literature, Brown and Dillard (2014) and Massingham et al. (2012) identify that Q shows potential as a critical accounting research method, given the emphasis Q places on opening up, exploring, and making visible a diversity of views on disputed and complex socio-political issues. Empirically, Byrch et al. (2015) have used Q to explore meanings of sustainable development for New Zealand business actors. Their analysis of the perspectives revealed through Q is reliant on pre-existing typographies of sustainable development developed by Hopwood et al. (2005).

The use of Q in this research departs from Byrch et al. (2015), through relying on the voices of the integrated reporting participants to inform Q analysis, and describe the understandings of the materiality concept that Q reveals. This is opposed to relying on pre-existing descriptions of the materiality concept in the literature, the approach taken by Byrch et al. (2015). The approach taken in this research was a conscious research design decision, drawing inspiration from the reflexive policy work of Ockwell (2008), to allow integrated reporting participants to deliberate, reflect, and discuss what materiality means to *them*, rather than imposing pre-existing criteria or ideas of the materiality concept found in the literature on the participants' revealed understanding. In the following sections I describe the use of Q in this research, and bring attention to the areas where the design of Q departs from Byrch et al. (2015). I begin

with an overview of the three stages of Q, followed by my use of Q through each of the three stages.

5.3.1 Q stages

Massingham et al. (2012) identify three distinct yet overlapping stages within Q. The first Q phase is concerned with identifying the full range of potential perspectives that exist in relation to an issue or concept (in this research the meaning of materiality) through the collection of statements or visual media that reflect every possible viewpoint. This ‘concourse’ contains “ideas, opinions, values, preferences and knowledge claims” (Cuppen et al., 2010, p. 582) on the issue or concept of focus. From this concourse of statements, a select group of statements (referred to as the Q set, usually 40-60 statements from a concourse of 200+ statements), reflective of the diversity of perspectives captured within the concourse is derived for the second phase.

In the second stage, research participants take part in the Q sort, where they rank the Q set statements according to how they align with their personal perspectives on the issue. The Q set statements are written down on cards (one statement per card) that each research participant then reads and physically engages with through placing each card on a space on the Q sort board. For example, in Figure 3 below the Q sort board has 53 spaces, indicating that there are 53 cards comprising the Q set for this particular sort, with one card to be placed in each space. As depicted in Figure 3, the Q sort board is arranged as a normal distribution, forcing participants to engage and identify with the statements that they strongly feel agree and disagree with their held views. The physical process of the Q sort represents the articulation of subjectivity through each research participant’s interaction and engagement with the Q set. Subjectivity is expressed as the individual participant actively engages in the process of comparing and sorting statements. How an individual reacts to one statement is placed within the context of how they react to every other statement in the Q set. The capture

5.3.2 Capturing the concourse

Watts and Stenner (2012) and McKeown and Thomas (2013) identify that the concourse comprises collected statements that are representative of all potential perspectives on the issue, topic or concept of focus 'out there' that exist. However, both identify that it would be almost impossible to capture the entire concourse (or 'all' potential perspectives on the issue) as this would entail the capture of statements from the entire potential population.

We can consider the above through drawing upon Watts and Stenner (2013) study of the definition of the concept of love within the female population of Britain. If Watts and Stenner (2013) were to capture the entire concourse on 'love', this would consist of collecting statements from every woman in Britain who had a perspective on what love is. You could reasonably expect that most, if not all, will have some perspective on love in some shape or form. It would be logistically impossible to capture the entire concourse in this study³¹. Similarly, to capture all of the potential perspectives on the materiality concept in New Zealand, where the research is based, you would need to collect statements from all people in New Zealand who have, or could potentially have perspectives on the materiality concept, or what the concept denotes: including stakeholders. Such an undertaking is not easily achievable or practical, given the time and resource constraints of a PhD project. As the capture of 'all' of the perspectives on the materiality concept is not possible³², the aim of capturing the concourse is to ensure that the concourse statements encompass statements that are representative of the potential populations of participants (i.e. preparers, consultants, and assurers) as a whole (McKeown & Thomas, 2013; Watts & Stenner, 2012; Eden, Donaldson,

³¹ In the case of Watts and Stenner (2013), a convenience sample of 50 women were asked what 10 words they felt described love. A total of 152 descriptors were captured and formed the basis of the concourse. Of the 152, 54 descriptors were eventually used for the Q set.

³² However, there may be instances where the capture of the concourse for an entire population is possible. For example, a single participant Q study, where statements made in relation to the concept of focus by the participant themselves represent 'all' of the potential perspectives that exist on the concept. This would be possible because in this case the singular person represents the entirety of the potential population of the Q study –as the Q study is focused solely on understanding the perspectives of this particular individual in relation to a particular concept, making the potential population of the Q study one.

& Walker, 2005). The concourse is thus constructed through the research process (Eden et al., 2005).

Like Eden et al. (2005), I found that much of the Q literature tended to 'gloss over' the process of constructing the concourse and did not go into much detail beyond the need to be 'representative' of the discourse on the topic of focus. However, what is consistently argued is that statements ideally should be in a *naturalistic* and *identifiable* language, and framed in such a way as they can be understood by the research participant group (McKeown & Thomas, 2013; Watt & Stenner, 2012; Eden et al. 2005). The concourse may be captured from many different sources, depending on the issue or concept of focus. Various studies have drawn on interview and focus group data, pictures and other visual images, public internet forums and discussion boards, media articles, and formal and informal documents. However, as Watts and Stenner (2012) and McKeown and Thomas (2013) identify, the source of concourse statements is not so important as the shared understandings that the concourse as a whole represents.

Initially I conceived that the concourse statements could be derived from publically available guidance documentation that currently exists around the materiality concept: financial and nonfinancial reporting and assurance guidance documents and frameworks, and that this documentation could be supplemented by the broader materiality reporting and assurance literature. However, once I began to collect these statements, it became evident that it was not possible to represent all perspectives on the materiality concept through the guidance documentation and literature alone. As the literature itself acknowledges, materiality is not well understood by academics and is a concept at least partly defined in practice (Brennan & Gray, 2005; Edgley, 2014; Edgley et al. 2015; Roberts & Dwyer, 1998). However, while prior research has shown that report preparers and assurers rely on guidance documentation to some extent in the development of reports (Adams, 2002; Searcy & Buslovich, 2014), the extent of technical jargon used within such guidance has been identified as potentially

alienating for guidance document users, with more critical commentators arguing that such documents serve to further isolate and mystify the materiality concept (Edgley, 2014; Roberts & Dwyer, 1998). Edgley (2014), Iyer and Whitecotton (2007) and to some extent also Eccles and Krzus (2015), further identify that a general lack of understanding around technical guidance documents may have given rise to an understanding of materiality as a 'rule of thumb', a more generalised understanding that places more emphasis on practitioners' experiences of materiality than conceptualisations of materiality as represented in guidance documents. These arguments within the literature suggest that there are perspectives on materiality that are not captured within available guidance documents.

As such, in this research I drew on Watts and Stenner (2012) and McKeown and Thomas (2013) to conduct semi structured interviews (hereafter *concourse interviews*) with a diverse group of *concourse participants* within the broader preparer, consultant, and assurer population to build the *concourse*. Through semi structured interviews, it is possible to collect naturalistic statements (Brown, 1980) that reflect what people actually think in relation to the materiality concept. Such statements are more likely to resonate with research participants as they are worded and framed in such a way that they are more reflective of their own internal dialogue. This resonance is especially important considering the abstract nature of the materiality concept. Abstract Q studies³³ may be considered particularly challenging as they often concern concepts that are difficult to verbally articulate (Robbins & Kreuger, 2000). Appropriate statements that are in the kind of language Q sort participants use thus become particularly important.

The *concourse participants* were considered to have specific knowledge of the materiality concept for the purpose of producing *concourse statements*. Statements from *concourse*

³³ A number of Q studies have utilised some form of interviews for all or at least part of the basis of the *concourse* (see Watts & Stenner, 2013; Risdon, Eccleston, Crombex, & McCracken, 2003; McParland, Hezesltine, Serpell, Eccleston & Stenner, 2011; Byrch et al., 2015).

interviews with the concourse participants formed the basis of the concourse. I now discuss how I selected participants for the concourse interviews, and how the concourse interviews were conducted.

5.3.2.1 Concourse participants

I identified two main criteria for selecting concourse participants. Collectively as a group, the background of the concourse participants should be as diverse as possible so that a wide range of representative perspective statements existing 'out there' on the materiality concept could be captured and flow through to the concourse. Secondly, concourse participants must have specific knowledge of the materiality concept within their field of work.

Stephenson (1965) suggests statements from ten to 20 appropriately chosen persons may be used to form the basis of the concourse, based on the reasoning that ten to 20 suitably 'informed' individuals may collectively be sufficient to cover the diversity of perspectives in relation to a particular topic of interest. Considering this recommendation, and the criteria identified above, I compiled a list of 18 potential concourse participants for concourse semi structured interviews. The list of 18 individuals was compiled based on research on people within a range of organisations and industries known to be engaging with the materiality concept (for example, people within organisations who ran training programs on materiality, or had written pamphlets or blogs on materiality, or were involved in setting financial or nonfinancial guidance documents on materiality). Supervisors' wider networks were also drawn upon to identify people who may meet the criteria. Potential concourse participants identified came from a range of industries and diverse professional backgrounds, and broadly fitted within seven categories: nonfinancial report preparers, financial report preparers, nonfinancial report assurers, financial report assurers, financial and nonfinancial standard setters, external reporting consultants (consultants), and accounting academics.

Of the 18 potential concourse participants, I had previously been in direct contact with five through sustainability/CSR and academic networking events. For the 13 concourse participants I had not been in direct contact with, my existing network contacts (i.e. supervisors) either sent the potential concourse participant an email introducing me, or gave me a contact email address to contact the potential concourse participant directly. For all 18 potential concourse participants I sent an introductory email introducing myself, an outline of the research project and its intended contributions to practice and literature, and an invitation to participate in the concourse interview phase. I communicated that I was interested in understanding their perceptions of and experiences with the materiality concept within their specific context, and attached the concourse participant information sheet (Appendix 1) and the participant consent form (Appendix 5) for further information. For the potential concourse participants I had not met directly previously, I also included information on how I had obtained their email address (i.e. through the network contact).

All 18 potential concourse participants approached provided a response and expressed interest in being involved. A total of 16 participants were eventually interviewed, with the remaining two unable to commit to an interview due to conflicting or busy schedules, or extended leave. I liaised with each of these 16 concourse participants to set up an appointment for the interview that suited their individual diaries. Of the 16 concourse participants, 13 opted for the interview to be held at their place of work (either within a private meeting room or a more public space within their office such as a casual open seating area) and two opted for their interview to be held outside their place of work at a local café of their choosing. One interview was conducted over the phone as the participant was located overseas (in Australia³⁴).

³⁴ Though at the time of the interview this participant was physically in Australia, the participant works very closely with a number of organisations who are based in New Zealand, assisting these organisations with their materiality processes, stakeholder engagement, producing nonfinancial reports, and assurance on nonfinancial reports. The participant further provides training courses and seminars on the materiality concept and stakeholder engagement for a New Zealand audience. This participant

As discussed above, attempts were made to access people with specific knowledge of materiality from a range of backgrounds and roles in an attempt to develop diversity of perspectives within the concourse statements. This resulted in similar numbers of participants being interviewed across each group identified. Table 2 below provides a summary of the preliminary participants interviewed.

Table 2: Summary of concourse participants

Concourse participant group	Characteristics	Number recruited
Nonfinancial report preparers	CSR and community engagement managers in large organisations in the New Zealand context Undertook and oversaw nonfinancial materiality processes within their organisations	2
Financial report preparers	Financial accountants in professional services organisations and large organisations in the New Zealand context Undertook and oversaw financial materiality processes within external financial reporting	2
Nonfinancial report assurers	Senior management level nonfinancial assurers in professional services organisations Responsible for nonfinancial assurance engagements, including setting and overseeing nonfinancial assurance materiality Consulting to organisations on nonfinancial materiality	1
Financial report assurers	Senior management level financial assurers in professional service organisations Responsible for financial audit and assurance engagements, including setting and overseeing financial materiality for audit and assurance	2
Financial and nonfinancial standard setters	Managers and senior managers in financial and nonfinancial guidance setting organisations Involved in setting financial and nonfinancial reporting, auditing and assurance standards, including the IIRC	4
Consultants	A range of backgrounds, managers in consulting firms providing services to nonfinancial report preparers. Training programs on materiality in GRI and integrated reporting, designing and overseeing materiality processes for and in partnership with clients	2
Accounting academics	A range of backgrounds, including professional services. Financial and nonfinancial reporting and assurance research, engagement with materiality literature	3
Total recruited		16

was included in the concourse interviews as they had breadth of experience of materiality and intimate knowledge of the materiality concept within the New Zealand context.

5.3.2.2 Concourse interviews

Concourse interviews were conducted with the concourse participants to allow the concourse participants to explore experiences that they felt contributed to their understanding of materiality, within a broader structure to ensure coverage of aspects of the materiality concept for the concourse (McKeown & Thomas, 2013). Allowing interviewees space to digress during the interview is discussed by McKeown and Thomas (2013) as an important feature of concourse interviews as it opens up aspects of the topic of focus that may not otherwise have been considered by the researcher. This approach also allowed me to ask probing questions or other questions not prepared prior to the interview to enhance my own understanding of the concourse participants' perspectives and experiences, and pursue interesting threads of discussion that arose during the course of the interview.

I compiled six interview questions for the concourse interviews (Appendix 2). Questions were deliberately open ended to provide opportunities for reflection and ranged from broad (designed to gain insights into how concourse participants perceived and experienced the reporting and assurance process more generally) to more targeted questions concerned with the materiality concept specifically. Going from broad to specific questions was purposeful as it was important in starting to get concourse participants thinking about materiality within the broad context through which they understand it. Though these questions provided some structure to the interview they were not necessarily asked in a sequential order or exactly as originally phrased. I intuitively followed the flow of each interview to ask or rephrase prepared questions as the appropriate moment in conversation arose to keep the flow of discussion as 'natural' as possible.

At the beginning of each interview if I had not met the concourse participant previously I started by introducing myself and my previous experience with materiality³⁵ to begin to build a rapport.

³⁵ I discuss my experiences with materiality in chapter one.

I then reiterated the purpose and intended contributions of the research project and the concourse interviews, and discussed the participant consent form with the concourse participant. Concourse participants were provided an opportunity to bring up any concerns regarding confidentiality or concerns with any other aspect of the research; none were raised by any of the concourse participants. All of the concourse participants agreed for the interview to be recorded via a digital audio recording device.

Recording the interviews was useful as it allowed me to be more 'present' and actively listen and participate within the interviews, as I had confidence that the content of the interviews was being reliably captured. I also took brief notes during the interview to record statements or words of particular interest. Where the discussion naturally continued after the recording had been completed I recorded more detailed notes of these discussions. After the conclusion of each interview I also wrote more extensive notes of what I understood to be the most important points or issues raised in the interview, how I felt about my personal interaction with the concourse participant during the interview, and any other specific moments or comments throughout the interview that resonated with me or left a significant impression. The practice of writing these notes became an important aspect of the interview process as it provided an opportunity for me to reflect on not just what was discussed within the interview but also my place within the interview process itself.

Digital interview recordings were transcribed by a secretarial associate (confidentiality agreements are in Appendix 7). The interview recordings ranged from 30 minutes to 52 minutes. I validated each transcription by listening to the digital audio recording file and checking what was recorded in the interview transcription. The interview transcription omitted any common interjections (e.g. 'ums' and 'ahs') that did not contribute to the understanding of the content of the transcriptions. Any silences or hesitations were annotated within the transcription. The transcriptions further captured incomplete sentences and any other nuances of speech that could add to the diversity of the concourse.

I reviewed each transcription a second (or in some instances a third) time to identify participant statements that related to different aspects of each concourse participants understanding of the materiality concept. These identified concourse statements were imported into MindNode, a mind mapping software that I utilised to manage the concourse statements and build the Q set. I purposefully identified broad statements from the concourse interview transcripts, with any mention or indication of the materiality concept highlighted for inclusion in the wider concourse. I referred to the ideals of 'diversity' (McKeown & Thomas, 2013; Brown, 1980) within the concourse while selecting statements for inclusion.

Across the 16 concourse interviews conducted, I identified and imported a total of 703 statements into MindNode. These statements represented the concourse captured and formed the basis for constructing the Q set, that I discuss in the following section.

5.3.3 Constructing the Q set

Approaching the design of the Q set I was conscious of the influence of my role as the Q set 'builder'. Brown (1980) argues the role of the researcher within Q set development is merely as the organiser of concourse statements. I contend that, within this research, the role of the researcher as an objective statement organiser is epistemological naïve. Following Eden et al. (2005), Robbins and Krueger (2000) and Ockwell (2008) in particular, I took a more reflexive approach and recognised the influence and subjectivity of myself as the researcher within Q. Without diminishing the role of the researcher, whom Ockwell (2008, p. 270) describes as having a "defining role" within and throughout each of the three stages of Q, it is important to note that in constructing the Q set I was not explicitly seeking to test my own preconceived ideas or theories of what perspectives on materiality might exist (Ockwell, 2008). My intention was, as much as possible, to let the voices of the concourse participants come through, as opposed to attempting to impose my own understandings of what materiality

'means' through the mechanism of the Q set. I felt this was particularly important – especially considering my background and experiences with materiality as a financial assessor in New Zealand, which I acknowledge has influenced, but also placed limitations, on my personal understanding of materiality.

Watts and Stenner (2012, p. 57) argue that “there is no single or correct way to generate a Q set”. Indeed, the process of constructing a Q set emerges as more of an ‘art’ than a ‘science’ (Brown, 1980), tailored to the specific requirements and demands of the research question (Watts & Stenner, 2012; McKeown & Thomas, 2013). However, that is not to say that the process is not methodical or without ‘rigour’ (Watts & Stenner, 2012). To be effective, the Q set should be designed and constructed in such a way that it provides comprehensive coverage of the topic of focus, specifically in relation to the research question the method seeks to address (Watts & Stenner, 2012). Participants should be able to locate their individual perspectives within the Q set provided for them to sort. The Q set statements as a group should also be as balanced as possible. Within the context of Q, ‘balance’ does not necessarily mean that the Q set should contain an equal number of seemingly positive and negative statements (Watts & Stenner, 2012). Rather, it implies that the Q set should not be biased or skewed in promoting one viewpoint over another.

To achieve sufficient coverage of the topic and balance within the Q set, and limit any interference my preconceived ideas of materiality may have on the curation of the Q set overall, I adopted a structured approach³⁶ when designing and constructing the Q set. Structured Q sets are “systematically composed” (McKeown & Thomas, 2013, p. 23) with a similar number of statements selected from matrices derived from thematic analysis of the

³⁶ Versus an unstructured approach, where the Q set is more fluidly derived by selecting statements within the concurrence of statements as a whole, as opposed to purposefully selecting a certain number of statements within concurrence themes or ‘typologies’ identified. Watts and Stenner (2012) identify that a significant concern of an unstructured approach is that the Q set may not be representative of the diversity of perspectives within the broader concurrence.

concourse statements³⁷. In designing the Q set I drew inspiration from Dayton (2000), who adopted Fisher's experimental balanced block design principle³⁸. From a concourse of 400 statements, Dayton (2000, p. 76) developed a six cell typology within which each of the statements was placed. Alike statements within each typology were eliminated until the 60 least alike statements remained. These 60 statements for the Q set for this study.

Following the broad conventions for a structured Q set discussed by Dayton (2000), and also Watts and Stenner (2012) and McKeown and Thomas (2013), I inductively grouped the concourse statements by theme, using the emerging themes as the basis for selecting statements for the Q set. Given the volume of statements identified (703 from the 16 concourse interviews conducted), the software MindNode was a useful tool for organising and managing statements. Through MindNode I was able to visually group statements that were similar. I was also able to then cluster similar 'groups' of statements into themes.

A total of 20 themes were identified, with each theme representing a different perspective or aspect of materiality. The 20 themes were organised under six broad statement categories, represented in Figure 4. Each statement category reflected the nature of the statements captured within the related sub themes. For example, the first statement category 'Guide' contained the themes of Time, Framing Reporting + telling a story, Transparency + balance, and Importance/significance + issue centric. These themes were grouped together as each theme presented statements with a 'guidance' perspective towards materiality. Similarly, themes with the Prescribed/Contentious category presented statements where materiality was described as something that had clear conventions and boundaries, or was indistinct and difficult to 'pin down' or define.

³⁷ Statements may also be derived based upon a pre-existing theory (Eden et al., 2005; McKeown & Thomas, 2013), though I did not use this approach in this research.

³⁸ As discussed in Brown (1980), (see also Byrch et al., 2015; and Dayton, 2000 who, using a global climate change case study, utilised Q to study differences in beliefs held by stakeholders in environmental discourse).



Figure 4: Statement categories and subcategories in MindNode

I reviewed the statements within each theme, with statements that related to the materiality process eliminated from the concourse³⁹. It was important that the statements included in the Q set were broadly representative of the diverse perspectives relating to the concept of materiality, not materiality processes. Narrowing the concourse statements to exclude statements relating to materiality processes required some judgment as I had to reflect on what statements related to the process versus the concept of materiality. I considered statements related to materiality processes if they discussed a process, or a tool used as part of the materiality process. For example, the following statement from concourse participant 3 was eliminated:

³⁹ Some statements relating to the materiality process were initially captured through the broad inclusion approach taken towards the concourse. These statements were eliminated while constructing the Q set as the purpose of undertaking Q was to understand the perspectives of integrated reporting participants in relation to the concept of materiality. Research phase two discusses capturing the perspectives and experiences of integrated reporting participants on materiality processes.

So Y is external [stakeholder], X axis is internal [stakeholder]. Level of importance or level of significance was asked against each issue, and then, depending on the average response, basically plot on the matrix.

I further reviewed statements under each theme and eliminated statements that were too similar or alike, and would not add to the diversity of the Q set. I continued to eliminate the most alike statements until 53 statements remained, with relatively equal numbers represented across each of the themes (to address coverage and balance of the Q set). I merged some similar statements within the 53 statements, while other statements were conservatively edited from the original transcript quote so they were easier to read as a Q set statement. Statements containing multiple ideas or perspectives were also edited so only one idea was clearly addressed through the statement, in an attempt to reduce confusion on behalf of the integrated reporting participant(s) when sorting the statement(s). I further removed specific organisation references to read simply 'organisation', so that each statement was generic and could be applicable for multiple types of organisations. Where edits were made, specific care was taken to keep the *meaning* of the statement as similar to the original sentiment expressed by the concourse participant as possible. For example, consider the following interview transcription extract from concourse participant 2, followed by the edited Q set statement:

But for me, the true test is actually stepping back and making sure that you end up with a disclosure or a calculation or whatever it might be, that accurately reflects the situation.

Edited Q set statement 32: being careful that what is reported accurately reflects the situation.

In the above excerpt, concourse participant 2 was reflecting on the materiality concept in relation to what they discussed as the importance in making sure that what is eventually reported by an organisation (i.e. their organisation in this case) '*accurately reflects the situation*' – with the situation relating what was occurring in the organisation at the time in regards to financial position and performance, but also in nonfinancial information reported on in an annual report, such as in the Director's Report. I edited the statement in such a way that

it retained the link between reporting and materiality as discussed by concourse participant 2, but also the idea that concourse participant 2 conveyed that the materiality concept was also involved in not just reporting, but making sure that reporting is accurate. I replaced the terms 'disclosure' and 'calculation' with 'reported' as this term encompassed the general context of external reporting in which the original quote from the transcript was made. The inclusion of 'being careful' helped the statement better fit with the conditions of instruction (see section 5.3.5) and was reflective of the overall conservative views communicated by this particular concourse participant throughout the interview.

5.3.3.1 Q set pilot test

I pilot tested the 53 Q set statements with three colleagues⁴⁰, a financial reporter, and a nonfinancial reporter concourse participant. The 'testers' were provided with a drafted Q sort instruction sheet that briefly explained the sorting exercise, a draft Q sort board, and Q set cards. The testers were given opportunities to ask questions throughout the pilot test, as I had envisioned happening during the Q sort with participants⁴¹. After they had completed the Q sort, I asked the testers questions about the physical size of the Q set cards and whether they were easy to read, hold, and sort, whether they were able to locate their perspectives on the materiality concept within the cards (given the testers different backgrounds), and the actual content of the cards. I made further amendments to the statements and the instruction sheet before the Q set was finalised. All 53 statements are presented in Appendix 3.

I found the process of pilot testing statements to be useful, not only for feedback on the instruction sheet and the Q set statements, but also because I could see how the testers

⁴⁰ One of the colleagues had knowledge of sustainability reporting and assurance, and two had experience in management and financial accounting for profit and non-for-profit organisations.

⁴¹ Questions largely related to clarifications on the process of sorting the Q set cards and were helpful in editing the instruction sheet to make it clearer for integrated reporting participants.

interacted with the sorting process, how they held the cards, and how they decided to sort and place the cards. Through these observations and feedback, I got insight into the process of sorting from their perspective. All of the testers found the experience to be novel, interesting, and also a learning experience. One of the testers commented “the process is making me really think about what it [materiality] is, and what’s important”. Another found that some of the statements in the exercise had expanded their ideas of what the materiality concept was, and they had begun to think about what materiality might mean from different perspectives. Conversely, another tester found that some of the statements did not align with what they considered to be materiality at all and they were surprised that they had been included, or that someone had a perspective on materiality that they considered to be so far from their own.

As noted earlier, one of the reasons concourse interviews were conducted (in the place of using document based text) was to capture ‘naturalistic’ statements on the materiality concept that would be identifiable for the preparers, consultants, and assurers engaged in the Q sort and semi structured interviews. Statements included in the Q set were collected within the same local environment as the integrated reporting participants, are conversational in tone, do not use language or acronyms specific to a particular organisation or industry, and were identified as understandable by the testers. All members of the test group were able to reconcile their perspective on the materiality concept with statements included in the Q set. Though some of the Q set statements were seen as more challenging or ambiguous by the testers, dependent on the background and experience of the participant in question (i.e. a sustainability manager with little knowledge of financial assurance) the inclusion of these types of statements characterise the multiple, ambiguous, and malleable nature of the materiality concept as exists in the ‘world’, and the different understandings captured through the concourse interviews. The inclusion of such statements served as an interesting conversation point during the Q sort and the following conversation with the integrated reporting participants. I now discuss the recruitment of the integrated reporting participants.

5.3.4 Integrated reporting participants

Though Q engages with quantitative aspects of research through the use of correlation and Q factor analysis, as a method it is congruent with a purposive sampling approach⁴² (Brown, 1980; Cuppen et al., 2010). Q relies on a small number of participants, “acceptable since the observational perspective is the participants own⁴³” (McKeown & Thomas, 2013, p. 23). The number of participants is thus dependent on and guided by the nature and purpose of the study. Considering the general methodological approach taken, and the objectives that this research seeks to respond to, the research is justified in adopting purposive sampling (Patton, 2002).

I engaged with preparers, consultants and assurers in this research: groups of people who could conceivably be in a position of greater relative power within integrated reporting processes and have knowledge of, and be engaged with, the concept of materiality and materiality processes. More specifically, I was concerned with engaging people who would have knowledge of the concept of materiality and would also be engaged within processes that determined integrated reporting materiality (i.e. making decisions on materiality). It is likely that report preparers and consultants would be both in a position of greater relative power in integrated reporting, have knowledge of the materiality concept, and would be involved in materiality decisions through materiality processes. Similarly, it is likely that assurance providers would have knowledge of the materiality concept through assurance standards, and would be involved in and have experience with materiality decisions in materiality processes. I was concerned with engaging people from organisations who have implemented, were

⁴² As established earlier in this section, Q intends to “give a picture of the perspectives that exist among the population, rather than analysing the level of support for those perspectives” (Cuppen et al., 2010., p. 581), recognising and finding value in ‘outlying’ opinions (Byrch et al., 2015; Massingham et al., 2012). It identifies and engages with the diversity of perspectives on difficult, potentially socio-economic issues, and is concerned with understanding the positioning of people’s subjective views (in the context of all possible views) and what types of people share similar perspectives, as opposed to validating statistical hypotheses.

⁴³ Through this logic, it is possible to have a Q set comprising a single person – if the research problem is focused on understanding that specific person’s subjectivity in relation to a particular topic.

considering, or in the process of implementing integrated reporting, and assurers who are, or could foreseeably in the near future be, providing assurance on integrated reports. These people should also hold leadership positions in the reporting/assurance process within their organisations. In their leadership position within reporting/assurance processes, preparers/consultants and assurers should be directly engaged with the materiality concept and materiality processes.

The rapid development of integrated reporting (de Villiers et al., 2014) presents an opportunity to explore understandings of the materiality concept before meanings and materiality processes are more firmly entrenched and institutionalised⁴⁴. However, this context also presents challenges in finding knowledgeable participants simply because integrated reporting practices *are* developing and emerging, and thus are not yet widespread. At the time of this research, integrated reporting practices in New Zealand were still in their infancy. While few organisations had publically produced integrated reports, a greater number of organisations were either in the process of compiling their first integrated report, or were seriously considering producing an integrated report in the near future. Similarly, from an assurance perspective, there were a limited number of assurers who were providing advice or support to clients regarding integrated reporting, and had the capabilities to provide assurance on integrated reports in the future. To identify potential integrated reporting participants, I compiled an initial list of people from organisations who had produced integrated reports, and/or had publically produced material (i.e. reference material) on integrated reporting. Some of these people had been identified by concourse participants (i.e. snowball sampling), while others were identified through a general internet search and discussions with extended network contacts working within various industries and professions. Four of the concourse participants were approached and asked if they would be willing to participate in the Q sort⁴⁵

⁴⁴ The Q sort and interviews with integrated reporting participants were conducted across 2016 and 2017.

⁴⁵ Overlap in the concourse participants and integrated reporting participants (i.e. for the Q sort and semi structured interviews) does not negate the use of Q or the Q sort, especially with those people

and semi structured interview. Two of these were consultants who had been directly involved in the materiality processes of clients. The other two participants were assurance providers who, during the concourse interview, indicated that they had provided clients with advice regarding preparation and future assurance of integrated reports. The remaining concourse participants were not invited to participate in the Q sort and semi structured interviews, as they were not, and/or did not plan to engage with integrated reporting, and thus did not meet the criteria for recruitment.

I approached potential integrated reporting participants in the same way as for the concourse interviews (i.e. introductory email with information on the study). Eighteen potential participants were approached, of these, 15 (including the four concourse participants) expressed interest in participating and were engaged in the research. I have summarised the characteristics of this group in the table below:

whom identify as both concourse and integrated reporting participants. Neither is it essential for all the participants engaged for the concourse interviews to be involved in the Q sort (and) semi structured interviews. Watts and Stenner (2012) and McKeown and Thomas (2013) recognise that it is possible to use the same set of participants for the development of the concourse and the Q sort. However, Q studies that have conducted concourse interviews demonstrate that it is not necessary. For example, Byrch et al. (2015) engaged 44 participants; 17 of those had been engaged for concourse interviews. Again, the characteristics of the participants should be determined by the objectives of the research, and the topic that is being investigated through the mechanism of the Q sort.

Table 3: Summary of integrated reporting participants

Participant group	Characteristics	Number recruited
Integrated reporting preparers	CSR, sustainability, and community engagement managers in large organisations in the New Zealand context. Designed, took part in and oversaw integrated reporting materiality processes within their organisations, or, were responsible for implementing integrated reporting in their organisation.	8
Consultants	A range of backgrounds, managers in consulting firms providing services to integrated reporting preparers. Training programmes on materiality in GRI and integrated reporting, designing and overseeing materiality processes for and in partnership with clients.	3
Integrated reporting assurers	Senior management level assurers with financial and nonfinancial assurance experience, working within professional services organisations Responsible for financial and nonfinancial assurance engagements, including setting and overseeing assurance materiality Consulting to organisations on nonfinancial materiality (Assuror 3 and Assuror 4).	4
Total recruited		15

5.3.5 The Q sort

The integrated reporting participants were engaged in Q through the Q sort, where they used the Q set statements to express their individual and subjective understandings on what materiality meant to *them*. This involved the integrated reporting participants engaging with the Q set statements gathered and constructed in the first and second stages of the Q process.

As with the concourse participants, the integrated reporting participants were asked to choose the time and location of the Q sort, and semi structured interview. Two of the consultants opted

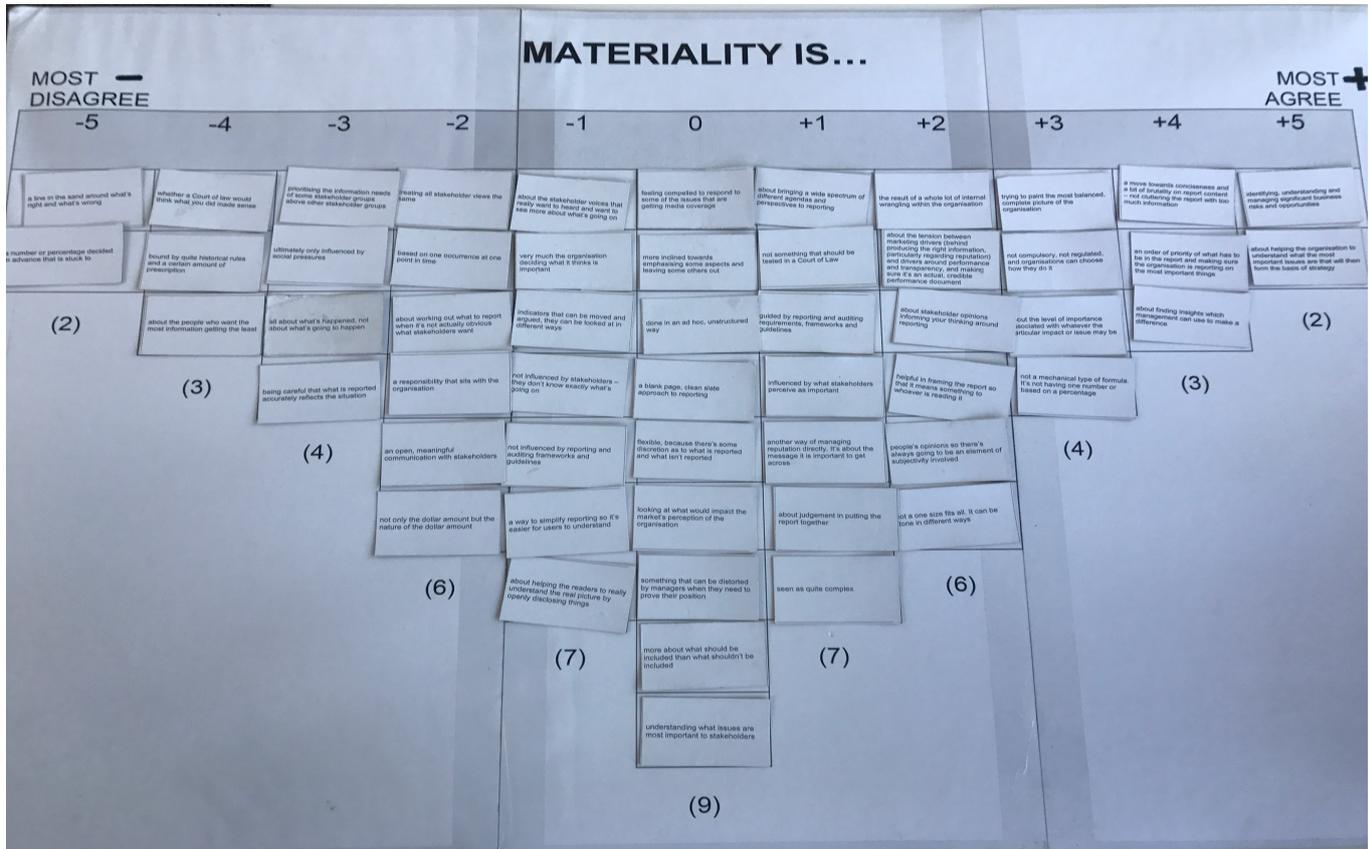
to meet in a café, one of the consultants conducted the meeting over the phone⁴⁶, and the remainder of the meetings took place in each participant's place of work; either in a private meeting room, or a more public space within their place of work, such as a cafeteria. I followed the same protocols when first meeting the integrated reporting participants as with the concourse participants (see Appendix 4 for the integrated reporting participant information sheet). However, I also provided an information sheet on the Q sort that outlined the purpose and instructions for the Q sort (i.e. each of the Q set cards needed to be sorted within each of the squares on the Q sort board, with one card per empty square, but how they sorted the Q set was up to them (see Appendix 6)). Integrated reporting participants were given time at the beginning of the Q sort to read the information sheet, and I then had a discussion with them to see if they had any questions or issues. Many of the participants were curious about the Q set and where the statements were derived, so I would briefly outline the concourse construction process⁴⁷.

The only condition of sorting the statements the integrated reporting participants were provided with, was to look at each Q set statement as a sentence, beginning with "Materiality is...". I clarified before the Q sort that the participant was to think about what the materiality concept meant to them at that particular point in time, and not to consider what it should be, or could be, in the future in an attempt for the Q sort to best reflect their current understanding of the materiality concept. The purpose of using "Materiality is..." as a sentence starter was to encourage the integrated reporting participants to think about what materiality is to *them*, to personalise the Q sort, and to encourage them to focus on what materiality (concept) is to

⁴⁶ This consultant was the concourse participant with an office based in Australia. This integrated reporting participant was provided with the information sheet before the phone conversation, and discussed any questions over the phone as they were doing the Q sort. Once the Q sort was complete, the integrated reporting participant emailed me a picture of the completed Q sort, so that I could see how she had sorted the Q set statements. I was able to refer to this picture throughout the rest of the semi structured interview.

⁴⁷ i.e. the statements were derived from previous interviews with concourse participants with a range of experience and expertise with materiality, and they represented the broadest range of ideas on what the materiality concept was.

them at this moment in time. “Materiality is...” was also written at the top of the Q sort board, as depicted in Figure 5 as a reminder of this condition.



The sorting time (i.e. engaging with each of the Q set cards and placing the cards on the Q sort board) was between 20 to 45 minutes. The integrated reporting participants were encouraged to engage with the Q set statements in whatever way they chose, as long as by the end of the exercise they had been sorted into the Q sort grid. Some of the integrated reporting participants spread out the Q set cards so they could see as many different statements as possible before arranging them on the board, whereas others arranged them into three different piles (agree, disagree, neutral/unsure). Most of the integrated reporting participants talked to me throughout the sorting process to discuss the statements as they were sorting them, or to seek clarification on some of the meanings of the statements. Where integrated reporting participants wanted to discuss their interpretations of the statements, I listened and took notes for further follow up once the exercise was completed. If the integrated

reporting participant asked for clarification on the meaning of a statement, I encouraged them to think about what the statement meant to them, as opposed to imposing my own meaning of the statement on the participant.

At the end of the exercise, I recorded the completed Q sort, photographing the placement of the cards on the board. Each of the cards were pre-numbered, and the numbers corresponding to each statement on the Q sort board was also recorded (post semi structured interview) to ease analysis. I encouraged the participants to discuss their experiences of the exercise, and any internal process they went through when engaging with and sorting the statements to gain insights into what they were thinking about when considering and placing the Q set statements. Many of the participants found the relative nature of sorting the Q set statements challenging, and expressed some difficulty in selecting their 'top two' statements that most agreed or disagreed with their understanding of the materiality concept. All of the participants also said that they were able to locate their perspectives within the Q set statements, and were thinking about and reflecting on their own experiences with materiality processes when reading and sorting the statements. Significantly, this connection between the materiality concept and process indicates that the materiality concept is not understood in isolation; rather, the concept of materiality is conceptualised and ultimately understood through the process of 'doing' materiality, and the process of materiality that each integrated reporting participant has experienced⁴⁸.

Q was used in this research to uncover the integrated reporting participants' understanding(s) of the materiality concept (research question 1(a)) in research phase one. I now discuss the use of semi structured interviews with the integrated reporting participants in research phase two.

⁴⁸ I discuss these findings further in chapter six.

5.4 Research phase two: Semi structured interviews

In research phase two, semi structured interviews were held with each of the integrated reporting participants to capture their experiences and perspectives of materiality processes, stakeholders, and the role of stakeholders in these materiality processes. The semi structured interviews were held immediately following each integrated reporting participant's completion of the Q sort exercise. I begin this section by discussing the assumptions underlying the use of semi structured interviews in this research phase, and then describe how this method was used to respond to the research objectives.

Qu and Dumay (2011) describe interviews as one of the most important and adaptable methods for the collection of qualitative data. An interview has been likened to a purposeful conversation (Mason, 2002) with the ultimate objective to provide some insights through learning of the world of another (Qu & Dumay, 2011; Holstein & Gubrium, 2002). In distinguishing an interview from an everyday conversation, Qu and Dumay (2011, p. 239) consider the "research interview can be characterised by an asymmetry of power" in that the interviewer and the interviewee are not meeting as equals. From this perspective, the nature of an interview inherently harbours this asymmetrical power relationship in that the interviewer asks questions, the interviewee responds. However, Alvesson (2003) opens up an alternative role of the interviewee within the interview process through focusing on the potential ability of the interviewee to influence discussion through their contribution to the interview. For Alvesson (2003, p.13, emphasis added) qualitative interviews are "relatively loosely structured and open to what the *interviewee* feels is relevant and important to talk about, given the interest of the research." Interviews thus provide a platform to allow the interviewees to, as freely as can be

unexpected in an 'unnatural' communicative environment⁴⁹, talk about their lived experiences and perspectives as they perceive they relate to the area of research.

In recognising the contribution of the interviewee within the interview process, it is important to explore the nature of the 'insights' that have been contributed. Qu and Dumay (2011), drawing on Alvesson (2003) identify three broad approaches toward interviews which in turn influences how qualitative interview data may be perceived. This research most closely identifies with the reflexive approach, which acknowledges the complexity of interactions between the interview and the interviewee and situates the contribution or account of the interviewee within their specific social, cultural, and political context. Such a positioning is congruent with the methodological approach I have taken in this research as it recognises the "need for interviewers to be aware of the interviewee as a person who may be influenced by the politics of the organisation and not just as a source of objective truth" (Qu & Dumay, 2011, p. 255). The nature of data collected through the interview process is thus recognised not as an implicit, all encompassing 'truth; but as a subjective, potentially politically influenced account of the experiences and perspectives of the interviewee.

5.4.1 Semi structured interviews with integrated reporting participants

As with the concourse interviews, I compiled a list of open ended questions for the semi structured interviews. The open ended questions related to the Q sort exercise and more specifically for this research phase, materiality processes, stakeholders, and the role of stakeholders in materiality processes. The questions relating to the Q sort were there as a prompt for me to ask the integrated reporting participants to elaborate on the placement of the cards to better understand the perspectives on the materiality concept that emerged (to aid in the analysis of research phase one). The questions on stakeholders and materiality processes

⁴⁹ By 'unnatural' communicative environment, I am referring to the generic nature of research interviews as a formal site of communication that does not necessarily naturally occur within the usual course of human communication and interaction (Qu & Dumay, 2011).

were focused on teasing out the experiences and perspectives of the integrated reporting participants in line with the objectives of the research. I further designed questions for the integrated reporting participants to reflect on the influence of integrated reporting specifically to open up whether, or to what extent, integrated reporting influenced materiality processes and stakeholder's role within materiality processes. The purpose of asking these questions was to gain an understanding of the institutional influence of the Framework (IIRC, 2013c) and the IIRC versus the influence of preparers, consultants, and assurers themselves in designing materiality processes' stakeholder engagement. The inclusion of this question was significant as the materiality literature suggests that materiality is largely defined in practice, as opposed to a prescriptive concept and practice imposed by institutional influences.

The materiality literature indicates the function of materiality is different between report preparers/consultants and assurers⁵⁰. While there was some overlap in the prepared questions for preparer/consultant and assurer interviews, there were more targeted questions towards each participant group. For example, one of the assurer targeted questions asked whether the assurer felt it was important to communicate their materiality process in an integrated reporting assurance statement. As preparers/consultants do not prepare an assurance statement, I designed a question to ask these participants about the importance of communicating their materiality process in the integrated report. However, I found the Q sort exercise was a good conversation starter as the integrated reporting participants were eager to discuss their perspectives on the Q sort and the materiality concept, and these discussions naturally flowed to conversation on their experiences of materiality processes and the role of stakeholders therein⁵¹. The interviews themselves were thus quite informal and conversational in tone, with the interview questions acting as prompts as opposed to a strict script for myself

⁵⁰ See chapter three for a discussion of the reporting and assurance materiality literature, where I discuss the similarities and differences between reporting and assurance materiality.

⁵¹ The dynamic of conversation was the same for the integrated reporting participant interviewed over the phone. This participant was also eager to discuss their experience of the Q sort and perspective on materiality.

as the interviewer. As with the concourse interviews, I thus did not necessarily ask the questions exactly as they had been written, or in the order that they had been written, in an attempt to build rapport with each integrated reporting participant and sustain the flow of the conversation. I also wrote notes during each interview to follow up on interesting points, and allowed space for both myself and the integrated reporting participants to explore interesting and relevant tangents of the conversation as they arose.

As with the concourse interviews, the semi structured interviews were digitally recorded and transcribed by a secretarial associate and by myself. The recordings ranged from 39 minutes to 1 hour 13 minutes. I re-listened to each interview at least once to verify the transcription, and to highlight points I felt were interesting or may be important in responding to the research questions. I also kept a notebook that I wrote in post interview (as with the concourse interviews), recording my overall impression of the interview and any points that particularly resonated. I found the notebook to be useful during the verification of the transcriptions, as my reflections of the interactions with the integrated reporting participants added depth to my understanding of each semi structured interview. I now discuss how I analysed these interviews, and also how I analysed the results from Q, research phase one.

5.5 Analysis: Q and semi structured interviews

I used two distinct methods of analysis in this research: one method informed by quantitative and qualitative techniques (for Q) and another informed by qualitative thematic analysis (semi structured interviews). I now discuss each of the methods of analysis in turn.

5.5.1 Q analysis

Q analysis has its basis in correlation and factor analysis of integrated reporting participants' Q sorts. Correlation analysis "provides a measure of the nature and extent of the relationship between any two Q sorts and hence a measure of their similarity or otherwise" (Watts & Stenner, 2012 p. 97). Factor analysis provides a further layer to explain these relationships through identifying and referencing patterns of shared understandings present between integrated reporting participants' Q sorts (Watts & Stenner, 2012). While these techniques are grounded in statistical variance analysis⁵² (Brown, 1980), the interpretation of the extracted 'factors' (i.e. clusters of integrated reporting participants that share common understandings on a topic) is largely qualitative in nature. In this section I have separated the quantitative, statistical aspects and the qualitative interpretation of the emergent factors of the analysis, though I attempt to make the connections between the statistical and qualitative analysis evident. I begin by describing the statistical correlation and factor analysis.

5.5.1.1 Correlation and factor analysis

Q analysis starts with the production of a correlation matrix for the Q sorts of all the integrated reporting participants. For this stage, and the subsequent factor analysis, I relied on the software PQ Method⁵³ (version 2.35), developed specifically for Q analysis and free for download on the internet (Schmolck, 2014). I began by manually loading each of the 53 Q set statements into the programme, followed by the Q sorts for each participant. The 53 Q set

⁵² Watts and Stenner (2012, p. 98), drawing on Brown (1980), identify three types of variance in correlation analysis: Study variance, the "proportion of the meaning and variability that is *held in common* with, or by, the group. The second is *specific variance*. This is the variance that is particular to specific persons and to specific Q sorts. It reflects the individuality of the individuals involved. The third is *error variance*. This is produced by random error and by the imperfections that all methods and systems of data gathering introduce. The basic function of a factor analysis is to account for as much of this study variance as possible – i.e. to explain as much as we can about the relationships that hold between the many Q sorts in the group. ... These portions or dimensions are our *factors*." [Emphasis original].

⁵³ According to Watts and Stenner (2012), PQ Method is the most common software for Q analysis. All PQ Method outputs are produced in a Q specific format.

statements were each given a corresponding number and it was these numbers that I uploaded into PQ Method. I double, and in some instances triple checked each participant's Q sort had been uploaded correctly. Once all of the Q sorts had been uploaded, I ran the correlation matrix programme that produced the correlation matrix for all of the integrated reporting participants' Q sorts⁵⁴, and used principal component analysis (PCA)⁵⁵ to begin the factor analysis of the Q sorts. PCA yielded the following unrotated factor matrix (Figure 6), that I used to decide how many factors to 'extract' from the data.

In deciding how many factors to 'extract', I drew on two criteria. The first was the Kaiser–Guttman criterion, that considers the eigenvalue⁵⁶ of each unrotated factor. The criterion suggests that factors with an eigenvalue greater than 1.00 should be extracted for analysis, as factors less than 1.00 indicate that the study variance for that particular factor is less than one participant's Q sort.

⁵⁴ I have attached the correlation matrix for all of the integrated reporting participants' Q sorts in Appendix 8.

⁵⁵ PQ Method offers two methods for the extraction of unrotated factors from the correlation matrix: PCA and centroid factor analysis. Each of the methods offer similar results (Watts & Stenner, 2012), though PCA offers the best solution, mathematically. I have used PCA in this case as it accounted for a higher percentage of the variance overall (63%) overall.

⁵⁶ The eigenvalue indicates the statistical strength and explanatory power (Watts & Stenner, 2012, p.105) of a factor. Eigenvalues are calculated based on the sum of the squared loadings of all of the integrated reporting participants' Q sorts on a factor.

```

Unrotated Factor Matrix
.....Factors
.....1.....2.....3.....4.....5.....6.....7.....8
SORTS
1 R (P) .....0.8140.....-0.1456.....-0.1800.....-0.3069.....-0.1314.....-0.0125.....-0.0666.....-0.0385
2 S (P) .....0.8357.....-0.1760.....-0.1253.....-0.0992.....-0.3499.....-0.0993.....-0.1289.....-0.0087
3 D (P) .....0.8535.....-0.1413.....-0.0870.....-0.0673.....-0.1199.....-0.0740.....-0.1338.....-0.0487
4 K (P) .....0.7511.....-0.1692.....-0.0702.....-0.0921.....-0.2147.....-0.4496.....-0.0182.....-0.1273
5 J (P) .....0.8110.....-0.1089.....-0.0881.....-0.2397.....-0.0191.....-0.2665.....-0.1831.....-0.1181
6 M (P) .....0.6076.....-0.5102.....-0.1741.....-0.2501.....-0.1082.....-0.3603.....-0.0887.....-0.1550
7 C (C) .....0.7458.....-0.1955.....-0.0514.....-0.0751.....-0.4463.....-0.0234.....-0.2040.....-0.0794
8 B (C) .....0.8032.....-0.2993.....-0.1774.....-0.0869.....-0.2260.....-0.1633.....-0.1547.....-0.0984
9 B (A) .....0.6074.....-0.3893.....-0.2330.....-0.4645.....-0.0757.....-0.0286.....-0.3885.....-0.1825
10 K (P) .....0.8001.....-0.1490.....-0.1154.....-0.3650.....-0.0635.....-0.0559.....-0.1868.....-0.0361
11 L (P) .....0.7938.....-0.0526.....-0.0028.....-0.1655.....-0.0020.....-0.1972.....-0.1507.....-0.4360
12 T (A) .....0.7855.....-0.0596.....-0.1059.....-0.2005.....-0.2442.....-0.2374.....-0.3023.....-0.0063
13 J (C) .....0.7790.....-0.1737.....-0.0669.....-0.2195.....-0.0041.....-0.1436.....-0.1138.....-0.3693
14 M (A) .....0.2379.....-0.6935.....-0.6419.....-0.0817.....-0.1324.....-0.0474.....-0.0313.....-0.0727
15 A (A) .....0.6850.....-0.2587.....-0.4933.....-0.0792.....-0.3022.....-0.0681.....-0.1849.....-0.0594
Eigenvalues .....8.2706.....1.2587.....0.8714.....0.7279.....0.6408.....0.5723.....0.4943.....0.4441
% expl. Var. ....55.....8.....6.....5.....4.....3

```

Figure 6: PQ Method PCA unrotated factor matrix

As Figure 6 indicates, factors 1 and 2 both had eigenvalues greater than 1.00. Further, the total explained variance of these two factors combined to 63%⁵⁷ of the total study variance, significantly higher than the 35-40% Watts and Stenner (2012, p. 105) argue would ordinarily be considered a 'sound' solution. I further drew on Brown (1980) who argues that there should be at least two significantly loading Q sorts at the 0.01 level for a factor to be extracted. Based on Brown's (1980) calculation⁵⁸ for significant factor loading, both factor 1 and factor 2 have at least two significantly loading Q sorts, with 12 integrated reporting participants' Q sorts significantly loading on factor 1 and three significantly loading on factor 2, with two of the integrated reporting participants' Q sorts significantly loading on both factor 1 and factor 2. Considering these two criteria, I choose to extract factor 1 and factor 2 for further analysis.

The next stage of the factor analysis process is to rotate the factors extracted. To rotate the factors, PQ Method maps all of the integrated reporting participants' Q sorts on an x-y axis, thus showing the positioning of each Q sort relative to all the other Q sorts, and their association with the extracted factor (Watts & Stenner, 2012). Rotating the factors does not affect the relationship(s) between the Q sorts; rather, it changes the perspective from which these relationships are viewed, and repositions the Q sorts so that they are as close as possible to the pole of its factor axis (Watts & Stenner, 2012, p.119). I used varimax, followed by hand rotation to rotate the factors in PQ Method (see Appendix 9)⁵⁹. Following the factor

⁵⁷ Factor 1 accounted for 55% of the total study variance, and factor 2 accounted for 8% of the total study variance, as represented in Figure 6.

⁵⁸ Brown (1980) indicates significant factor loading at the 0.01 level (99% confidence interval where 99% of values fall within 2.58 deviations of the mean. Significant factor loading is calculated as follows:

$$\text{Significant factor loading} = 2.58 \times (1 / \sqrt{\text{Number of statements in the Q set}})$$

$$\text{For this study: Significant factor loading} = 2.58 \times (1 / \sqrt{53})$$

$$\text{Significant factor loading} = 2.58 \times (1/7.28)$$

$$\text{Significant factor loading} = 0.3544$$

Hence, any Q sort with a factor loading of at least 0.3544 is considered to be significantly loaded on a factor.

⁵⁹ Though I have presented the process of factor analysis sequentially, it was actually an iterative process where I used PQ Method to test different types of rotation for the extracted factors (i.e. varimax rotation, hand rotation, and varimax and hand rotation). I have used a combination of varimax and hand rotation as it presented the 'best' statistical 'solution' (Watts & Stenner, 2012).

rotation, PQ Method produces a summary report of the factor analysis⁶⁰. Of particular interest is the 'crib sheet' that PQ Method produces. The crib sheet presents an 'idealised' version of the Q sort for each factor, showing where each statement would be placed on 'ideal' Q sort for each extracted factor. The crib sheet provides a point of comparison between the two factors extracted, and a starting point for beginning the qualitative analysis of Q (refer to Figure 7).

Factor Q-Sort Values for Each Statement

		Factor Arrays		
No.	Statement	No.	1	2
1	all about what's happened, not about what's going to happen	1	-4	-2
2	whether a Court of Law would think what you did made sense	2	-2	4
3	feeling compelled to respond to some of the issues that are	3	0	0
4	people's opinions so there's always going to be an element o	4	2	-2
5	not compulsory, not regulated, and organisations can choose	5	1	-2
6	treating all stakeholder views the same	6	-2	-1
7	something that can be distorted by managers when they need t	7	-2	-1
8	a blank page, clean slate approach to reporting	8	-1	-1
9	a number or percentage decided in advance that is stuck to	9	-3	-3
10	ultimately only influenced by social pressures	10	-2	-1
11	seen as quite complex	11	0	-4
12	about stakeholder opinions informing your thinking around re	12	3	0
13	about helping the readers to really understand the real pict	13	2	0
14	not a mechanical type of formula. It's not having one number	14	0	0
15	very much the organisation deciding what it thinks is import	15	-2	4
16	based on one occurrence at one point in time	16	-3	-5
17	about tension between maketing drivers (behind producing the	17	1	1
18	prioritising the information needs of some stakeholder group	18	0	-1
19	about judgement in putting the report together	19	0	3
20	about helping the organisation to understand what the most i	20	5	1
21	an order of priority of what has to be in the report and mak	21	4	2
22	an open, meaningful communication with stakeholders	22	3	1
23	a line in the sand around what's right and what's wrong	23	-3	-5
24	looking at what would impact the market's perception of the	24	-1	-4
25	the result of a whole lot of internal wrangling within the o	25	-2	-2
26	trying to paint the most balanced, complete picture of the o	26	2	0
27	understanding what issues are most important to stakeholders	27	5	1
28	not something that should be tested in a Court of Law	28	-1	5
29	about finding insights which management can use to make a di	29	3	-1
30	about the stakeholder voices that really want to be heard an	30	1	-1
31	done in an ad hoc, unstructured way	31	-4	-4
32	being careful that what is reported accurately reflects the	32	1	0
33	about the people who want the most information getting the l	33	-5	-3
34	a way to simplify reporting so it's easier for users to unde	34	0	1
35	flexible, because there's some discretion as to what is repo	35	0	2
36	identifying, understanding and managing significant business	36	4	-3
37	helpful in framing the report so that it means something to	37	2	3
38	another way of managing reputation directly. It's about the	38	-1	-2
39	not influenced by reporting frameworks and guidelines	39	-3	3
40	not only the dollar amount but the nature of the dollar amou	40	-1	3
41	a responsibility that sits with the organisation	41	1	5

⁶⁰ I also referred to the distinguishing statements and consensus statements in interpreting the crib sheet. Distinguishing statements represent statements that are identified by the PQ Method program as important for the interpretation of a particular factor i.e. distinguish that factor from every other factor. Consensus statements are statements that are not statistically distinguishing for either factor and represent areas of commonality between the factors extracted. I have appended the distinguishing statements sheet for each extracted factor and the consensus statement sheet in Appendix 10.

42	a move towards conciseness and a bit of brutality on report	42	1	2
43	not influenced by stakeholders - they don't know exactly wha	43	-5	0
44	indicators that can be moved and argued, they can be looked	44	-1	2
45	more inclined towards emphasising some aspects and leaving s	45	-1	0
46	bound by quite historical rules and a certain amount of pres	46	-4	1
47	about bringing a wide spectrum of different agendas and pers	47	2	0
48	about the level of importance associated with whatever the p	48	3	4
49	about working out to report when it's not actually obvious w	49	0	1
50	not a one size fits all. It can be done it different ways	50	1	-2
51	influenced by what stakeholders perceive as important	51	4	-3
52	guided by reporting and auditing requirements, frameworks an	52	2	2
53	more about what should be included than what shouldn't be in	53	0	2

Variance = 6.226 St. Dev. = 2.495

Figure 7: PQ Method crib sheet

5.5.1.2 Qualitative Q analysis

Though there are aspects of the quantitative correlation and factor analysis that require judgement (in choosing what factors to extract and why, and how to rotate the factors and to what extent, for example), the qualitative analysis of the Q is more heavily reliant on the judgements and interpretations of the researcher. It is through the qualitative analysis that the extracted factors 'come to life'. Watts and Stenner (2012) consider there is no specific, universal method for qualitatively interpreting the extracted factors. I adopted an inductive approach to the qualitative Q analysis, drawing on the integrated reporting participants own articulation of their understandings of the materiality concept to inform my interpretation of the two extracted factors. The purpose of this section is to discuss the qualitative analysis of Q and to make explicit the connections between the quantitative and qualitative Q analysis.

I began the qualitative analysis by reading and re-reading the crib sheet, distinguishing statement sheets and consensus statement sheet PQ Method outputs in depth, to gain an understanding of what specific statements comprised the 'idealised' Q sort for each factor. To interpret the extracted factors, and the meanings of materiality ascribed to these factors by the integrated reporting participants, I then went back to the post Q sort semi structured interview transcripts and my research notes for each interview. I read and re-read the interview transcripts for each participant multiple times, extracting comments made by the integrated

reporting participants about the Q sort process, specific comments made about statements within the Q set, and the integrated reporting participants' own explanations for the placement of each statement in the Q sort. Using the crib sheet for each extracted factor as the basis of analysis, I highlighted the distinguishing and consensus statements for each factors in the crib sheet, and used the 'comment' function in Word to copy in the integrated reporting participants' comments, linking comments about specific statements and/or their placement to the relevant statement in the crib sheet, and, if the integrated reporting participant significantly loaded on the factor, posting more general comments about the Q sort at the bottom of the crib sheet. As I reviewed the integrated reporting participants' comments, I noticed the emergence of similar themes when discussing Q set statements and the placement of the statements. I further made notes in each crib sheet of these themes as they emerged.

This process allowed the integrated reporting participants' perspectives on the materiality concept to come through, and together with the statistical analysis for each factor, provide a more in-depth picture of the integrated reporting participants understanding(s) of the Q set statements and their relative positioning in the crib sheet. Drawing on the dominant themes from the integrated reporting participants' comments on the Q set and Q sort (derived from the post Q sort interviews), and the positioning of statements in the 'idealised' Q sort for each factor, I descriptively named each factor extracted. In naming and discussing the factors, I considered it important that the voices of the integrated reporting participants came through, as the factors *represent* the expression of the *integrated reporting participants subjective understanding* of the materiality concept, both individually and collectively as a group⁶¹. Thus, I privileged the subjective understandings of the integrated reporting participants themselves over understandings of materiality articulated in the materiality literature in my interpretation of the extracted factors. In taking this methodological approach, I depart from how Q has

⁶¹ This expression is evident as the concourse and Q set is derived from interviews with people working in the materiality field, as opposed to expressions or perspectives of materiality within guidance documentation and the materiality literature.

previously been used in the wider accounting literature (Byrch et al., 2015; Sorola, 2017) by developing the factors through the perspectives of the integrated reporting participants, as opposed to relying on existing typologies within the accounting literature. This approach is consistent with approaches taken within the Q literature (see for example Barry & Proops, 1999; Ockwell, 2008; Webler et al., 2003).

In this section I have discussed the quantitative and qualitative analysis of research phase one in the research, and how this Q analysis informs the findings for chapter six. I now discuss the analysis of research phase two, semi structured interviews.

5.5.2 Semi structured interview analysis

I began the analysis of the semi structured interviews by reading, and re-reading each interview transcript several times to immerse myself within the data and to get an understanding of the key ideas that were coming through the transcripts individually and collectively. I then went back to research objective one and used the research questions 1(b), 1(c), and 1(d) as the basis for organising the interview transcript data collected⁶².

To organise the interview transcript data through the research questions, I went through each transcript and identified sections that I considered related to each research question. Where some of the associations appeared to be more evident (where integrated reporting participants were explicitly discussing methods chosen and used in materiality processes, for example, related to materiality processes (research question 1(b)) others were not so clear, or bridged two or more research questions. In these cases, I annotated the connections between the integrated reporting participants' comments and the research questions they related. The process of organising the interview transcript data was thus subjective, based on my

⁶² Research objective one, research question 1(a) is addressed through the first research phase and the Q analysis.

interpretation of the interview transcript data and connections I made between the interview transcripts and the research questions. I then uploaded the interview excerpts identified under each research question to MindNode to begin the next stage of analysis.

Given the volume of interview extracts identified for each research question, I created a MindNode for each research question to better physically and visually manage the interview transcript data. The process of identifying and organising the interview transcript data was iterative rather than linear. I went through each transcript multiple times to ensure that the data had been appropriately captured before uploading the interview excerpts into MindNode, with some of the excerpts changing research question classification during these reviews, or being assigned to more than one research question.

Once the interview transcript data was organised in MindNode, I began the next stage of analysis: mapping the interview excerpts. The research questions formed the basis for compiling a number of questions to begin to interrogate the interview data and map the interview excerpts⁶³. For example, research question 1(c) asks:

Who do integrated reporting preparers, consultants, and assurers identify and recognise as stakeholders within materiality determination processes?

Data interrogation questions developed under this research question included:

What kind of people/groups are identified?
Who chooses the stakeholders?
Why are those particular groups chosen?
Are there any groups of people who are specifically excluded? Why?

I used MindNode to identify and visually map the interview excerpts around these questions. I found MindNode⁶³ to be especially useful in this phase as it allowed me to see all of the interview excerpt data at once and make visible connections between the interview excerpts and the data interrogation questions. After I had mapped the interview excerpts according to

⁶³ I have appended the data interrogation questions I developed in Appendix 11.

the data interrogation questions, I further reviewed the interview excerpts organised under each data interrogation question. At this stage I was specifically reviewing, and re-reviewing, to identify patterns, and then themes within the interview excerpts. As with the initial review of the interview transcripts, the process of identifying patterns and themes was nonlinear and iterative, and also at times cautious and hesitant, with themes being constructed, defined, and redefined as I reviewed and re-reviewed the interview excerpts organised under each research question, and data interrogation question. Within each theme I highlighted specific quotes from interview excerpts that I felt brought forth important aspects of each theme. I also wrote, for my own reference, a short annotation of the key points with the more prominent/dominant themes. It was in these notes that I began to consider the form the data may take in terms of findings and applying the theoretical approach of this research. In the next section I outline research phase three, and how I applied Freire's conceptions of banking and dialogic education as a theoretical lens to critically evaluate and analyse the extent to which stakeholder voice(s) are liberated within materiality processes.

5.6 Research phase three: Freirean-informed dialogic analysis

In this last research phase, I respond to research objective two through drawing on Freire's (2005) conceptions of banking and dialogic education to critically evaluate and analyse what I had learnt from the research objective one analysis to examine the extent to which stakeholder voice(s) are liberated in materiality processes. How I apply Freire's (2005) conceptions of banking and dialogic education is perhaps best illustrated through the 'application' itself in chapter eight. In this section I outline the process that I went through.

In using Freire's (2005) conceptions of banking and dialogic education as the theoretical approach to critically evaluate and analyse what I learnt, it is important here to outline the

process of my 'learning' in regards to the research objective one analysis. As I was reviewing and re-reviewing the interview transcripts and developing the themes from the semi structured interviews, I was also referring back to the key Freirean ideas and themes (oppressor and the oppressed, for example) discussed in chapter four. Rather than using Freire's (2005) conceptions of banking and dialogic education as a basis to identify and extract themes for research objective one, I was considering analysis and themes that emerged more holistically, and also more conceptually, within a Freirean-informed dialogic framing. My 'learning' from research objective one was thus exploring not just the individual themes and how they related to each specific research question, but considering the 'big picture' of what the data was revealing about the general context, integrated reporting participants' perception of their relationships with stakeholders, integrated reporting participants' perceptions about the stakeholders and their role(s) within materiality processes, and the form and nature of the interactions between integrated reporting participants and the stakeholders they recognised (or did not recognise) within these processes. In applying Freire's (2005) conceptions of banking and dialogic education, I iteratively moved between what I had 'learnt' from the analysis of research objective one and Freire's (2005) key ideas and themes, critically evaluating and analysing what I had learnt (and was continuing to learn) through this lens to respond to research objective two.

5.7 Ethical considerations

This research engages with human participants in order to investigate their understandings, perceptions, and experiences in relation to materiality, materiality processes and stakeholder inclusivity within the wider landscape of integrated reporting and assurance. In accordance with Auckland University of Technology Ethics Committee (AUTEK) requirements, ethical approval to approach and engage with participants was applied for and granted on 25

February 2016 (AUTEC Reference Number 16/41, amendments granted 3 May 2016⁶⁴). This reference has been included on participant information sheets and consent forms given to participants in the research. Where I engaged secretarial services for interview transcription, the AUTEC reference has been included on the confidentiality forms the secretarial associate(s) have been required to sign.

In this research I recognised, respected, and maintained all of the participants right to privacy and confidentiality throughout the research process and any subsequent publication process. No identifying data from the concourse interviews, Q sort or interviews has been used in the writing of this thesis (and will not be used in any subsequent publications) and private information will be kept fully confidential, in line with AUTEC requirements. Participants are only identifiable within the thesis by a pseudonym (Preparer 1, Preparer 2, etc) that is no way representative of the confidential personal details of the participant.

5.8 Chapter summary

In this chapter I have articulated the objectives of the research, and explained the rationale behind key research design decisions made. I have discussed the assumptions of the two research methods used, Q and semi structured interviews, and described how I used these research methods in two research phases to respond to the research objectives. I have outlined my approach to data analysis for each of these methods and the Freirean-informed dialogic analysis that forms research phase three. In the following chapters I present the findings from the research method analysis (chapters six and seven) and the discussion from the Freirean-informed dialogic analysis (chapter eight).

⁶⁴ Refer to Appendix 12 for AUTEC Secretariat correspondence.

CHAPTER SIX: FINDINGS: MATERIALITY AND INTEGRATED REPORTING MATERIALITY PROCESSES

6.1 Introduction

In this chapter I present findings relating to the follow research questions: research question 1(a): *What are integrated reporting preparers, consultants, and assurers understandings of the materiality concept?* and research question 1(b): *What are preparers, consultants, and assurers integrated reporting materiality determination processes? And how do these processes relate to preparers, consultants, and assurers understandings of the materiality concept?*

In section 6.2 I draw specific attention to the influence of power in what emerges as a dominant, collective understanding of the materiality concept within the integrated reporting participant group. I then analyse how the existence and emergence of this dominant understanding of the materiality concept directs integrated reporting participants' materiality processes (section 6.3), and the ways in which stakeholders are engaged therein. I summarise the chapter in section 6.4.

6.2 Understandings of materiality

Through Q analysis, two understandings of the materiality concept (referred to in this section as materiality) emerged within the integrated reporting participant group: a dominant understanding, that I have named the *strategic stakeholder engagement* understanding of materiality, and a minority understanding that I have named the *organisation centric* understanding of materiality. Of the 15 integrated reporting participants, 12 participants only

significantly loaded on this dominant understanding of materiality. Meaning, that these 12 integrated reporting participants (seven preparers, three consultants, and two assurers) significantly share an understanding of materiality. One participant (an assurer) wholly significantly loaded on the minority understanding of materiality. Two participants (one preparer and one assurer) were confounded, positively significantly loading on the dominant understanding whilst simultaneously negatively significantly loading on the minority understanding. In this section I draw on the Q and post Q sort semi structured interview analysis to develop the characteristics for each understanding of materiality, and analyse the emergence of a dominant understanding of materiality within the integrated reporting participant group.

6.2.1 Strategic stakeholder engagement materiality

The materiality literature presents a fractured, contested view of materiality. Edgley (2014), for example, suggests a number of distinct metaphorical discourses on materiality, from a 'rule of thumb' to a mysterious 'black box'. Materiality is argued to be defined in practice (Eccles & Krzus, 2015; Edgley, 2014; Iyer & Whitecotton, 2007), with materiality 'practice' presented as a paternalistic and protectionist arena that promotes the role of accountants as the 'gatekeepers' of materiality, without explicitly acknowledging the confused and multiple, contested, and hidden understandings of materiality that exist within the accounting profession itself (Canning et al., 2019; Dumay et al., 2015; Puroila & Mäkelä, 2019; Roberts & Dwyer, 1998). This research finds that, within the integrated reporting participant group, there has emerged a collective, dominant understanding of the materiality concept. The emergence of *strategic stakeholder engagement*, the dominant understanding of materiality, raises questions in relation to the extent materiality is fractured and contested in (integrated reporting) practice. I present a pictorial representation⁶⁵, referred to as a factor array, of

⁶⁵ Watts and Stenner (2012, p. 140) describe the pictorial representation as a factor array, "no more or less than a *single Q sort configured to represent the viewpoint of a particular factor*" [emphasis original]. A factor array thus represents an idealised Q sort (using the same frame and distribution as the integrated reporting participants sorted the Q set into) that is representative of the perspective that the

historical, traditional ideas prescribing what materiality *is*, as influential in informing *their* understanding of materiality (46, -4, also 16, -3). This factor indicates that, in common with the conceptualisations of the IIRC in the Framework (IIRC, 2013c), materiality is understood to have a forward looking bent (1, -4), while simultaneously recognising the influence previous reporting periods and previous reports have on what is considered to be 'material' (7, -2). Rule based approaches to materiality (favoured in financial materiality discourse (Edgley, 2014)) and understandings that promote a sense of 'black and white' or 'right and wrong' (23, -3) are rejected in favour of a materiality that is highly influenced by the integrated reporting participants' own subjective opinion(s). For example, in response to statement 23, Preparer 6 responds:

I think materiality is about people's opinions, so there's no right or wrong.

Integrated reporting participants who align with this understanding perceive reporting and assurance frameworks and guidelines to have some, though limited, importance in shaping their understanding of materiality (39, -3). Similarly, the participants do not perceive the legal (2, -2), or financial (24, -1) systems as having influence within materiality. There is, however, some tension between this perception and other organisation externalities: the participants do not understand materiality as a tool to manage the reputation of the organisation (38, -1) – however, they do agree, to some extent, that materiality presents an opportunity to respond to what has been in the media (13, +2). Thus materiality is perceived as, to some extent, a mechanism through which attempts can be made to address or take control over the narrative of the reporting organisation that exists in the public domain (17, +1).

What emerges within this understanding is a belief that materiality is very much individual (50, +1), unregulated, and ultimately shaped by the individual circumstances and agenda of each reporting organisation undertaking it (4, +2). This belief suggests that institutional forces, such as the IIRC and the Framework, have limited power in shaping and/or enforcing an understanding of materiality of the integrated reporting participants, and may help to explain

the obvious reluctance of standard setters to decisively categorise materiality (Edgley, 2014; Edgley et al., 2015). It may also indicate that the power in institution/practitioner relationships actually lies with the practitioners themselves, rather than reporting/assurance institutions.

Integrated reporting participants attempt to justify this privileged, subjective positioning through simultaneously promoting materiality as a technical, objective phenomenon: materiality is perceived as 'rigorous' (31, -4), and as something that is necessarily complex to understand (10, -2). Materiality is understood to mean what 'things' (be they events, issues, impacts) are considered to be important (48, +3), and further, as a way to prioritise importance (21, +4, and also 42, +1), particularly in the context of framing external reports (37, +2). Materiality is further perceived as critical for reporting authenticity (12, +3), and for presenting a balanced and complete picture of the organisation (26, +2). Potentially due to the perceived objective nature of materiality, the integrated reporting participants do not view materiality itself as being open to forces of manipulation (44, -1), a way through which to forward managerial agendas (15, -2), or distortion from 'other' forces internal to the organisation (6, -2). Subjectivity, and the dominance of the perspectives and agendas of the integrated reporting participants within this understanding are not explicitly addressed or acknowledged.

I analyse how the integrated reporting participants perceive the role of stakeholders within materiality processes, and why, in further depth in chapter seven. However, I now discuss stakeholders as they are perceived within this understanding of materiality specifically. Stakeholders are perceived to have considerable influence within materiality (43, -5), especially in terms of influencing what is perceived to be 'important' (51, +4). This understanding promotes materiality as incorporating a wide range of different stakeholders views and agendas (47, +2) so that the integrated reporting participants can understand what their stakeholders consider to be important (27, +5). Thus materiality is conceptualised as a way through which stakeholders may communicate, and be communicated with (22, +3) in a way that the participants perceive as 'open' and 'meaningful'. The integrated reporting

participants are particularly against a perspective of materiality that seeks to deny stakeholder access to information (33, -5). However, access to information is balanced against the level of importance of the information. In responding to his placement of statement (33), Preparer 5 encapsulates the sentiment shared by the integrated reporting participants:

That's kind of a cynical view isn't it? It's not that... No, we don't go – Well, Greenpeace want a lot of information out of us so we're not going to give them anything. Materiality's not about who wants that information, it's about what information is the most important.

This positioning does not necessarily indicate that the integrated reporting participants seek to promote stakeholder voice through this understanding of materiality. A strong business case argument (Brown & Dillard, 2014; Brown & Fraser, 2006; Dumay et al., 2015) coming through this understanding suggests that stakeholders, and their perspectives, are viewed as a tool to provide information that managers can in turn use (29, +3), potentially against the interests of stakeholders themselves, to inform business strategy (20, +5) and business risk and opportunity (36, +4) assessments. The significance of stakeholder input in this understanding of materiality can thus be placed within a wider agenda that privileges the integrated reporting participants' strategic and risk management agendas.

Though integrated reporting participants aligned with this understanding consider reporting and assurance frameworks and guidelines to have limited influence in shaping their understanding of materiality, themes integral to the Framework – risk and opportunity, and organisational strategy – come through strongly in this dominant understanding of materiality. The emphasis the Framework places on personal judgement of preparers in materiality in particular is further emphasised within this understanding of materiality. It is perhaps for these reasons that each of the integrated reporting participants who aligned with the dominant understanding of materiality felt that their views on materiality were encapsulated by materiality as represented by the IIRC in the Framework.

In this section I have developed and communicated the characteristics for the dominant understanding of materiality within the integrated reporting participant group, *strategic stakeholder engagement*. In the following section I develop the characteristics for the minority understanding of materiality, *organisation centric*.

6.2.2 Organisation centric materiality

Organisation centric materiality emerges as the minority understanding of materiality, with only one integrated reporting participant – Assuror 2 - loaded singularly and significantly on this understanding, however, two confounded integrated reporting participants (Preparer 8 and Assuror 1) also significantly negatively load on this understanding of materiality. I present the factor array for *organisation centric* materiality below in Figure 9:

MATERIALITY IS

MOST STRONGLY DISAGREE	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5	MOST STRONGLY AGREE
	16	24	33	4	7	26	17	21	19	15	28	
	23	11	36	25	8	32	20	35	37	2	41	
(2)		31	9	1	6	12	22	42	39	48		(2)
		(3)	51	5	10	43	27	44	40			(3)
			(4)	50	29	13	34	52				(4)
				38	18	45	46	53				
					30	47	49					
				(6)		14						(6)
					(7)	3						(7)
						(9)						

Figure 9: Organisation centric materiality factor array

6.2.2.1 Organisation centric materiality characteristics

Where the dominant *strategic stakeholder engagement* understanding of materiality veils the privileging and influence of integrated reporting participants (and other organisation actors) behind a façade of stakeholder significance, this understanding of materiality more explicitly

places emphasis on the roles and responsibilities of the organisation within materiality (41, +5) and brings the dominance of organisation materiality decision makers forward 'into the light'. As with the dominant understanding, *organisation centric* materiality is perceived as concerned with identifying what issues or impacts are considered to be important (48, +4), especially within the context of external reporting (21, +2). However, unlike the dominant understanding of materiality where stakeholders are, at least superficially, perceived as having a significant level of influence over what is considered 'important', within this understanding 'important/importance' is largely considered from an organisation perspective (15, +4).

In placing the organisation and the subjective decision making of those inside the organisation (19, +3) at the centre of materiality, this understanding also pushes the role of stakeholders within materiality to the fringe. Though having an understanding of what stakeholders understand to be important is identified as having some significance (27, +1), stakeholders themselves are perceived as having limited influence within materiality (51, -3 and also 43, 0) with their opinions (11, -4) and voices (30, -1) not perceived to have any significant direct impact on materiality, especially within reporting. Consequently, a range of different voices are not sought (47,0), with the voice of the organisation explicitly dominating materiality and also the materiality process. This perception is exemplified by Assuror 2, who in his response to statement 41 argues:

Because no one knows more about the organisation than the people that are running it. They know what's important to them, and what's not important. So I think that they're in the best position to always drive materiality assessments.

Though the organisation is promoted as the dominant voice within this understanding, and subjective judgements and decisions of the managers within the organisation are understood as being significantly important, as with the dominant understanding Assuror 2 perceives that materiality remains, to some extent, unable to be distorted or abused by an organisation's managers (6, -1). However, this understanding is somewhat contradictory in that while there is a belief that materiality is unable to be manipulated by managers to forward their own

agenda, materiality is also viewed as flexible, with judgement calls discretionary (35, +2), and open to argument and interpretation (44, +2). This may be due, in part, to the perceived fluid or dynamic nature of materiality, in terms of it being something that is able to be revisited, and reassessed based on the context of the situation (16, -5). As discussed by Assuror 2 in relation to statement 16:

I do think materiality is dynamic. So if you find major errors as a result of the audit process in executing your original time, you have to go back and reassess materiality in terms of the process loop. So I suppose, to that one [referring to statement 16] I would disagree because I think that it is probably more dynamic. ... if we put it in a time line, what was material ten years ago is not necessarily material today, and will not necessarily be material in ten years' time, so I think that there's very much a time and context in which materiality is done.

Perspectives on the influence of reporting and assurance frameworks and guidance within materiality are also inconsistent (52, +2, and also 39, +3), with opposing statements agreed and disagreed with. From this apparent conflict, materiality emerges as nonetheless influenced by historical understandings (46, +1 and also 7, -1) of materiality, though not necessarily understandings that are rule based (23, -3). Like the dominant understanding of materiality, this understanding presents a perspective of materiality that is highly subjective and individual. However, unlike the malleable dominant understanding, this understanding is structured and to some extent prescribed (50, -2) and influenced by understandings (40, +3) of past precedence.

Given the perceived limited influence of stakeholders within materiality presented within this understanding, it is perhaps unsurprising that materiality is not strongly understood as a stakeholder communication tool (22, +1). Unlike the dominant understanding, within this understanding, materiality is perceived as having little role in promoting or providing a mechanism for achieving openness (12, 0), transparency (32, 0), balance (26, 0) in communications to wider stakeholder groups within the context of external reporting. As with *strategic stakeholder engagement*, materiality is understood as being 'objective' whilst also being inherently subjective, in that the perspective expressed through this understanding is

not so much concerned with manipulating and controlling how the organisation appears through reporting (38, -2) as is the case with the dominant understanding. Actors external to the organisation such as the media (13, 0) and financial markets (24, -4) are viewed as having little influence in materiality judgements and decision making. The exception is the perceived role of the legal system.

Within this understanding, the role of the law within materiality appears as conflicted, with the Courts of Law simultaneously seen as having significant influence (2, +4) and little influence (28, +5). However, it should be noted here that Assuror 2, who singularly loads significantly on this factor, has influenced the factor array through his placement of statement 28 in the +5 column, and the placement of statement 2 in the +4 column in his Q sort. Assuror 2 holds a conservative belief that the 'outcomes' of materiality (being what is reported) should be, and are, tested in a Court of Law. His reading of statement 28 and his placement on the Q sort board is an affirmation of this belief. Considering this, an alternative interpretation of the role of law within materiality is that the rulings of the Court, and the doctrine of precedent, do have significant influence within this factor and this integrated reporting participant's understanding of materiality.

This minority understanding appears to forward organisational agendas through promoting the organisation as the dominant voice and decision maker within materiality. However, this perspective places less emphasis on materiality as an organisation mechanism to inform strategy (20, +1) and identify and manage business risks and opportunities (36, -3) compared to the perspectives expressed in the dominant understanding. Rather the focus is more explicitly placed on the role materiality has in the structure and framing (37, +3) of report content (42, +2 and also 53, +2) as opposed to how management can use information derived from materiality to make and drive business decisions (29, -1).

Two of the integrated reporting participants, Preparer 8 and Assuror 1 significantly load on both the strategic stakeholder engagement materiality understanding and the organisation centric materiality understanding⁶⁷. What the loading of these two confounded integrated reporting participants indicate is that there are aspects of each of their understandings that align with and have been captured by the viewpoint expressed in the dominant understanding, and that there are aspects of their perspectives that are in disagreement with, or perhaps the mirror opposite of, the viewpoint captured in the minority understanding of materiality. I now present these two confounded perspectives.

6.2.3 The confounded perspectives

Preparer 8's Q sort presents an understanding of materiality that is very much influenced by transparency and open communication with stakeholder groups (evidenced by his placement of statements 12 and 22 in the +5 column). As with the dominant understanding of materiality, Preparer 8 places significant importance on understanding what issues and impacts are considered important by stakeholders (placing statements 27 and 51 in the +4 column), viewing stakeholder voices as having significant influence within materiality (statement 30 is also placed in the +4 column) in forming organisation strategy (20, +3). Preparer 8 also appears to disregard materiality as a rigid and structured rule (14, +4), and recognises the potential to use materiality in responding to, and controlling narratives of, the organisation in the media (13, +3).

Where the minority understanding appears to be somewhat ambiguous is in the role of the legal system within materiality. Preparer 8 strongly disagrees that the Court of Law should have any influence (2, -5), commenting:

⁶⁷ The loading on the strategic stakeholder engagement materiality factor was a positive correlation for both participants, with Preparer 8 loading at 0.608 and Assuror 1 also loading at 0.608. Similarly, both participants negatively loaded on the organisation materiality factor, with Preparer 8 loading at -0.510 and Assuror 1 loading at -0.389.

Preparer 8: Then there was some themes I guess more around legal obligations, all that type of stuff, and they were irrelevant to us, so we moved that to the left. ... So you ended up with – legal obligations, didn't care. Stakeholder obligations, cared a lot

It is the strong focus on stakeholder as opposed to organisational influence, together with the strong disagreement of the role of the legal system within materiality, that contributes to Preparer 8's positive loading on the dominant understanding and negative loading on the minority understanding of materiality.

Where Preparer 8's perspectives align and conflict with the minority understanding is made explicit through an analysis of his Q sort, Assuror 1's Q sort presents a more nuanced perspective with more subtle agreements and divergences from the dominant and minority understandings of materiality respectively. This is represented more specifically through Assuror 1's lower loading on factor 2 (-0.389) compared to Preparer 8 (-0.510). Assuror 1's perspective on the role and influence of stakeholders in materiality appears to align with the stakeholder strategic focus presented in the dominant understanding. This alignment is evidenced by the placement of statements regarding understanding what issues are important to stakeholders (27, +3) and the perceived influence of what stakeholders consider to be important (51, +5), especially within business strategy (36, +3). In agreeing with these statements, Assuror 1 further disagrees with the organisation focus presented in the minority understanding and demonstrates a belief that places emphasis on transparency within materiality (32, +3), especially in communications with stakeholders (33, -5). As Assuror 1 comments:

'influenced by what stakeholders perceive as important' [statement 51], it's because if it's important to stakeholders you probably should be reporting, regardless of whether you agree with it or not, which is why I disagreed with the one about 'very much the organisation deciding what it thinks is important' [statement 15], that's why I disagreed with that, because it's more about the stakeholders. Now, people within the organisation are some of the stakeholders too, but the organisation is not, in my view, the sole arbiter of deciding what is or is not material.

As with Preparer 8, it is Assuror 1's focus on the stakeholder, and specifically the belief that materiality is not the responsibility and at the discretion of the organisation that contributes to

the positive loading on the dominant understandings and the negative loading on the minority understanding of materiality.

In sections 6.2.1, 6.2.2 and 6.2.3 I have developed and presented the characteristics for the emergent dominant and minority understandings of materiality, and presented the nuances of the two confounded integrated reporting participant understandings. In this following section I present analysis and interpretation for each of these understandings of materiality.

6.2.4 Interpreting the materiality understandings

Each of the characteristics I have developed for the two understandings of materiality that emerged presents an understanding of materiality based on the integrated reporting participants placement of the Q set statements, their commentary on their interpretation of the Q set statements, and justification for their placement of the statements on the Q set board. I draw on these characteristics and the integrated reporting participants' comments on the placement of the Q set statements to further analyse and interpret the emergent understandings of materiality, adding depth for each understanding presented.

It is unclear how, or why, the dominant understanding of materiality has emerged within the integrated reporting participant group, especially given limited influence of institutional forces in shaping this understanding, and the fractured and contested meanings of materiality discussed in the extant materiality literature (Edgley, 2014; Houghton et al., 2011; Unerman & Zappetini, 2014). It is possible that due to the small nature of the New Zealand integrated reporting community, discussions, workshops, or even collaborations within the community have resulted in a unified understanding of the materiality concept. It is also possible, though unlikely, that each integrated reporting participant has come to this understanding on their own. The conditions that allowed for how this collective understanding emerged is beyond the scope of this research. However, collusion, whether deliberate or not, and the emergence of

this dominant understanding of materiality reinforces paternalistic and protectionist framings of materiality found particular within the financial materiality literature (Roberts & Dwyer, 1998; Larson, 1977; Kultgen, 1988) where accountants (in this research preparers, consultants, and assurers) organise to (re)present a unified accounting profession, in order to both deliberately mystify materiality and perpetuate conceptualisations of the accounting profession as technical materiality 'experts'.

As this research is concerned with investigating the perceptions of integrated reporting participants in a position of greater relative power in materiality processes, the extent to which stakeholders are mystified by understandings of materiality is beyond the scope of this research. What is clear from the analysis above, however, is that both the dominant and minority understanding of materiality privilege the subjective opinions of the integrated reporting participants themselves. The dominant understanding in particular is rooted in a belief that materiality is an individual, unregulated tool to inform managerial and organisational strategic and risk/opportunity agendas. The belief in materiality as individual and unregulated allows the integrated reporting participants justifiable and considerable space apart from the IIRC and the Framework to define materiality according to their own subjective opinions and wider organisational agendas. As with Canning et al. (2019) and O'Dwyer (2011), the findings suggest that any prescriptive based guidance on materiality is unlikely to significantly evolve how materiality is understood by this integrated reporting participant group, given the extent to which subjective judgements are privileged within both the dominant and minority understandings. Interestingly, the perception of materiality as an objective, technical phenomena (Edgley, 2014; Brown & Dillard, 2014) and measure of 'importance' for reporting further suggests that the integrated reporting participants' subjective opinions on issues/impacts/events are able to be presented by the integrated reporting participants as an objective and rational 'truth' (Brown, 2009) – leaving little recourse for alternative perspectives, and limiting wider debate on underlying materiality agendas.

Within this understanding, stakeholders and their views are considered to be significant. However, they are considered significant to the extent that their views are of *use* to the integrated reporting participants and other managers within reporting organisations. Stakeholder voices may be taken 'seriously' by the integrated reporting participants within this context. However, the continued dominance of business case logics (Brown & Dillard, 2014; Dumay et al., 2015) that frame both understandings of materiality suggest that, for the integrated reporting participants, stakeholder views and stakeholder voices are not being heard for what they *are*, and instead are heard through an organisational lens and agenda. Where Brown and Dillard (2014) argue that learning in business case accounting framings may be one-way (i.e. where stakeholders learn of and from managers of organisation's roles in society), this understanding of materiality suggests that, through a business case framing of materiality, one-way learning may flow the other way. That is, managers of the organisation may learn from stakeholders for the purpose of informing, reinforcing, and reconstituting dominant business case logics, such as strategy and risk/opportunity assessment. To what extent the business case logics witnessed in the emergent understandings of materiality are constituted within integrated reporting participants' materiality processes forms part of the analysis presented in the following section.

6.3 Materiality determination processes

In this section, I present analysis research question 1(b): *What are preparers, consultants, and assurers integrated reporting materiality determination processes? And how do these processes relate to preparers, consultants, and assurers understandings of the materiality concept?*

To address this research question, I asked the integrated reporting participants to relay their experiences of materiality processes during the semi structured interviews. Assuror 4 identifies how the underlying purpose of doing materiality influences how materiality processes are performed, and in his case, whether he needs to wear his assurator or consultant 'hat':

... putting that lens on when assessing the ones where it's not quite clear [the purpose], where it's talking about reporting or strategy-type basis, makes it quite difficult. So which lens, and which type of materiality am I responding to.

In line with the dominant understanding of materiality, many of the preparers and consultants used materiality processes to inform both their external integrated reporting and organisation strategy. For these participants, materiality processes blurred the lines between determining materiality for strategy and materiality for integrated reporting.

The assurers interviewed were more specifically focused on relating their experiences of assurance materiality. Two of these assurers (Assuror 3 and Assuror 4) were also engaged in preparer materiality processes in a consultant role. Though the focus of the interview for these two assurers was on their assurator experiences, at times during the interviews they relayed anecdotes from their consulting roles. In the next sections I separate the experiences of preparers and consultants, and assurers, and present materiality processes for these participants in section 6.3.1 and 6.3.2 respectively.

6.3.1 Preparers' and consultants' materiality processes

Preparers and consultants relayed similar experiences of materiality processes they had been engaged with or in control of. As with the dominant understanding of materiality, explicit institutional influence of the IIRC appears to be limited in preparer and consultant materiality processes. All of the preparers and consultants maintained that their materiality processes would be the same regardless of the (nonfinancial) reporting framework used, or was the same as used in previous reporting periods under previous (nonfinancial) reporting frameworks. However, preparers and consultants did borrow from the language of the Framework while

relaying their experiences, drawing on the concept of *value* in particular. I present an overview of the preparers' and consultants' processes in Figure 10 below.

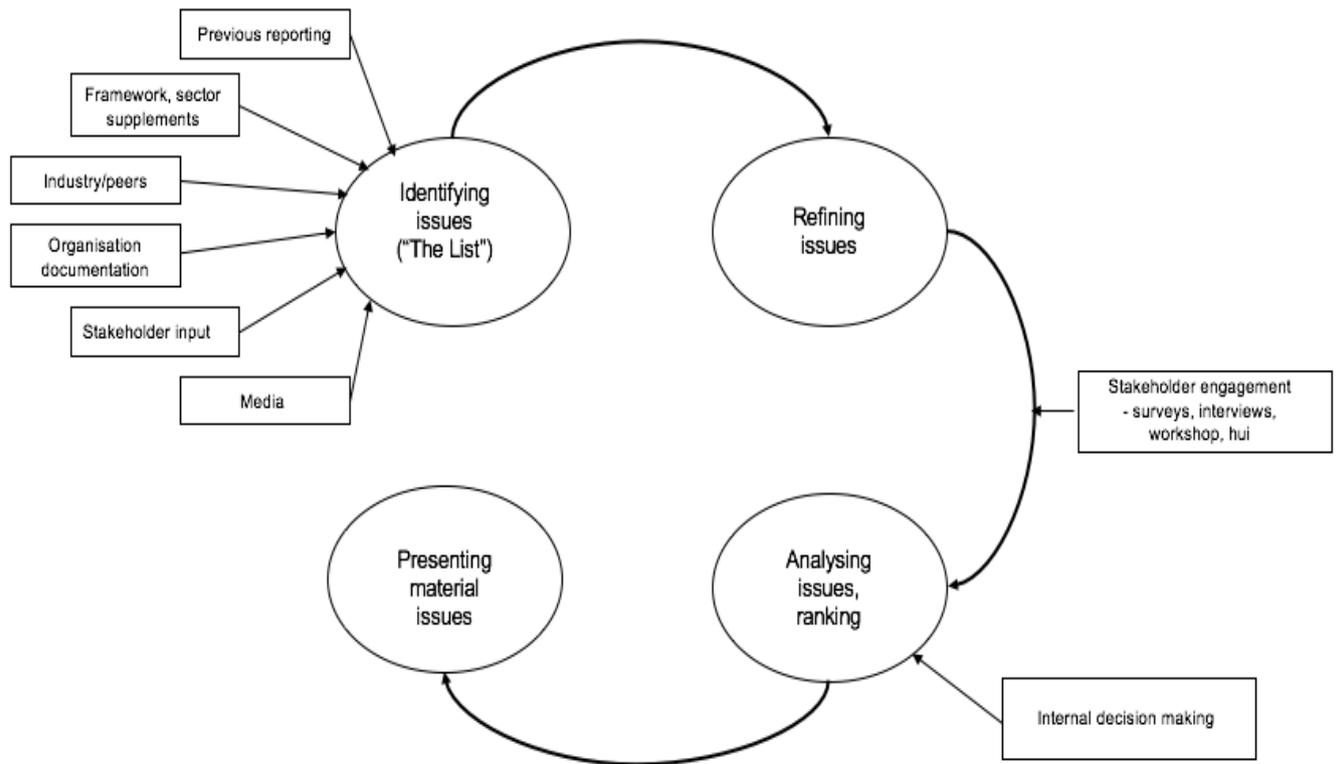


Figure 10: Preparer and consultant materiality determination processes

The above figure illustrates the preparer and consultant materiality processes as generally linear versus iterative. Though there are some exceptions to the flow identified in Figure 10 that I will discuss further below, preparers and consultants generally moved through linear materiality processes represented by each of the four principal steps presented: *Identifying issues ("The List")*, *Refining issues*, *Analysing issues/ ranking*, and *Presenting material issues*, moving from the general to specific material issues as they progressed through the process.

6.3.1.1 Identifying issues (“The List”)

The first step of the preparers’ and consultants’ materiality processes involves *Identifying issues* through the creation of a master “List”. “*The List*” serves as a mechanism through which preparers and consultants identify numerous issues, across a spectrum of topics, industries and timeframes. Issues identified on “*The List*” may or may not end up as material for the reporting organisation specifically, but provide a broad base for considering potential material issues that can be further refined, analysed, and ranked. The creation of “*The List*” was described as the first step by preparers and consultants when undertaking a materiality process for the first time, or when revising a materiality process. As Consultant 2 comments:

We would look at initially... well the first thing is to come up with a really, really long list of what are all the potential aspects the company could look at. That could be 200 aspects or something.

As Figure 10 illustrates, the content of “*The List*” itself is derived from a number of sources, both internal and external to the organisation. Several of the preparers and consultants described the process of creating the list as a ‘desktop review’, meaning that they drew primarily from existing documentation such as (nonfinancial) reporting frameworks and guidelines, internal organisation documents, and external media reports to generate a list of general, potential material issues:

Preparer 3: We went through the risk register, the business plan, the statement of corporate intent. We looked at the staff, we’ve done [a] staff survey, generic staff survey about all sorts of things, but was there anything in there we could pick up, reviewed all our community complaints, our internal magazine, materiality work, media reports, we had some conversations with particular people who manage relationships with government or [industry] customers, tourism customers, internal people who have that management, and came up with a bunch of issues the union thought was important, all sorts of stuff, media reports, all sorts of things that were coming up and tried to group them in subject areas. And other companies similar ... the kind of things they were bringing up in there.

Preparer 7: A desktop review was done of issues looking at key strategic documentation. We’ve got things called *The Letters of Expectation*, which the tribal organisation gives to the businesses and also to the office of [tribal council] about how things are to be operated and what their expectations are for the year. We look at risk reviews, risk registers, all those sort of things... and part of that desktop review is also looking at media and other documentation.

Assuror 3⁶⁸: I typically start with a long list of topics, so I'll grab the GRI's list, if there's a sector supplement I'll grab that, I add topics from any risk matrices I've seen, reporting to the board, global trends data, media scan. So I just create a giant list.

The above quotes illustrate how risk (and opportunities) embedded within the dominant understanding in turn come through in materiality processes, with the inclusion of risk registers in *"The List"*. The privileging of organisation-based voices in materiality processes also begins to come through, illustrated by Preparer 3's reliance on internal stakeholder proxies for external stakeholder perspectives ("people who manage relationships with government or [industry] customers, tourism customers") and focus on internal stakeholder perspectives themselves ("internal people who have that management"). Further preparers and consultants further sought external input to *"The List"* in the form of engaging with industry peers and established reporting 'leaders'. As Preparer 8 comments:

Oh, this is our first report, so you would have had the people involved doing things like I did – read the Cedarwoods and read Unilevers, and pretty much read all the ones you get your hands on. So some of the things for example, our journey, who we are, how we create value. Those concepts we saw in other reports, but we want to obviously tell it our way. The GRI and all that, no, I'm hopeless with details so I didn't read it, but we did hire S who had some experience of these things, and I did read some of the summaries, and I did go to some Sustainability Business Council lunch and heard what people thought was the point. So I think everyone involved was just trying to suck up some of that knowledge the right way, and therefore bring it into the conversation. So I think that would have been an informal rather than a formal approach.

For those preparers and consultants who had experience with materiality processes and external reporting over a number of years, drawing on previous years' materiality processes or reporting was important in revising the list of generalised issues. As Preparer 3 and Consultant 1 comment:

Preparer 3: You do, you certainly know what's been reported previously, thinking about what actual data collection that you have, what's important in the industry and what's the story that you've been telling in it, so I don't think it's necessarily right, let's completely shift from what we've got. Our reporting's quite a significant ship, it's not a clean slate or anything... With this particular report, we started out, we'd done it relatively a full exercise as part of the sustainability report, we weren't completely

⁶⁸ Assuror 3 was one of the two assurers that, though questioned about their assurance experiences specifically, also relayed experiences relating to their consulting experiences with materiality and materiality processes.

starting from scratch. We had a sort of Excel model template to work with from there. What we did do – we kept that.

Consultant 1: Reviewing the existing list is relatively straightforward, it just takes a bit of time. The thing I look at, it's fairly structured. Would be to request the latest risk registers for the organisation, both strategic and operational and project based, so there's probably two or three types, and I would focus on the most severe or significant risks that have been identified and make sure they are captured in the list of material issues. And especially asking the organisation what's changed, have any of the risk registers changed just to highlight where an issue may have come to the fore that wasn't considered previously.

The inclusion of previous years' material issues on "*The List*" may help the comparability of reports year on year and save time in both materiality processes and report compilation. However, drawing on previous years' material issues to inform "*The List*" as opposed to starting each year's materiality process as a 'clean slate' potentially has the effect of reproducing the reporting status quo: in terms of both report content but also preparer and consultant thinking and framing of material issues and materiality processes. Relying on historic material issues for current and future materiality processes may thus close down and limit the space for alternative, 'new' material issues to be considered and included.

However, for one of the consultants, materiality processes started not with generating a substantial list of generalised issues but by developing a shared understanding of what sustainability is and what materiality means. Consultant 3 develops and leads materiality processes for his clients. He discusses:

So if I was to take a ground zero company that's done nothing, first of all would be making sure that we agree on what does sustainability mean, certainly within the context of their operations. So before we talk about what are your most material sustainability issues and how we're going to find them, let's agree what we are talking about when we talk about sustainability. So the concept. So a bit like the stuff we did at the [Bank organisation] workshop, what is sustainability. Then thinking about you, say it was a bank, for you and your sector, what does sustainability mean for you and your sector, so understanding it. Okay, we're an oil company or a bank, we have large social impacts on grand scales or we do this or do that, try and understand the context. And typically I'd do the desktop thing, again if it was ground zero, they've never done it before, so some internal review, what do you already know about what are your most material issues. So again, probably get agreement on when we're talking about materiality, what are we talking about. And then say, you can show me how you already prioritise your top issues.

For Consultant 3, creating a shared understanding between himself and his client(s) on what materiality especially means is important as it frames the remainder of the materiality process. In seeking to develop a shared understanding, Consultant 3 acknowledges that different understandings of materiality may exist and that the understanding of what the concept of materiality *means* has potential implications for how materiality processes are framed, and/or how material issues are identified and presented (see Puriola & Mäkelä, 2019).

6.3.1.2 Refining issues

The second principal step, *Refining issues*, involves the preparers and consultants engaging with “*The List*” of general issues to begin to identify potential material issues that they consider to be more specific to the reporting organisation. This step further involves the first concrete decision making of materiality processes as “*The List*” is revised, reduced and refined. Preparers and consultants described two approaches to reducing and refining the issues on “*The List*” to what they all discussed generally as a more ‘manageable’ number of potential material issues. The first approach involves thematically organising and collating similar issues within “*The List*”. As Consultant 2 comments:

... well in the first discussions [with the client] we have this really long list and we narrow that down into broader groups, and usually leave topics in even if a company is unsure. If they are really sure that it’s not important to them at all then I would go back and say well, for most companies in your sector it actually is important so I think we leave it in. If they say it’s not important at all, and from the work we do it really is not important we leave it out and trim down the list that way. ... Always there is a category environmental, and there is one social, sometimes there is one governance. Sometimes there’s a cultural one, cultural one sometimes is a subset of social, sometimes it fits into governance, but some companies say we want environmental, social, economic and then we group the aspects into those three categories. It needs to fit with how the company usually communicates and what their language is.

Consultant 2 describes a collaborative approach with her clients, using group discussions to thematically group and refine the issues on “*The List*” to focus on those that Consultant 2 and the managers of the reporting organisation she is consulting for consider to be more or most important for the organisation. However, Consultant 2 may also be seen to be in a mediating role, authoritatively using her role as an external ‘expert’ materiality consultant to urge

preparers to at least consider a wider range of potential materiality issues than they would perhaps have engaged with otherwise (“If they are really sure that it’s not important to them at all then I would go back and say well, for most companies in your sector it actually is important so I think we leave it in” (Consultant 2)).

Preparer 6 is another participant who described group discussions with other managers within the organisation as significant in the *Refining issues* step of the materiality process. She observes:

Preparer 6: We proposed dropping one internally that was return to work rate of parents post parental leave. We haven’t had any blokes take parental leave, I mean they take their two weeks but they don’t take six months off to look after... we’ve only had women, so I’ll talk about women. And we were like, that seems like such a small proportion of the work force, do we really need to report an indicator like that. And there was amazing kickback, it was like – it’s like the canaries, if you don’t get the mothers wanting to come back... if they all want to come back after they’ve had a baby because it’s such a good environment that means it’s a really good environment for everyone to work in, and so they were looking at those which never occurred to me – it’s like ten people a year, do we really need to report on that sort of stat? And they were like yeah, yeah, they’re the canaries.

The above interview extract illustrates how an issue that may not be considered significant enough by preparers to be a potential material issue (parental leave, in this case) is made prominent through internal stakeholder group discussion and ‘kickback’ from other managers in a similar position of power within the organisation. The elevation of this particular issue from initially not considered to be a material issue to being promoted as a material issue as the result of internal discussion, debate, and resistance provides some evidence that preparers are willing to be flexible in recognising potential material issues when those pushing the issue hold a similar position of power within the organisation. However, the example also demonstrates how discussion with other internal managers can also serve to forward the specific agendas of the other managers. In these instances, issues identified on “*The List*” that might otherwise have been eliminated in the *Refining issues* step are instead promoted and their importance and relevance as material issues elevated.

The second approach participants described is more direct, in that the preparers and consultants focus more immediately on the perceived relevance of the issues on “*The List*” to the activities of the reporting organisation. The participants who aligned with this approach forgo thematic organisation and (collaborative) discussion with other managers regarding issues on “*The List*” and rely on their own individual judgement as to what is, and what is not, a potential materiality issue for the organisation. Assuror 3 describes the process she takes when acting as a consultant in materiality process engagements:

Then the first thing I do is rule in or out those topics relevant to the organisation, and then I have to think about boundary. Is that something that the organisation has a significant impact on within its operations, is it something it causes. So it’s kind of a relevance question and that rules out a whole lot of topics. Like you don’t have to think energy for an electricity company in New Zealand.

Assuror 3 borrows the language of the Framework to draw a boundary of relevance that encompasses the reporting organisation and its (actual or perceived) activities. In considering whether an issue is “something that the organisation has a significant impact on within its operations, is it something it causes” Assuror 3 draws heavily on her own knowledge of what she perceives the activities and impacts of the reporting organisation to be. The above quote demonstrates that Assuror 3 relies on an internal, rational argument when making the decision on what issues to ‘rule in’ or ‘rule out’. Her intonation in this specific section of the interview indicates that, for her, it appears to be obvious and thereby rational that an electricity company in New Zealand would not need to consider energy (for consumption by the organisation itself, not as a retail product) as a material issue. This intonation is mimicked throughout the interviews when preparers and consultants describe this step of the process, and defend their individual decisions on what issues are ‘ruled out’ at this step.

Each of the interview quotes I draw upon above demonstrate that the *Refining issues* step of the materiality process is preparer, consultant, and organisational manager centric, in that decisions in this step are based solely on what issues preparers, consultants, and other organisation managers invited to engaged in discussion consider to be relevant for the

reporting organisation. Potential material issues that may be important for (external) stakeholder groups are excluded at this step by organisation agents who emphasise their own organisation-specific knowledge in order to legitimise the inclusion and especially the exclusion of issues from “*The List*”. Aligned with the apolitical and technical aspects of the dominant understanding of materiality, preparers and consultants emphasise rational arguments in their internal decision making to justify a subjective decision that, knowingly or unknowingly, directs attention towards specific potential materiality issues and away from others. This decision, and the ways in which it is made and justified, is especially significant given that the outcomes from this step of materiality processes determine materiality information stakeholder groups are exposed to during engagement.

Preparers and consultants discussed stakeholder engagement as occurring between the second step (*Refining issues*) and the third step (*Analysing issues/ranking*) of materiality processes. I analyse integrated reporting participants’ perceptions of stakeholders and their role(s) in materiality processes in chapter seven. However, for the purposes of providing a more complete picture of materiality processes as a whole I here briefly outline preparers and consultants’ approaches to stakeholder engagement.

Four approaches to stakeholder engagement were used: surveys, interviews, workshops, and hui⁶⁹. All but one of the preparers and consultants utilised one or more of these approaches within materiality processes to engage with both internally and externally recognised stakeholders. What approach, or combination of approaches was used was determined by the preparer/consultant in control of the materiality process. Consultant 3 discusses the different types and selection of stakeholder engagement approaches he draws upon as part of his consulting practice:

⁶⁹ Hui: gathering, meeting, assembly, seminar, conference (definition sourced from <https://maoridictionary.co.nz>).

In a format and a method that is useful for you and them. So that may vary. Everything from one-on-one interviews, workshops, email surveys, whatever works, a whole range of methods. What's appropriate in terms of the outcome. The outcome is to understand what they [stakeholders] think are your priority sustainability issues and understand why they think that. And so you can use a whole range of methods, but it's using ones that are effective and useful.

Surveys were the most common approach used by preparers and consultants, either as a standalone approach to stakeholder engagement or in tandem with one or more of the other approaches identified to “understand what they [stakeholders] think are your priority sustainability issues” (Consultant 3). Within the surveys, stakeholders (both internal and external) were asked to rank predefined material issues identified in the *Refining issues* step, generally according to a variant on how important the stakeholder perceived the issue was for the organisation. As Consultant 1 explains:

So the next stage is basically to ensure the list of issues, you've got an explanation for each one. So that's around the conversation earlier around trying to be clear but not leading people with your issue explanations. Trying to get a level playing field with what stakeholders are going to understand each issue to be, and then put them into a survey where I ask them to rank the issues. And the question is, to rank the issues based on how important it is that the organisation focuses on that issue.

Though Consultant 1 and the other participants who utilised surveys stressed that stakeholders (internal and external) were encouraged to identify material issues that were not included in the survey, the above quote demonstrates how the survey leads stakeholders to identify and engage with those issues preparers and consultants have preselected as relevant and 'potentially' material for the organisation. Further than this, stakeholders are led to begin to think about the issues presented in the survey through a particular frame through the inclusion of the 'explanation' of each issue presented. Though Consultant 1's comments on the need to be wary about 'leading' stakeholder through issue explanations, the idea that explanations can be clear without directing stakeholders towards a particular understanding of the issue is perhaps naïve, as it assumes the issue explanation will be understood in the same way by each of the stakeholder perspectives engaged, and will, and significantly, *should* be understood as the preparer or consultant intended. The use of surveys as a stakeholder engagement approach may thus be seen to both directly limit the scope of potential material

issues considered by stakeholders and manipulate how the preselected material issues are understood by the stakeholders engaged. Assuror 4 reflects on the consulting engagements he has been engaged in:

But there are challenges going the other way of doing surveys and saying rank these issues as most important, because you then don't pick up the pieces that they might also be concerned about. You're narrowing the view of your stakeholder engagement process.

Interviews were used by preparers and consultants to either follow up and get more detail on stakeholder responses to the survey, or, in a couple of cases, as a standalone approach to engage with stakeholders (internal and external) more directly. Where interviews followed surveys, preparers and consultants focused on eliciting stakeholder responses to the issue(s) stakeholders had identified as most important to the organisation, based on the survey ranking scale. In these interviews, preparers and consultants attempted to gain an understanding of what the issue(s) meant to the stakeholder, why issue(s) were identified as most important for the organisation, and the consequences of the high ranking of these issue(s) for the organisation. As Consultant 1 comments:

... and then from there each stakeholder is interviewed on the phone... with a real focus on the top three issues and nutting out what each of those issues truly mean to the stakeholder.

Those preparers and consultants who do not utilise surveys approach the interviews from a different, potentially broader angle. It is important to stress here that these preparers and consultants have by this point progressed through the first two steps of the materiality process as depicted in Figure 10: *Identifying issues "The List"* and *Refining issues* and thus, as with the preparers and consultants who used surveys, also reference a list of predetermined material issues. Preparers and consultants frame these interviews as confirming, corroborating, and legitimising the issues that have been identified, refined and explained by the preparer/consultant (and other organisational agents). However, they also indicate that the discussion with stakeholders is broader than focusing on pre-identified and ranked 'top issues'. As Preparer 2 describes:

So we go and we say we're doing this materiality process, we'd love your feedback to help us determine the most important issues, or re-confirm the most important issues because we've already got a list. And we've done that through one-one-one interviews.

As for the questions asked in the interviews with stakeholders, Preparer 2 and Consultant 2 offer some insights:

Preparer 2: I have one question I ask them, one question, although it's really 3, 4 or 5. Its: what do you think are the most important issues from a social, environmental, cultural, political and economic perspective? In general, that's the one questions. And then we use that to draw out their perspectives on a whole range of things, and then we also ask within that: where do you think [organisation] can make the most impact?

Consultant 2: We'd ask what would they expect this company to do, what do they think this company is doing well, what are they doing not so well. Have they actually talked to the company about what they want?

Each of these extracts demonstrates a different approach to stakeholder interviews. Preparer 2's approach is more structured. Stakeholders are encouraged to engage with the five pillars that the reporting organisation has adopted as a sustainability strategy, that they incorporate into their integrated report. Though the question she asks is relatively open, it leads stakeholders to consider only issues that fall within each of the pillars and encourages stakeholders to think and communicate in the organisation's language. In taking this approach to stakeholder interviews, it is possible that the language of the stakeholders themselves may be lost, and issues outside of the five pillars not considered, exposed, or explored. Preparer 2's approach is juxtaposed by that taken by Consultant 2 who presents stakeholders with a set of questions that lends to a more open response. Through framing the interview in terms of what *they* think, and what is important to *them*, Consultant 2 subtly shifts the focus from the organisation onto the stakeholder and their perspectives. Consultant 2 further encourages stakeholders to pursue a degree of agency within materiality processes through asking: "Have they actually talked to the company about what they want?" (Consultant 2). This question potentially suggests to stakeholder groups that they can and perhaps should be directing their concerns towards the organisation and, further than this, stakeholders do potentially have

power to elicit a response from the organisation. Whether the organisation response is meaningful or not is an area that is outside the scope of this research.

The two other approaches of stakeholder engagement used, workshops and hui, involved bringing together stakeholder groups (either internal stakeholder groups or external stakeholder groups) to converse on material issues. Workshops were either held after surveys and/or interviews with stakeholders (later engaged in the workshop) or as standalone engagement. Preparer 1 hired an external consultant to conduct the stakeholder engagement for her materiality process. Preparer 1 reflects on her experiences as an observer during the stakeholder workshop:

Yeah she [the consultant] presented a summary of the findings [from the survey and interviews with stakeholders], and then focused on the extreme to do the highs and lows, to try and have a bit more dialogue around them. So what are the top issues, what were the things that were falling out the bottom, any abnormalities, just to try and understand why there were differences.

In the stakeholder workshop Preparer 1 observed, surveys and interviews had been conducted prior to the workshop taking place. The workshop was framed by the perceived outcomes or 'findings' of the survey and stakeholder interview, with the purpose of the workshop to further expand on survey and stakeholder interview findings with a focus on elucidating reasons for the differences as opposed to similarities in opinion. Preparer 7⁷⁰ and

⁷⁰ Preparer 7 and Preparer 8 work in an organisation that is iwi owned. (Iwi: extended kinship group, tribe, nation, people, nationality, race – often refers to a large group of people descended from a common ancestor and associated with a distinct territory (definition sourced from <https://maoridictionary.co.nz>), Iwi-owned organisations are organisations where the shareholders/beneficiary of the organisation are iwi). The Treaty of Waitangi, signed on 6 February 1840 and commonly described as New Zealand's 'founding document', consists of three articles that underlie political relationships between Maori and The Crown. Different understandings of particularly the first article of the Treaty has led to ongoing tension regarding issues of sovereignty and ownership of land and the sea bed in New Zealand, leading to the establishment of the Waitangi Tribunal: "a commission of inquiry created in 1975 to investigate alleged breaches of the Treaty by the Crown." ("The Treaty in brief", 2017). A Treaty settlement between iwi and The Crown returned some of the lands of the iwi shareholders of the organisation Preparer 7 and Preparer 8 work for, and these lands in turn represent some of the assets of the iwi owned organisation. As Barr and Reid (2014, p. 218) comment, the majority of assets received by iwi in Treaty settlements have become "centralised within corporate structures designed to protect and grow the asset base on behalf of tribal constituents". The centralisation of these assets, which traditionally would have been dispersed within the iwi, is a contentious issue (Barr & Reid, 2014) and one that is outside the scope of this research. However, it is worth noting that in New Zealand, iwi owned organisations are afforded the same legal rights as any

Preparer 8 draw upon their experiences of hui to present an alternative gathering of stakeholder iwi where surveys/interviews did not take place beforehand:

Preparer 7: So we went around eight different centres and we just wanted to know what they thought. It was really key to us. ... We kind of used the values as a bit of a framework for that discussion, and that really helped. ... So what's important to you under this value? So kaitiakitanga⁷¹ around the environmental stewardship and things like that. We were talking about farming, fresh water, climate change, things like that.

Preparer 8: The marae⁷² ones were a little bit more structured about the same concept (wānanga⁷³). We would invite people in, they would come along and we'd lead them through a series of discussions and tools, have a conversation with them.

The hui in which Preparer 7 and Preparer 8 were involved were more relaxed and stakeholder focused than the workshops Preparer 1 and other participants (Consultant 1 and Consultant 3) described. Relaxed not necessarily in the sense that the hui lacked structure. As illustrated above, Preparer 7 specifically draws on the organisation's values (kaitiakitanga, for example) that underlie the construction of the integrated report to focus iwi stakeholder discussion. Rather the setting of the hui, in the iwi stakeholders' local community is more stakeholder focused than workshops held in the organisation's premises, premises that potentially carry undertones of intimidation for (some) stakeholder groups and act as physical manifestations of the power and influence of reporting organisations. Second, the inherent cultural understandings and framings of hui as a social gathering with a focus on building and maintaining relationships sits apart from stakeholder workshops described by other participants that are explicitly focused on what the organisation can glean from invited stakeholder groups regarding material issues, as opposed to specifically fostering relationships through engagement. And thirdly, though the discussion Preparer 7 describes is framed through the organisation's values, the values are in the language of iwi stakeholder

other organisation of a similar legal structure. I discuss Preparer 7 and Preparer 8's perceptions of iwi in relation to stakeholder engagement in materiality processes further in this chapter.

⁷¹ Kaitiakitanga: guardianship, stewardship, trusteeship, trustee (definition sourced from <https://maoridictionary.co.nz>).

⁷² Marae: to be generous, hospitable; courtyard – the open area in front of the *wharenuī*, where formal greetings and discussions take place. Often used to include the complex of buildings are the *marae*. *Wharenuī*: meeting house, large house – main building of a marae where guests are accommodated (definition sourced from <https://maoridictionary.co.nz>).

⁷³ Wānanga: place of learning (definition sourced from <https://kupu.maori.nz>)

groups and potentially have the same cultural and managerial connotations for both the organisation's managers and report preparers as iwi stakeholders engaged.

6.3.1.3 Analysing issues/ranking

One of the consultants relayed a crossover between stakeholder engagement and the third step of the materiality process: *Analysing issues/ranking*. In this third step, preparers and consultants review and analyse the outcomes of stakeholder engagement (if used) and rely on their judgement to determine the most material issues for the reporting organisation to focus on. Consultant 2 describes a workshop held with internal stakeholders in a position of greater relative power within the reporting organisation. In the workshop, stakeholder feedback is reviewed and the internal stakeholders make decisions on the material issues for the organisation. Consultant 2 elucidates:

And then go through that [external stakeholder feedback] with the company and then usually have an internal workshop with again a broad group of internal stakeholders, right through to senior management. Ideally the CEO, CFO are involved. And then we'll determine the aspects that are important for that company, as in can we continue trading or not if we address this issue, will it help us grow. Whatever. Three or four categories. And then sort of rank each of the issues according to those. Then give it a ranking and move it, because the stakeholders give us a linear ranking, and then move it across, as importance to the business, as determined as per the matrix. But we'll go and do a sanity check once all of the issues are on that big whiteboard and go, does it actually make sense. And then in discussion we might move certain aspects to more important or less important, and I think that's perfectly fine. That is, again, not having a mechanical formula.

The above quote straddles step three of materiality processes and step four, *Presenting material issues* through introducing a materiality matrix that displays material issue rankings. The use of a materiality matrix is not a new phenomenon and its use in integrated reporting in this instance is borrowed from the G4 GRI materiality guidelines. However, Consultant 2's experience above illustrates how a materiality matrix can be used as a tool for ranking and analysing as well as presenting material issues. The above quote also introduces how the ranking and ultimately the determination of material issues and their presentation can be manipulated through a malleable process that places specific emphasis on individual and, in

this case, collective judgements of those in a position of greater relative power within materiality processes.

In the above interview extract, Consultant 2 describes a workshop where decisions on the relative materiality of issues was decided collectively by a group of powerful internal stakeholders. Preparer 2 illustrates an alternative approach to *Analysing issues/ranking* taken by preparers and consultants, that privileges the judgement of the preparer/consultant individual over the collective:

And then we plot them, and that's a subjective process. This year I asked a few core people in our organisation to participate in that, so I got our strategy team to fill in a sort of graph scale 1-10 – what do you think is most important? A regulatory team, a comms team, an investor relations team, asked some customer people – from different parts of the business - and then I pulled that together, aggregated it into a [organisation] score to determine the plot on the [organisation] side. With the stakeholders' interviews that was more subjective because you're weighing up different values, different comments, what was easy for us to see this year. There was a definite top three for all our stakeholder groups, so it was easy enough to plot them quite highly on the list. Then the rest is more subjective, it's looking at the qualitative aspects of what they're saying – why is it important, and how much of an impact can we make on these issues. Is this something that we can really make a huge impact on, or is it something that while it's important, actually [is] less material to us. But you make those judgements as you go through.

In the above interview abstract, Preparer 2 recognises that judgement on especially the subjective interpretation of views conveyed through stakeholder interviews determines where and how stakeholder views 'fit' and are ranked and plotted on a materiality matrix (the 'plot'). However, she also briefly reflects on subjectivity and the difficulties inherent in interpreting a voice and view that is not her own: "... the rest is more subjective, it's looking at the qualitative aspects of what they're saying – why is it important" (Preparer 2). Placing focus on the *why* of what makes an issue important indicates that Preparer 2, to some extent, is trying to understand stakeholder views on a deeper level to consider the situational motivations and potentially the psychology stakeholder views are embedded within.

This level of reflection is missing especially in those preparers (Preparer 3 and Preparer 5) who did not directly engage with stakeholders in their materiality processes. These preparers

appear to de-personalise stakeholder groups, reducing stakeholders' views to a column on a materiality ranking spreadsheet. As Preparer 3, describing the *ranking* process comments:

So, essentially here is the list of stakeholders and this is their ability to influence and here you're saying, here's a particular issue, social behavior or whatever it is, I think this is a longer list than what we actually had. Chuck in whether you think there's an element of them being interested in it or not, so 0, 1. Social behaviour for customers might have some interest because it might be disrupted services or graffiti on their rolling stock or whatever, so give them a 1, kind of times it up. And that will add up into a stakeholder score for that particular issue. So all these issues will have a stakeholder score.

Whereas the other two examples provided above drew upon the results of stakeholder engagement to *rank* material issues, in the process Preparer 3 described above, he is the one making a decision, using his own judgement, on how different stakeholder groups *would*, or perhaps *should* interpret different material issues (*refining issues*). This judgement is solely informed by whether he perceives if "there's an element of them being interested in it or not" (Preparer 3). Stakeholder groups and their views are predicted, generalised, and ultimately appropriated by Preparer 3, based on a paternalistic assumption of the perceived relevance and importance of predefined material issues to the stakeholder groups he has identified. Stakeholder groups are further de-humanised through the apportion of a binary coding system – 0,1 – to account for their perceived views, allowing nothing for the complexity of understanding for both a particular issue such as 'social behavior', and a stakeholder's potential reaction to it.

Step three, *Analysing issues/ranking* emerges as a highly subjective step in materiality processes. Due to the dominance of subjective judgements of those in a position of greater relative power in materiality processes, this step in particular is open to influence and overt/covert agenda. The outcomes of stakeholder engagement in particular are open to manipulation in terms of being characterised of greater or lesser importance, based on the interpretations and underlying agendas of preparers, consultants, and powerful internal organisational stakeholders. Consultant 3 relates an example where his client deliberately and

explicitly manipulated the outcomes of a materiality stakeholder engagement workshop to align with their organisational agenda:

There was a bit of – we don't like the way that you've reported what happened at the workshop, and we would like to change that description of those issues which you've grouped, aggregated under this heading into a different heading. And the one they moved away from was responsible investment. It wasn't a couple of months later that it was [organisation] along with a range of banks and institutions who were investing in cluster bombs, and their stakeholders told them so. So I think that really highlights that they didn't know that they didn't know, and even worse, they didn't want to know. They wanted to call it something else. It's about responsible lending. What the stakeholders said is, we're concerned about where your investing and types of activities. I think that's a really good example of where the [organisation] had not really considered, otherwise they wouldn't be so hesitant... maybe they had, and they tried to massage it out.

Consultant 3's experience illustrates how the subjective opinion and interpretation of his preparer clients are explicitly privileged over the voice of stakeholders, who in this example expressed concern over the investment activities of the reporting organisation. In line with the dominant understanding of materiality, stakeholder concerns are edited and reframed through an organisational lens.

Further, the preparers who did not engage with stakeholders in their materiality processes (Preparer 3 and Preparer 5) related experiences that illustrated the pressure they, their materiality processes, and especially materiality process analysis were put under by senior management and/or organisation governance in terms of disclosure strategy. For example, Preparer 5 relates the following experiences:

Sometimes you write stuff [coming out of the materiality process] and it gets cut out with a red pen by a Chief Executive or a Chairman of the Board, so you know you've reached a wall there. And its just about over the we've tried to find a way... I guess originally we were a lot more – how do you put this... When we first started GRI we were a bit more determined to be very open and transparent about most of the business, and then over the years [since moving from GRI to integrated reporting] we've actually disclosed less and less. 'Cos we hadn't had any feedback, so if you don't get feedback from stakeholders... We've actually had more pressure to say less – not because we've tried to disclose these, but we've had more pressure to reduce the size of the annual report and be more concise and print less pages ... over the years we've had push back from senior managers...if I went to them and said I wanted to disclose how many customer complaints we had last year, and how many people complained about us to the Complaints Commissioner, and how many were successful or not, they'd go – well, we don't really want to give that sort of information out.

For the preparers that did not engage with stakeholders in their materiality processes, this interview extract highlights two areas of interest in regards to how issues are analysed and ranked within materiality processes. Firstly, the perception that there is limited stakeholder interest in materiality processes and the reporting outcomes, though no stakeholders were directly approached to be engaged in these processes. However, it is unclear whether stakeholders who are not invited to engage are not able, or don't feel qualified to comment. Are stakeholders aware of the existence of materiality processes, what materiality processes aim to do or achieve, and how materiality processes are performed? The perceptions stakeholders have towards materiality and materiality processes are outside the scope of this research. However, for the purposes of understanding interviewed preparers' and consultants' materiality processes, the lack of feedback from stakeholders leads to preparers and consultants to the question the applicability and usability of integrated reporting more generally, and whether materiality processes and integrated reports as they are currently presented and organised are of practical use to a reporting organisation's wider stakeholder groups.

The second area regards how the principles of the Framework (conciseness, in Preparer 5's discussion above) interact with and influence materiality processes. Manipulation of materiality processes is not just limited to interpreting stakeholder engagement, but also to the ranking of and ultimately inclusion or exclusion of issues. Preparer 5's experiences illustrate how the principles of the Framework can be drawn upon to justify the exclusion of issues identified and ranked highly through materiality processes. Both Preparer 5 and Preparer 3 expressed frustration towards what they both perceived as the direct interference of senior management and those charged with governance in their materiality processes, more so than the other preparers who did engage with stakeholders as part of the materiality processes. As illustrated by Consultant 3's comments in particular, each of the consultants interviewed also expressed frustration towards their preparer clients and other organisation managers who they perceived were attempting to manipulate the outcomes of stakeholder engagement in particular within

materiality processes. It is interesting here to note that despite the experiences of these identified participants, manipulation did not come through strongly in the dominant understanding characteristics [Q set statement 6, -2 column]. Though it is unclear from the interview data why this may be the case, it is possible that either preparers in particular are unaware that their actions may be manipulative, or if they are aware, they are in denial of this manipulation and/or view their actions through a different lens.

The findings of this stage of preparers' and consultants' materiality processes highlights that stakeholder concerns, already narrowed through approaches to engagement (if used) and business case logics prevalent in the dominant understanding of materiality, are considered to the extent that they 'fit' within, inform, and/or align with the survival of the organisation. However, there is evidence that leads towards preparers and consultants developing awareness of their role as decision makers, and in some quarters awareness of their role as a re-interpreter of stakeholder views and concerns within materiality processes.

6.3.1.4 Presenting material issues

I have already alluded to step four of preparers' and consultants' materiality processes, *Presenting material issues* in my discussion of step three above. All of the preparers and consultants used a variant of a materiality matrix to present material issues. This form of presentation was perceived to be typical and the most 'accepted' way to present issues, particularly in regards to integrated reporting. Preparer 6 comments:

A lot of companies do it, you would've seen it, of course. So what matters to us [reporting organisation] one to five on one side, and what matters to others, so we'll pop the 20 things that we asked about. So normally there's a sort of scattering, and hopefully that top quadrant will really focus in on what we... will allow me not to report water, for instance, and give me license to back up my feeling that I don't want to report water cos it's not material. It sort of provides me authority to do that, if that's how it comes out. If it comes out the very top, well clearly I'll have to go oh darn, and report it anyway.

The above quote provides some insights on how preparers and consultants use the materiality matrix to direct attention to specific material issues. Preparers and consultants focused reporting on those in the 'top quadrant'; issues ranked as most important by both stakeholders engaged and internal organisational representatives. The number of material issues identified and reported thus generally depends on the number of issues within the 'top quadrant'. However, that does not necessarily mean that issues not in that quadrant aren't acknowledged in the integrated report. Preparer 4 describes a conflict between herself and the consultant hired to produce the integrated report on how material issues are identified and disclosed:

... if you look at our report where we've got the spider diagram, and we've got the matrix, [Consultant] was like, well, we only want to show the top eight things. And I'm like, no way, I want to show it all because if you're one of the stakeholders and you've given up all your time and then you don't even see it in there and you don't know where it features in the run of things – if I was that stakeholder I'd probably be going – well, what happened there? Whereas, if you see the whole thing you go okay, well this is how it framed up in the end, and you're not saying that my issues weren't important. That's why I put the important and material in there so you can see that actually all of them are important. It's just there's different degrees of relativity based on the materiality process. But there are then other factors that feed into it like the risk. So we can't just ignore those things.

The materiality matrix, and the other materiality disclosures in the report (such as the spider diagram Preparer 4 mentions in the interview extract above) are the main ways the material issues are presented to both external and internal stakeholder groups. However one participant, Preparer 4, also held a workshop that she describes below.

What we did afterwards as well, is we did a workshop. But the workshop was only internal. That would be the one thing I'd say that's pretty hard. So doing internal is easy because you can just have a workshop, and you just go through all the results. We talked about quotes, we showed the graphs. It was quite good. Everybody really enjoyed the feedback and found it quite good. But how do you then give that same feedback to your external stakeholders, and that's where the report becomes really important and I'll make sure that every single person that was involved in this gets a copy of the report. And that talks about the materiality process, and shows the results in a sense at high level. Because I thought otherwise how do I give that feedback properly to them to make them feel like they're actually considered.

In this interview extract, Preparer 4 makes two points that are especially relevant to the presentation of material issues. Firstly, she emphasises the importance of feedback (albeit relatively one way, through the presentation of the material process and material issues) to

stakeholder groups (internal and external) on the materiality process and the material issues identified through the process. And second, she identifies a perceived limitation of how feedback may be presented to external stakeholders – that is, only through the one-way mechanism of the external report.

6.3.2 Assurors' processes

Whereas the preparers and consultants described an almost prescriptive, linear process, the assurors interviewed discussed their role in materiality processes more generally, as opposed to a specific series of steps to follow. Most of the assurors did not distinguish between providing assurance on integrated reporting versus other nonfinancial reports i.e. the same process would be used whether the assesor is providing assurance on a form of sustainability report or an integrated report. Assesor 3 was the only assesor to discuss the difficulties of assuring an integrated report and how an integrated report assurance engagement would differ from another nonfinancial assurance engagement, in this example, a GRI report. Assesor 3 summarises:

The integrated reporting framework is wide enough to drive a city bus through. If I look at GRI assurance engagements, the GRI has a set of principles and the assurance engagement follows that. Did you follow those principles? The GRI has some kind of, to follow the principle of materiality, here's the process you should use and it should go through these stages and it's a bit more unpacked for you. But still, things like sustainability context is very subjective. But the nice thing about GRI assurance is that you then have a stack of – here's all this information that you need to report, did you report it in the way that we asked you to, and is the information accurate. So GRI assurance has those nice three parts. Integrated reporting assurance is just the front end, it's sort of... it's only did you follow the principles and the content elements like they said, but the content elements are so vaguely described on purpose to allow for flexibility and interpretation. That makes it very difficult as an assurance prospect.

The assurors described two approaches to materiality processes for integrated reporting assurance. The first relates to an assessment of the materiality process of the reports they provide assurance on for clients (i.e. generally the organisation's management or board). The second is their own assurance materiality process(es).

Assuror 4 is one of two assurers interviewed (the other being Assuror 3) who related experiences of reviewing client's materiality processes. Assuror 4 describes the process that he follows in full:

What we would do, in a broader sustainability assurance engagement, we will sometimes do our own materiality test to actually test the quality of their own materiality. Not to the same extent, it would be very unlikely for us to go and do a whole lot of stakeholder engagement interviews through that process. We would do checks around risk registers, media reviews, and our own understanding of what happens for other we are organisation dealing with, to challenge that process. That's relatively straight forward because it's not as detailed. It's really just gathering some other information and starting to challenge the ranking of what the organisation's applied to that process. Both the ranking of the issues at the first part – so what's the process, do we feel their process they've gone through will align to guidelines and standards, have they missed any steps, do we think their process has been rigorous enough. Then looking at the issues that they've identified, is it complete. Do we think they're missing anything out from that? And then you get into – once it gets into reporting – the balance and transparency of the issues being raised. If they are talking about long term – getting back into climate change – but if they are talking about long term saying climate change isn't an issue for us, challenge them around that process. That's that process.

Above, Assuror 4 follows the process taken by preparers and consultants earlier in order to make a decision on the completeness, balance and transparency of the preparer's materiality processes. The process is grounded in Assuror 4's belief in his right and also responsibility to challenge the preparer/consultant process, a belief grounded in his past experiences of nonfinancial assurance and his expectations of what a preparer/consultant process *should* look like and what issues the process *should* bring up/include.

As the above interview extract alludes to, assurers approaches to assurance materiality processes are heavily reliant on their perceptions of their professional experiences, expertise, and the resulting judgements that arise as a result of these experiences and expertise. As with financial assurance, the assurers describe the use of 'thresholds' to explain the assurance materiality processes they follow. Thresholds described do not necessarily relate to a mathematical formula or 'magic number' (Edgley, 2014) – though these were raised, especially the 5% of profit rule, by Assuror 1, Assuror 2, and Consultant 1 as they began to describe their understanding of materiality and the processes that they follow. Rather,

assurors sought to introduce thresholds to materiality processes through identifying measures they perceived to be relevant to the reporting organisation, and also through their expectations of the integrated report, in terms of the content of the report itself and what each assurator would expect to see reported. The assurors' expectations are based primarily on their perceived individual knowledge of the industry the reporting organisation operates within, and their understandings of the operations of the reporting organisation.

Assuror 2 describes how his experiences inform and shape the expectations that he has of reporting organisations:

I'm reflecting on the industry, and I have an embedded set of expectations, and I'm looking for those expectations to be satisfied by disclosure, and explaining what the recognition and measurement processes are that give rise to those numbers, and if I don't get, if those expectations aren't satisfied, then there's normally a material issue that needs to be dealt with. So it's really built around almost an expectation management process. I'm expecting to see certain things there, are they there or are they not there. That of course is built around the experience of the reviewer which is important, I've seen this stuff for 30 odd years, so I've built up a library of knowledge and experience... which would be quite different from someone who was newly qualified who doesn't have it.

In the above interview extract, Assuror 2 reflects on having an "embedded set of expectations" and the impact these expectations have on his approach to materiality processes. Assuror 2 'expects' to "see certain things there" as material issues. This statement infers that to some extent materiality issues are already influenced and potentially predetermined by Assuror 2, premised on the 'expert' "library of knowledge and experience" that he deems himself to possess: regardless, or perhaps in spite of the outcomes of preparer/consultant materiality processes. The expectations of the assurator then become a kind of materiality threshold, in that material issues included in the report are measured and evaluated against a set of preexisting assumptions and conditions grounded in the assurors experience and subsequently formed expectations.

More explicit thresholds that are discussed by all of the assurors, who sought to find a measure to anchor materiality against. As Assuror 1 deliberates:

Nonfinancial data is much more difficult to set materiality because it's subjective by virtue of the fact it's nonfinancial. So you have a different measure, and I think the measure I would use is really about understanding the industry, and what industry you're looking at, and what would you expect to be issues within that industry. And then think about whether there are measures or disclosures relating to those things which would be important within the report. Again, if you want examples, think about electricity – like a retailer like Genesis energy, it's got generation and a retailer. It's got big pieces of kit, they're quite dangerous, people get killed with electricity so health and safety is probably quite important. They burn coal at Huntly, so the environment is probably important. They've got a heap of customers, so customer perception is probably quite important. I've just given you some examples there. But if you went to a financial services company, well environmental probably not that exciting, health and safety probably not that exciting. Maybe there's more around community impacts, so to use a big legal term, the usury. Excessive interest or penalties, or lending to people who have got no ability to repay, all that sort of stuff. So you might say well, your social important, your community impact, your financial impacts are more important in that ... so I think you need to set materiality in a nonfinancial sense, depending on what's really important.

In seeking a universal materiality measure, such as environment or community, given in the example by Assuror 1 above, assurers conform to financial assurance ideals (i.e. the use of profit as a universal measure for the assurance of financial statements) for the assurance of nonfinancial information. Assurers draw on their individual experience and expertise to subjectively develop a materiality measure they deem 'appropriate' for the assurance of nonfinancial information. However, what was not made explicit in the assurer interviews was how or whether the materiality measure chosen was justified. That the materiality measure was appropriate was a given, perhaps showing the confidence assurers place in their own subjective judgements and perceived expertise.

In terms of applying the measure chosen within materiality processes, assurers discussed a methodology similar to the approach taken for financial assurance – especially where there is a data set available. As Assuror 4 explains:

Applying an ISAE3000⁷⁴ approach is pretty much – this is what you need to do, this is what you need to identify, have you got appropriate criteria [the materiality measure], is that criteria available which comes with the assurance piece, and then getting the data which is setting a planning materiality, doing the tolerable error and the nominal amounts, where the thresholds sit, which would then enable you to either challenge

⁷⁴ International Standard on Assurance Engagement – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)

the organisation or be able to say no, we're okay with some errors that have come up because they're not meeting those thresholds we're worried about. It's identical [to financial audit]. It's ASAE3000, or the international ISAE3000 is an old financial auditing standard. For a while it was just accounting firms that could do that, now they've expanded that out. But our process around assurance and therefore how we consider materiality around data sets is identical to what we'd do for financial assurance.

Where no data set was available, such as is the case with more narrative disclosure, assurers found it difficult to articulate how the materiality measure was applied. What emerges from the responses is a focus on assessor subjective decision making and the ranking of information that appears to disregard the materiality measure developed and applied elsewhere. The vagueness of responses is captured by Assessor 2 who comments:

At the end of the day materiality is all about a ranking process, so... does the organisation run out of stationery. That's probably not material, but it's something that happens. Look, there's a list of compliance with bank covenants, all the way to do we run out of stationery. Decisions need to be made. There's a distillation process around the information communication process. Whether it's a financial factor, or whether it's a nonfinancial factor – getting back into integrated report in terms of a nonfinancial metric – it's really important. University, FTEs [full time equivalents], number of students cranking through, number of passes you're giving, right? Whereas the amount of allowances you might give postgraduate students for summer holiday work, it's possibly not mission critical in terms of running AUT⁷⁵, in terms of the process.

Assessor 2 identifies a 'list' of material issues, suggesting that the materiality process he undertakes in terms of narrative disclosure may be similar to preparers/consultants in that there are a number of potential material issues to consider relative to one another. He further places specific emphasis on decision making in materiality processes ("Decisions need to be made"). However, how decisions on the ranking of issues is made and why is not clear from his response.

Assessor 3 describes a materiality process that uses the organisations reporting framework as the basis of providing assurance on the report:

The approach in any assurance engagement is here's the criteria, here's the subject matter, the criteria is the standard, the subject matter is the report. Compare and contrast. And while the subject matter is the report, sometimes you need to – like with

⁷⁵ Auckland University of Technology, the University of the researcher.

GRI for example, if you want to say that they've followed the principle of materiality you need to assess the process that they've followed. So you're looking for documentation, and then what's written in the report is the output of that process. So I think the approach would be very similar to doing that, in that you would be looking for – show me meeting minutes where you discussed this, or show me how did you come to this.

Assuror 3 further comments on how materiality focuses her assurance process, discussing the abstract application of a 'threshold' without explicitly naming it as such.

I went through one assurance process once that was called verification, and that was where the assesor took every statement of opinion or fact in the report and asked for backing documentation on it. Literally every sentence. Which showed a stunning blindness to, or oversight of the principle of materiality from an assurance perspective where you're only meant to check the important stuff and not just check everything.

Assuror 3 describes what appears to be a more structured approach to assurance materiality processes (as opposed to the assurance materiality process discussed by Assuror 2) that, as the second interview extract identifies, focuses on examining evidence to support the "important stuff" as guided by the framework the reporting organisation has adopted. However, again, it is unclear how the relative importance of issues discussed within the report are identified as material by Assuror 3, and indeed, by all of the assurers interviewed.

Assuror 3's account of her experiences with preparers within an assurance process, provides some interesting commentary that considers the nature of preparers and consultants disclosures resulting from materiality processes:

It was scary however, in that assurance engagement, to discover how much stuff has no evidence, and was opinion stated as fact. And when you went back to the person who was responsible for that, they'd go – hmm, maybe we should change how that sentence is worded, that's not really quite how it was... That demonstrated to me how much license there can be in reporting. It's like a terrible extreme. I think you would have to have a different approach, in that you would, particularly for things like the principle of connectivity, the problem with assuring that is that it's very subjective from an assurers perspective as to whether you have drawn the connections between different things. Is it good enough that you tried, if you applied the principle of connectivity but it's not very connected, but you did a good try – does that count? Did you pass? At what stage do you fail? Because assurance is about pass or fail, so what does failure look like is probably the hardest thing to actually define for an integrated report, because it's quite up to you how you write it.

Assuror 3 highlights the presentation of preparers in particular subjective opinion as an objective fact within reporting disclosures. In highlighting “opinion stated as fact”, Assuror 3 draws connections between materiality and reporting practices and both dominant and minority understandings of materiality, where materiality is characterised as an objective, apolitical and technical rational ‘truth’. She further suggests that the presentation of a subjective opinion as an objective truth is something that the preparer in the example may be aware of (“hmm, maybe we should change how that sentence is worded, that’s not really quite how it was”); however, without any direct interference from Assuror 3, it is likely in this example that the disclosure would not have been amended in the printed integrated report. This example thus illustrates not just “how much license there can be in reporting” but also a potential disconnect between the actual reality of the issues raised through materiality processes and how that reality can be distorted through subjective interpretation in the presented integrated report. Assuror 3 further introduces the relative importance of issues in assurance materiality processes, and the challenges of providing assurance on an integrated report: not just given the perceived ambiguity inherent in the Framework (such as the connectivity principle she discusses), but the subjective nature of integrated reporting preparers and consultant’s materiality decisions and disclosures.

What emerges from these interview extracts and the data from other assurers interviewed is that assurers materiality processes are grounded in the professional experience of each individual assurer. As with financial assurance, assurers sought out a materiality threshold that could be applied to nonfinancial data. However, they had difficulty in articulating their materiality processes in relation to nonfinancial, narrative data and determining the relative importance of narrative nonfinancial issues that were not backed up with a data set. The assurers placed importance on their individual knowledge, expectations and expertise and took their judgements regarding materiality thresholds and ranking as a ‘given’. None of the assurers interviewed engaged with stakeholders’ views in assurance materiality processes. Rather than illuminate materiality processes for integrated reporting assurance, the interview

data seems to obfuscate processes and open up further questions outside of the scope of this research: especially regarding the thought processes underlying materiality decision making. The interview data further brings forth the troubling situation regarding the perceived authority and power of the assurers' materiality processes. Assurers are able to challenge preparers and consultants of reports, particularly around their materiality processes, but appear to remain unquestioned/unquestionable and unchallenged/unchallengeable themselves.

6.4 Chapter summary

In this chapter I have presented a response to the research questions 1(a) and 1(b), discussing and analysing how materiality is understood within the integrated reporting participant group, integrated reporting participants' materiality processes, and how integrated reporting participants' understandings of materiality inform and influence preparers and consultants materiality processes in particular. I have revealed a dominant, apolitical understanding of materiality that is dominated by business case logics and the voice and subjective judgement of the integrated reporting participants. I have examined the position of stakeholders within materiality understanding(s) and the approaches integrated reporting participants take towards stakeholder engagement in materiality processes. Power, and how it influences the perceptions the integrated reporting participants have on the recognition and role of stakeholders in materiality processes, forms the focus of the next chapter.

CHAPTER SEVEN: FINDINGS: STAKEHOLDERS WITHIN INTEGRATED REPORTING MATERIALITY

7.1 Introduction

In this chapter I present a response to research questions 1(c): *Who do integrated reporting preparers, consultants, and assurers identify and recognise as stakeholders within materiality determination processes?* And 1(d): *How are stakeholder roles perceived and stakeholders included by integrated reporting preparers, consultants, and assurers within materiality determination processes?* I begin this chapter in section 7.2 through presenting whom the integrated reporting participants identify, and also crucially a thematic analysis of whom the integrated reporting participants *recognise* for engagement within their materiality processes. In section 7.3 I examine the perceived roles the integrated reporting participants consider recognised stakeholders to have within these processes. Where I discuss the methods integrated reporting participants used to engage with stakeholders in chapter six, in this chapter I focus on how the integrated reporting participants perceive the roles of (or perhaps, for) stakeholders, as opposed to *how* they engage stakeholders in materiality processes. I summarise the chapter in section 7.4.

7.2 Identifying and recognising stakeholders

To address research question 1(c), I asked integrated reporting participants who they considered to be the stakeholders in their materiality processes. Some of these participants listed their organisation's stakeholders who they had either directly engaged in materiality processes, or obliquely considered within materiality processes. Some of these participants,

and others who did not specifically name stakeholder groups, provided insights into complex framings, relationships and behaviours that influenced their recognition of stakeholders to be (directly) included or (obliquely) considered in materiality processes.

7.2.1 Identifying stakeholders

The assurors interviewed tended to review the stakeholder identification processes for their reporting clients, rather than attempt to identify stakeholders they could directly include in their own materiality processes. Consequently, when questioned about stakeholders, most of the assurors talked about stakeholders in general rather than specific terms. Integrated reporting participants who named specific stakeholder groups identified these stakeholder groups in relation to their orientation to the reporting organisation. Explicit stakeholder positioning is expressed by Consultant 1 who comments:

That's really interesting. It's interesting because I look at it from internal and external perspectives

'Internal perspectives' relates to perspectives of stakeholders within the organisation structure (i.e. internal stakeholders) and 'external perspectives' relating to stakeholder perspectives outside of the organisation structure. Figure 11 below provides a pictorial depiction of the internal and external 'perspectives' (i.e. stakeholder groups) integrated reporting participants identified that they either directly or, through stakeholder proxies⁷⁶. The number next to each stakeholder perspective identified relates to the number of participants that mentioned or discussed that specific stakeholder perspective. For example, three integrated reporting participants identified stakeholder relationship managers as an internal stakeholder perspective, and six integrated reporting participants identified NGO's as an external stakeholder perspective.

⁷⁶ Stakeholder proxies refer to communications team members or other managers within the organisation that have had contact with stakeholders, and are approached by the integrated reporting participants to 'speak' on behalf of the stakeholders they have had contact with. I discuss stakeholder proxies in materiality processes in chapter six.

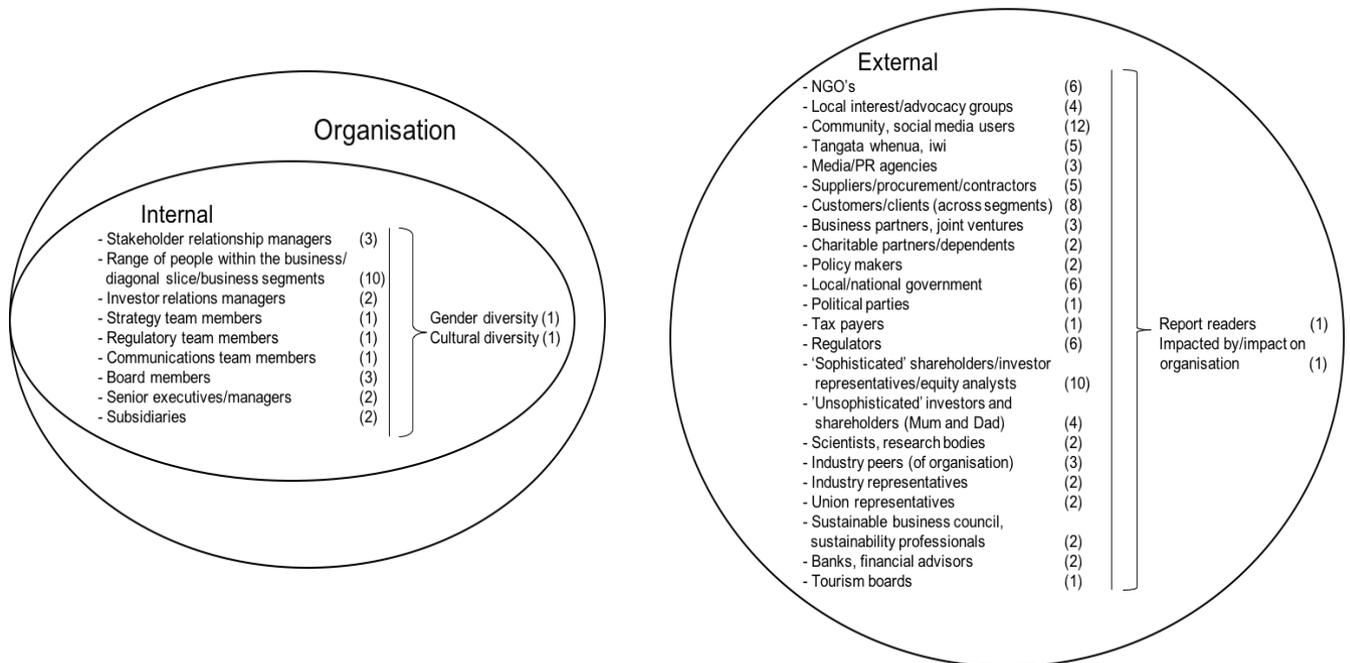


Figure 11: Stakeholders identified by integrated reporting participants for inclusion and/or consideration in integrated reporting materiality processes

Figure 11 shows that integrated reporting participants identified a number of internal and external stakeholders. Within the internal stakeholder perspective, ten integrated reporting participants placed particular emphasis on 'bringing in' employees from across different segments of the organisation (and subsidiary companies, if applicable) to participate in materiality processes. While most of the integrated reporting participants who identified internal perspectives discussed the stakeholder(s) in general terms, one participant (Preparer 2) specifically identified teams (strategy, regulatory, communications) within her organisation that she thought would be able to bring insights to the materiality process as to what was happening across organisation segments. Managerial level employees who were perceived to have experience across the organisation were considered especially significant to consider, as Preparer 4 and Consultant 1 comment:

Preparer 4: ...we had the internal ones obviously, so that was from board level down, so we had a board member. We had everybody on the exec., pretty much all our senior managers, apart from me 'cos I was doing it – I didn't think it was right to do it [participate as a stakeholder in the materiality process] but I should have. And then a

diagonal slice in the business. So generally more management people, to be fair, because we only did – what did we do – 18 [stakeholders], internal.

Consultant 1: Internal is quite easy, sometimes it's hard the first time for companies to work this out, but it's really about strategic input to the process [that] is important. Often it's important to get relatively high level people who've got good experience, so leadership team, perhaps even a board member.

The above experiences offered by Preparer 4 and Consultant 1 are indicative of how the preparers and consultants interviewed purposefully and deliberately identify powerful and privileged individuals within the organisation for inclusion in materiality processes. Preparer 4's comments indicate that a range of these powerful individuals are invited to participate, thus including wider, although organisation centric, perspectives. However, it is not clear whether the inclusion of these individuals is part of a legitimation strategy for the materiality process itself (i.e. legitimating within senior management through their inclusion in the process), or they are included for another purpose. Consultant 1 more explicitly discusses senior management identification and engagement as having a more "strategic bent", as senior management were invited to engage to imbue materiality processes with "strategic input" from these high level individuals. Consultant 1's experience of identifying stakeholders more closely aligns with the dominant materiality understanding analysed in chapter six, that presents materiality as a tool to inform organisational strategy.

Integrated reporting participants further identified individuals within their reporting organisation who were understood to have maintained relationships with external stakeholder groups (wider 'community' groups and specific investor individuals and groups) to engage in materiality processes. These individuals were considered especially important by integrated reporting participants who did not directly engage with external stakeholder perspectives, and those who held an underlying belief that particular individuals within the organisation served as a proxy 'voice' for external stakeholder groups and individuals. This rationale is based on the assumption that general information communicated by external stakeholders represents what is important, or has something to say about what is material, to external stakeholders, and that individuals within the organisation have an in-depth and aligned understanding of the

perspectives of stakeholder groups they maintain relationships with. For example, in relaying her experiences, Assuror 3 argues:

Most of the materiality processes that I have seen and that I have been involved in doing myself have involved using the information that you already have about stakeholders. Talking to the people who have interacted with that stakeholder group the most over the previous year, who understand that stakeholder group the most, looking at any raw data sources that you might have about that stakeholder groups' opinions, and then abstracting from that what their views are as opposed to asking them directly.

Most of the integrated reporting participants identified a number of external stakeholder perspectives – whether they directly engaged with those perspectives or, as in the case of Assuror 3 relied on organisation held (tangible or intangible) data on those perspectives to abstract views. External stakeholder perspectives identified were both general in nature (from consultants and assurers) as well as specific to the organisation (preparers). Generalisations of what constituted 'important' external stakeholder perspectives were based on a perception that there were certain external stakeholder groups that were always going to be important – irrespective of the nature of the operations of the organisation. This is supported by Figure 11 that demonstrates 12 of the 15 integrated reporting participants identified 'Community and social media', ten integrated reporting participants identified 'Sophisticated' shareholders/investor representatives/equity analysts' and eight integrated reporting participants identified 'Customers/clients' (across segments) as external stakeholder perspectives. Consultant 2 illustrates this point through listing the general external (and internal) perspectives she will always consider to engage with in a materiality process for a client:

In no order of priority, there would be staff, there would be local communities, investors, regulators, suppliers are an interesting one because I do think that suppliers are stakeholders. ... Then of course, clients, customers, who have I forgotten. NGOs, and that could be Greenpeace, it could be the Salvation Army if it's more social. ... I would usually say that we've got the groups that they've just listed, I hope I haven't forgotten one, and then I would ask them to make suggestions.

Consultant 2 acknowledges that she "would ask them [her client] to make some suggestions" with regards to who they think should be approached to engage in the materiality process. This leads to opening materiality engagement to external stakeholder perspectives more

specific to the industry/local and global physical and operational/political/investor locale of the organisation, as evidenced by the political (local/national government, political parties, policy makers), industry (regulators, industry peers, industry representatives, union representatives) and advocacy (NGOs, local interest/advocacy groups) perspectives identified by integrated reporting participants. External stakeholder perspectives specific to the locale of the organisation were discussed by Preparer 4, Preparer 5, and Consultant 1, who worked in (or worked for) organisations that operated in contentious industries that they perceived to receive a lot of unfavourable media and public attention⁷⁷. Preparer 1, Preparer 3, Preparer 5, and Preparer 6, each of whom worked within organisations that had significant government shareholding and influence, were also cognisant of the perceived need to recognise this shareholding and influence through explicitly discussing the relationship and identifying government and the tax paying public as specific external stakeholder perspectives. As Preparer 1 states:

... we've got a government shareholder and stakeholders in government. We have obviously the tax payers' money, so there's everybody, which is a large stakeholder base, which some of the people have more than one role, apparently.

And Preparer 3, who did not directly engage with external perspectives in his materiality process:

I'd expect central government ministries, so really should have some Treasury, should have Ministry of Transport... – slightly less important, maybe some of our suppliers, maybe some of the key partners like Auckland Transport and Greater Wellington.

Earlier, I argued that the potential for integrated reporting materiality to be 'opened up' to stakeholders was dependent on not just which stakeholders were identified for materiality processes, but how and why stakeholders are recognised within materiality processes, and whether, or to what extent, recognised stakeholders' views and interests are considered by preparers, consultants, and assurers to be legitimate. I explore integrated reporting

⁷⁷ The experiences of these individuals are thematically analysed and discussed in the *Recognition* part of this section (7.2.2).

participants' perceptions on how and why stakeholders are recognised within materiality processes in the next section.

7.2.2 Recognising stakeholders

In this section I present a more in-depth thematic analysis that goes beyond *who* the internal and external stakeholder perspectives identified are, to explore *how* and *why* integrated reporting participants recognise and legitimise, and include and exclude, internal and especially external stakeholder perspectives in materiality processes. The analysis reveals four dominant emergent themes: *representation, influence and prioritisation, friendly and adversarial, paternalism and equity*.

7.2.2.1 Representation

Some of the integrated reporting participants were primarily concerned that the stakeholders engaged within materiality processes should be *representative* of the groups the organisation has named as legitimate stakeholders. Reliance on the organisation to name stakeholder groups is demonstrated by Preparer 2 who names stakeholders and provides a brief discussion of the organisation framework stakeholder perspectives are recognised within:

We have a long-standing set of principles and commitments, so we've had them for quite a few years, and they outline our stakeholder groups. But we've added more stakeholder groups over the years. If you have a look at this here, our commitments – Speak to each of our stakeholder groups, so our shareholders, customers, our people, our communities and our business partners. We've added since these were developed tangata whenua⁷⁸ and regulators and government, and that's because we adopted a framework. I mentioned social, environmental and economic pillars of sustainability, and we've added cultural and political to that framework. So when we added that lens, we realised – actually, you've got two big stakeholder groups who are missing, tangata whenua and government, so we added them in, and that's why we ended up with the group that we have now, which is broader than what our commitments say.

The sustainability framework Preparer 2's organisation has adopted both leads and constrains the recognition of stakeholder groups that Preparer 2 considers within materiality processes.

⁷⁸ local people, indigenous people

Recognition is led by the organisation's sustainability framework in that stakeholder groups are recognised only in relation to the sustainability pillar that they are perceived to primarily be associated with ('our communities', for example may be primarily seen to be affiliated with the 'social' pillar, and 'business partners' with the economic pillar). In Preparer 2's case, the stakeholders who are not named by the organisation through the sustainability framework are not recognised and not provided the opportunity to be included, or invited to engage in the materiality process. Further, there is potential for stakeholders that do not easily fall within, or can be identified through, the sustainability framework to be overlooked. Thus the subtle organisation framing of stakeholder groups through the use of the sustainability framework directs Preparer 2 to privilege specific stakeholder perspectives through inclusion in the materiality process, and limits the potential for other, not named or easily recognised stakeholder groups to participate.

Representation is considered in a broader sense by several other integrated reporting participants who were not limited by explicit organisational framings of stakeholder groups. For these participants, *representation* and the recognition of stakeholder groups is not framed through existing organisation frameworks or protocols for stakeholder engagement in materiality processes. These integrated reporting participants were concerned with breadth of stakeholder groups to be included, or represented (similar to O'Dwyer, 2005). Consultant 1, reflecting on one of her experiences with a client she has assisted in their materiality process, identified what she perceives as the difficulty in identifying stakeholders for preparers in organisations who consider *representation* as the breadth of stakeholders:

And then externally [talking about stakeholder perspectives external to the organisation] it gets more complex, because for some organisations like [organisation], they feel like how long is a piece of string?

For some of the integrated reporting participants, *representation* was achieved through perceived balance in the *number* of internal and external stakeholder perspectives included in the materiality process. These participants were especially focused on ensuring an equal

degree of coverage across stakeholder perspectives they had identified. As Preparer 4 explains:

So this is WWF, this a union, these are equity analysts, so obviously a stock exchange listed company, these are customers, these are suppliers, that's a consultant. So [employee] did enterprise risk stuff, so she had a really good feel for our risk profile. These are top people within MPI [Ministry for Primary Industries], which is one [of] our key regulators, if you like, and policy-makers. That's a public policy consultant, MFE [Ministry for the Environment], Sustainable Business Council and scientists, so everybody in the scientific community, so NIWA [National Institute of Water and Atmospheric Research], Corporal Institute, PR agencies. So yeah, a mix. We tried to get a really good mix, but as I said earlier, the challenge with that is if you only have two suppliers and they're great, you've got some suppliers in there. But if there's only two, it's never going to be your supply chain, so it's never going to be the very top of the... well, it's unlikely to be, isn't it, because it does affect the results. So we tried to only have maybe two or three from each [group].

Preparer 5 provides some more specific insights on representation though a discussion of both the breadth and complexity within one recognised stakeholder group, 'community stakeholders':

... we have community stakeholders that live in proximity to our [organisation asset]. We have recreational stakeholders who use water, the rivers and lakes that we operate or that we control. We don't own the water, but we have control over water flows through a lot of rivers and lakes. So there's a whole lot of direct neighbours, there's communities, there's iwi, there's recreational users of lakes and rivers, duck hunters, fisherman, kayakers, boaties. This goes on. Farmers, irrigators, suppliers, contractors, people who just live on road where trucks are rumbling past you every day. All that kind of community stakeholders you can think of that get impacted by a big power station.

Preparer 5 presents a broader perspective of his organisation's community stakeholders. Messiness in terms of who to recognise and who not to recognise as a community stakeholder is especially evidenced by Preparer 5 through his discussion of water and the complexity of individuals and groups that are affected by water flows that his organisation controls. The number of stakeholder groups mentioned together with their different relations to Preparer 5's organisation (as recreational users, direct neighbours and communities, iwi, farmers, irrigators etc) provides a sense of the complexity and also potential conflict that may arise in recognising external stakeholder perspectives that may not be perceived to have an obvious or direct accountability relationship (O'Dwyer, 2005a) with the organisation through direct involvement with the organisation's immediate activities and operations (the particular power station is a

more obvious representation of Preparer 5's organisation's immediate activities). *Representation* may then be seen to not just be about recognising a breadth of stakeholder perspectives to be included or represented, but also about the conflict of narrowing or limiting stakeholder representation.

7.2.2.2 Influence and prioritisation

Some of the integrated reporting participants attempt to mitigate the messiness and complexity of stakeholder relationships through undertaking a stakeholder saliency (Mitchell et al., 1997) approach that potentially also attempts to avoid internal conflict of 'who to choose' through putting the onus back on the stakeholder's relative influence on, and importance to, the organisation. The theme *influence and prioritisation* presents stakeholder recognition in these terms and further introduces power and politics between external stakeholder perspectives, as well as between stakeholder perspectives and preparers and consultants in particular as a force influencing what stakeholder perspectives are recognised. Some of the integrated reporting participants argued that it was important to bring in external stakeholder perspectives that had a lot to say about the reporting organisation and were perceived to hold a legitimate level of power over the organisation in terms of having a perceived ability to influence the organisation's agenda, reputation and/or economic activities. As Consultant 1 elucidates:

I think also those that can influence the company, that can have an impact on the company. A community can shut down a mine site if they put their mind to it, or a regulator could. A research scientist with a very significant report could seriously damage the reputation and the share price of a seafood company ... with certain types of findings. And interest groups can just make life difficult can't they, or the opposite depending on the relationship. So it's all about the two-way influence with stakeholders, and then prioritising them on that basis.

The statement Consultant 1 makes "about the two-way influence with stakeholders" suggests that by recognising influential stakeholder perspectives and bringing them 'in' through materiality process engagement, managers within the organisation are in a position to not just engage with powerful and potentially contentious external stakeholder perspectives but also

influence those perspectives in turn. Providing a forum to potentially influence more powerful external stakeholder perspectives possibly provides some indication as to the motivation and underlying purpose of engaging stakeholder perspectives within materiality processes.

Some of the integrated reporting participants more explicitly considered the relationship of power and influence in recognising and particularly prioritising stakeholder perspectives. In the below interview extract, Assuror 3 deliberates on the relative power of stakeholder perspectives and how the perceived power and influence of stakeholder perspectives affects the recognition of competing stakeholder views within a materiality process:

Should their ideas be included? Definitely. Are all of their ideas equal in weight? Not necessarily. Either because their power as a stakeholder isn't equal or because sometimes they have deep, deep concerns over something that just isn't actually an issue.

The suggestion of 'equality' and, inversely, 'inequality' in recognising stakeholder perspectives was further mentioned by Consultant 3 who argues:

I totally disagree that you treat all stakeholder views the same, that you listen and pay more attention to stakeholders that you believe... you know [may be] subjective, and you may bias towards certain others, but you'll have some process by eliminating noise, people make a lot of noise about issues that aren't important, and there's a discretion that you treat stakeholders differently depending on their level of knowledge, understanding, usefulness to the process.

Each of the interview extracts above direct attention to two particular points that have relevance for how the perceived power of stakeholder groups influence both stakeholder recognition and stakeholder prioritisation within materiality processes. Firstly, both Assuror 3 and Consultant 3 introduce the suggestion that the perceived relative power of each identified stakeholder perspective influences how each stakeholder perspective is recognised, perceived and prioritised within materiality processes. This is demonstrated by the statements "Are all of their ideas equal in weight? Not necessarily" (Assuror 3) and "I totally disagree that you treat all stakeholder views the same" (Consultant 3). Relative power between stakeholder stakeholders is quantified by Consultant 3 specifically who determines stakeholder's "level of knowledge, understanding, usefulness to the process" indicate the stakeholder perspective

will inherently be perceived to have a higher level of power and have more influence. Consultant 3 further considers that stakeholder perspectives holding these attributes are more likely to be positively biased towards, and through this bias receive higher priority in the materiality process.

The second point is that equality and inequality is perceived to exist among the wider stakeholder population, and that the equality and/or inequality of relative stakeholders is connected to the recognition (i.e. inclusion) and exclusion of stakeholder voice within materiality processes. Assuror 3 and Consultant 3 dismiss concerns voiced by stakeholders who are perceived of lesser 'equality' (or perhaps just 'quality') as unimportant empty 'noise' that may disrupt rather than add diversity to materiality processes ("sometimes they have deep, deep concerns over something that just isn't actually an issue"; "people make a lot of noise about issues that aren't important"). Further, the perceived level of knowledge, or perhaps education of stakeholders (illustrated by Consultant 3's comments above) further introduces inequality between stakeholder groups perceived to be literate in issues relevant to materiality processes, and those stakeholders who are not perceived to have the same level, or type of literacy.

In each of these examples, dismissal and de-legitimisation of stakeholder concerns precludes and excludes the potential of meaningful engagement with stakeholder perspectives in a lesser position of power. However, dismissal and de-legitimisation of stakeholders and their concerns is an issue that reaches beyond initial stakeholder recognition in materiality processes. As I discussed in chapter six, stakeholder concerns are dismissed and de-legitimised even after stakeholder engagement. The outcomes of stakeholder engagement are open to manipulation and reframing by preparers and organisational managers in particular, and is a source of tension and conflict within preparer, consultant, and assuror relationships. The findings presented in chapter six suggest that ultimately, the power to control the outcomes of preparer and consultant materiality processes in particular lies with

the preparers and other organisational managers (and/or those charged with governance) who sign off on the integrated report. Considering this point within the context of the dismissal and de-legitimation of stakeholder concerns, the potential consequences of arbitrary dismissal of stakeholder concerns are: (i) those in control of materiality processes exercise sole judgment as to whether stakeholders and/or their concern is legitimate; (ii) stakeholders that have concerns that are legitimate to *them* are not taken seriously or included by those who control materiality processes, and;(iii) the innate ability of a stakeholder to hold a legitimate concern and communicate that concern within a materiality process is negated by whether those with power over materiality processes perceive that claim as legitimate.

Assuror 4 further deliberates on the influence of context on the perception of power of external stakeholder perspectives, through placing (potentially powerful) external stakeholder perspectives within the broader organisation sphere:

For a multinational with multiple sites all over the place, you might have a community group which have some really serious issues with some operations that the organisation is doing. That might not rate as highly through materiality process, it would be of concern, but on a scale of that organisation, all of their operations, it won't rate as highly. It would still come up as being an issue. Flip that to an organisation that's got one site, operating in one country, and you've got community concern. You can then start looking at how important those stakeholders are to the organisation, and the impact that those stakeholders can have on the organisation themselves, that starts to change quite a bit.

Assuror 4's comments above highlight the perceived significance of external stakeholder perspectives relative to the power and structure of reporting organisations. Though reporting organisations are realistically not in a position to completely control or close down public opinion, organisational managers, limited and directed by organisational structures, are in a position to control access to materiality processes through what stakeholders they chose to recognise. Assuror 4 specifically used the structure of a reporting organisation to justify the exclusion of external stakeholders who have 'serious concerns' regarding organisation operations through an argument centred on the relative size (and thereby, for Assuror 4 perceived impact and influence) of external stakeholder groups in comparison to the

organisation and its activities. Such an approach does not acknowledge or appreciate what the 'serious concerns' of external stakeholder perspectives are, how or why the 'serious concerns' arose, or seriously consider power inequalities that dominate the inverse relationship external stakeholders have with the organisation. An argument based on relative size fails to seriously recognise and acknowledge concerns from external stakeholder perspectives and provides a lens to effectively minimise the impact and influence so-called smaller external stakeholder perspectives could ever possibly have on a larger organisation in a position to command power and resources.

Within the *influence and prioritisation* theme, Assuror 3 takes a different stance to stakeholder recognition (and exclusion) in materiality processes to the other integrated reporting participants interviewed. She draws upon the Framework to qualify stakeholder influence in terms of ability to create value for the organisation:

Stakeholders have a varying level of influence over your business and, particularly materiality from an integrated reporting perspective, is meant to be about what things impact your ability to create value. Some stakeholders can influence your ability to create value significantly, like government through regulation. Some tangentially or on a really long time frame loop. So not all of their views will be treated with equal weight.

Assuror 3 was the only integrated reporting participant who referenced the Framework when asked who she perceived to be the stakeholders within materiality processes. This indicates that, for the other integrated reporting participants interviewed, the Framework does not necessarily have an explicit influence on how they recognise stakeholder perspectives. This observation supports the dominant perspective on materiality (strategic stakeholder engagement), revealed by the Q, that limits the influence of guidance and standards (such as the Framework) in shaping how materiality is understood. Assuror 3's stance expressed in the interview extract above demonstrates how the language of the Framework can be used to justify and potentially also reinforce existing ideals of what stakeholder perspectives should be included or excluded from materiality processes. Stakeholders are viewed from their perspective to 'create value' over a time frame – with the consequence that stakeholder

perspectives perceived to create more value are included and attributed more weight than those who are not perceived to create value. The organisation centric nature of value creation within the Framework can thus be used, as has been evidenced in this case, to exclude stakeholder perspectives that may have claims over the organisation but are not necessarily perceived, from an organisation perspective, to significantly impact value creation. As discussed in chapter two, value in the Framework is loosely defined and it is probable that 'value' means different things to different people within different organisations. Value and stakeholder influence could, therefore, be interpreted in many ways such as stakeholder influence on economic value or, in the language of the Framework, financial capital or social and relationship capital, for example. What this finding indicates is that how value is interpreted by those in a position of greater relative power may have an impact on what voices are considered to be of value within integrated reporting, and thus what stakeholders are recognised within materiality processes.

7.2.2.3 Friendly and adversarial perspectives

The theme *friendly and adversarial perspectives* presents an alternative approach to stakeholder recognition that explores the nature of more personal relationships integrated reporting participants had, or perceived they had, with different stakeholder groups. Integrated reporting participants recognised *friendly* stakeholders as those they had perceived positive relationships with. Stakeholders with dependent relationships with the reporting organisation were considered by the integrated reporting participants as *friendly* stakeholders and recognised in materiality processes. As Consultant 3 comments:

It depends what the relationship is, if they're totally dependent on them [the reporting organisation] – like some of those people that came to the workshop that we ran, who were sponsored by them [the reporting organisation hosting the workshop] – they're this is great. I'm going to come along and contribute as much as I possibly can.

Consultant 3 perceives the dependent stakeholders engaged in the materiality workshop as willing and enthusiastic participants in the materiality process. However, he does not

acknowledge the power differentials inherent in the relationship between the reporting organisation and its managers and the dependent stakeholder, and any potential consequences for the dependent stakeholder if they chose not to participate in the materiality workshop.

For some of the participants, apparent *friendly* relationships were inherently ingrained through the ownership/management structure of the organisation. For example, Preparer 7 and Preparer 8 both worked for the same iwi owned organisation, and considered iwi to be the principal stakeholder perspective to be included in the materiality process. The close association between iwi (as shareholders) and the managers within the organisation led Preparer 7 and Preparer 8 to recognise iwi stakeholders positively as the ‘democratic family’ of the organisation:

Preparer 7: Essentially we’re a family-owned organisation. Our family’s 55,000 people, so we wanted to get their views. They’re our shareholders, effectively.

Preparer 8: We’ve got tribal council, and they represent our [iwi], which represent our members. So we’ve actually got a democratic framework anyway, so we can start with them.

Again, Preparer 7 and Preparer 8 do not acknowledge the power and accountability relationships existing between iwi, the shareholders of the organisation, and management of the organisation, choosing instead to focus on familial ties as a positive and democratic force binding stakeholder/manager relationships together. Further integrated reporting participants recognised *friendly* external stakeholder perspectives that they could relate to, in terms of perceived shared values and/or knowledge and/or experience. A sense of holding shared values/knowledge/experiences with potential stakeholder perspectives was especially evidenced amongst integrated reporting participants who worked within their organisation’s sustainability teams. As Preparer 6, who considers herself a sustainability professional comments:

... we tended to target sustainability professionals because they understand what you're asking. But there are sustainability professionals in a lot of organisations around New Zealand.

The above interview excerpt demonstrates the perceived importance of shared knowledge and experience between, in this case, a preparer and external stakeholder perspectives. The decision to recognise other sustainability professionals within her materiality process, versus people who are not sustainability professionals subtly reveals the existence of an underlying 'us versus them' mentality. There is a perception of a perspective shared between those who 'understand' (i.e. sustainability professionals in this particular example) and others who do not 'understand'. A potential consequence of taking this stance on stakeholder recognition is that stakeholders who are already considered to be on the inside will be included and invited to engage as they are already perceived to 'know'. Conversely those on the outside (i.e. people who are not sustainability professionals, in this example) will potentially be excluded from engagement as they are perceived not to 'know'. Nor does their specific knowledge appear to be considered useful to the materiality process.

The inclusivity of those on this inside, and the perceived importance of shared values, is further articulated by Consultant 1 who reflects on her experiences of how a materiality process can be used to recognise and develop partnerships with *friendly* stakeholders:

Consultant 1: It's a really great way to identify partners. Say for example for [a client], I interviewed two research bodies. The CEO of one just jumped out, streets ahead of the CEO of the other in terms of his appreciation of what a company like [client organisation] would need from working with a research body and how it could work, and what would make it better, and what the pitfalls were. He was just exceptional. And the other one just complained about all sorts of things. I went back to [the client organisation CEO] and said [the client organisation CEO], this guy, this place, he would be really good to work with.

Friendly stakeholder perspectives here are characterised by their perceived worth to the materiality process, quantified by how *much* they are perceived to *positively* contribute to the underlying materiality process agenda. Perceived worth in this specific example is established through underlying shared values and 'appreciation' of the reporting organisation by the

external stakeholder perspective and the potential to foster a symbiotic, potentially dependent relationship. In the above interview extract, Consultant 1 is dismissive of the CEO of the research body who is perceived to contribute in a negative way to the materiality process (“And the other one just complained about all sorts of things”) whereas she labels the stakeholder perspective who she viewed as positively contributing to the organisation materiality process agenda as “exceptional”. Consultant 1’s attitude towards engagement with stakeholder perspectives appears to privilege *friendly* stakeholder perspectives that are perceived to ‘know’, have something of worth to contribute to the materiality process (from Consultant 1’s perspective) and, further have something positive to say about the organisation. Taking this position excludes engagement with other stakeholder perspectives who are not perceived to ‘know’, are not necessarily viewed to meaningfully contribute to organisation agendas, and/or have negative perspectives on the organisation.

Conversely, some of the integrated reporting participants appeared more open to recognising stakeholder perspectives that may have negative contributions to the materiality process, or may hold *conflicting* opinions or beliefs from the manager in control of the materiality process.

Consultant 2 comments:

And I guess the stakeholder will know what they think is important – it may or may not be right in my point of view but that’s not the point. It’s the point of what is important to them, rather than if we agree with it or not. They are the stakeholder, and if we want to have them on board we have to understand what’s important to them. So you might have a climate change denier. I don’t agree with that, but then I need to actually put more emphasis on explaining why it’s important.

The above interview excerpt does not directly discuss recognition of a specific stakeholder perspective but rather demonstrates an openness to recognise stakeholder perspectives that diverge from Consultant 2’s own. However, and as with examples presented in the *influence and prioritisation* theme, this excerpt in particular illustrates that the integrated reporting participants bring stakeholder perspectives into materiality processes to both understand the perspective and influence, or educate stakeholder perspectives in turn (“... but then I need to actually put more emphasis on explaining why it’s important”, Consultant 2). In this specific

interview excerpt it is not clear whether the stakeholder perspectives Consultant 2 discusses are necessarily *friendly*. Other integrated reporting participants reflected on the tension in recognising *friendly* perspectives while acknowledging a perceived need to include divergent and potentially *adversarial* stakeholder perspectives within materiality processes. Integrated reporting participants were wary of directly engaging with explicitly antagonistic stakeholder perspectives, as Preparer 4 and Consultant 3 reflect:

Preparer 4: Like [NGO 1], they're an NGO, so you could have said – oh we don't want to go there! I probably wouldn't have gone there with [NGO 2], but [NGO 1], we're doing some good work with them, they will be honest and they'll tell us things that we don't do so well. So it gives you a good view. So you've got to be quite bold and honest about who you include, and not just include people that you think are going to say really nice things about your organisation. That's the other side of it too there.

Consultant 3: It might be difficult if it's a difficult issue that's having a large impact on them, they probably aren't that happy to come to the table, or they come to the table with a lot of baggage. I'm thinking an adversarial stakeholder who doesn't like what business X are doing, and then gets invited to have a conversation about it.

In the above two interview extracts, Preparer 4 and Consultant 3 acknowledge the existence of hostile stakeholder perspectives and are cautious of inviting these perspectives to engage. Preparer 4 specifically identifies two separate stakeholder perspectives operating in the same broad NGO arena: a perceived *friendly* but still potentially critical perspective (NGO 1) and a more openly hostile (to the reporting organisation) antagonistic stakeholder perspective (NGO 2). Though Preparer 4 identifies the antagonistic stakeholder, she recognises the stakeholder perspective that is perceived as critical but not hostile (NGO 1 – “we're doing some good work with them”) in the materiality process. The tension in both of the interview extracts above come from the integrated reporting participants wanting to include stakeholder perspectives who will have negative as well as positive things to say about the organisation in materiality processes without having to engage stakeholder perspectives who hold a strong negative, potentially aggressive view of the organisation. These integrated reporting participants attempt to negate the uncomfortableness of engaging with hostile stakeholder perspectives through seeking 'softer' negative feedback than what would be received if they attempted to engage with an antagonistic stakeholder. This 'softer' approach still allows for conflict in opinions and

understandings to emerge but ensures that the engagement remains with *friendly* stakeholder perspectives who maintain positive relationships with the organisation. *Friendly* stakeholder perspectives appear to be privileged while critical, hostile stakeholder perspectives are excluded from contributing to materiality processes.

7.2.2.4 Paternalism/ equity

Some of the integrated reporting participants revealed a *paternalistic* approach to stakeholder recognition that in turn influenced how stakeholder perspectives were included (or excluded) from materiality processes. Within this theme, a few of the integrated reporting participants identified stakeholder perspectives but did not directly include those perspectives within those materiality processes. Identifying but not including stakeholders was especially the case with assurers. One of the assurers in particular was explicit about *why* he felt many external stakeholder perspectives should be excluded from materiality processes. Assuror 1 has a financial assessor background but also has extensive experience in nonfinancial assurance engagements. He draws on an argument of stakeholder ignorance to justify his position:

... the problem with it of course is that there's a massive misunderstanding of what materiality is by the general populace; they have no idea what you're talking about. And even if they did know what you're talking about, they probably would disagree with you anyway, because for them a dollar is important. Not wishing to be rude, but the great unwashed don't understand that it would be quite costly to audit something to a cent... They don't know what an audit is, they don't know what materiality is. I mean, sophisticated people will of course, but generally people have unrealistic expectations of audit and I think they largely see it as a compliance cost.

Assuror 1's comments are revealing for several reasons beyond the expression of perceived stakeholder 'misunderstandings' of materiality already documented in the literature (Houghton et al. 2011). As with in the *friendly and adversarial perspectives* theme, Assuror 1 seeks to put distance between himself and stakeholders. However, where integrated reporting participants sought to collectively recognise an 'us' with *friendly* stakeholders, Assuror 1 more explicitly places himself, his knowledge and experience apart and above stakeholders he perceives as unsophisticated. Further, the language Assuror 1 uses to describe unsophisticated

stakeholders (“the general populace”, “the great unwashed”) betrays a classist sense of superiority that reinforces professional paternalism arguments presented by Roberts and Dwyer (1998). These stakeholders, their knowledge and views are demeaned through a paternalistic lens that directs attention and places emphasis on what stakeholders *don't know* versus what they *do know* and could contribute to materiality processes.

Integrated reporting participants recognised people within the reporting organisation who managed external stakeholder perspectives. In these instances, people within the organisation were considered representative(s) of the external stakeholder perspectives they had relationships with. This was evidenced from both preparer/consultant and assuror standpoints:

Preparer 5: We have vast numbers of stakeholders that are interested in our [organisation asset], so we keep a list of all them and I can ring up any number of people in the business and say – Ok, what's happening with the iwi stakeholders ... or what's happening with Fish and Game or Forest and Bird, or Department of Conservation, or how's [stakeholder] going at the moment... So we've got community relations people based in all of our [organisation asset], and they manage the relationship with local stakeholders.

Assuror 3: Most of the materiality processes that I have seen and that I have been involved in doing myself have involved using the information that you already have about stakeholders. Talking to the people who have interacted with that stakeholder group the most over the previous year, who understand that stakeholder group the most, looking at any raw data sources that you might have about that stakeholder group's opinions, and then abstracting from that what their views are as opposed to asking them directly.

Each of these interview excerpts illustrates a degree of expediency in stakeholder recognition (see O'Dwyer, 2005a). However, each of these interview excerpts also illustrate the presence of paternalism in stakeholder recognition. As discussed in chapter three, Roberts and Dwyer (1998, p. 571) define paternalism in materiality as the “ability to define human need”. As materiality processes are currently organised, stakeholder recognition is crucial for stakeholder voices to be included in materiality processes (though the extent to which their voices are heard is problematic, as I discuss further later in the chapter). Through recognising seemingly benevolent ‘community relations people’ (Preparer 5) and ‘people who have

interacted with that stakeholder group the most' (Assuror 3) in the place of stakeholders themselves, the integrated reporting participants deny stakeholders the choice to participate in materiality processes, or the ability to define and voice their own needs, views, and concerns. Further, the integrated reporting participants assume that others within the reporting organisation have the right to define stakeholders needs, views, and concerns for them, or at the very least the right to interpret stakeholders needs, views, and concerns within materiality processes.

The role the integrated reporting participants themselves have in decoding stakeholder information is further deliberated on by Preparer 6 who comments:

I think we've avoided the main challenges... because we wouldn't talk to our customers about this, we would sort of interpret that from what they're asking us about and the feedback that we get

Preparer 6's comments reinforce the *paternalism* arguments above, in that stakeholder groups are identified (in this case, customers), and their perspectives are recognised through Preparer 6's own interpretation of 'what they're asking us about and the feedback that we get'. This aspect of *paternalistic* stakeholder recognition has potential consequences for how stakeholder issues are interpreted, re-interpreted and communicated in materiality processes. Stakeholder issues may be presented as organisation-framed, for example, before or after the issues are 'abstracted' through materiality processes, with the message external stakeholder perspectives intended to communicate lost. The issue of stakeholder consent, and the use and interpretation of existing stakeholder information within materiality processes was not raised or addressed by Preparer 6 or any other of the integrated reporting participants.

Other integrated reporting participants related the perceived challenges, and frustrations, of recognising and including external stakeholder perspectives where dominant hierarchical power structures within reporting organisations limit external engagement. For example,

Preparer 3 wanted to open his materiality process to external stakeholder perspectives but faced resistance from his organisation's 'powers that be':

No, if I'm being completely honest. I don't think that we really... we had a few conversations around what the audience is but I don't think we really nailed that. ...There's elements of the business that still are quite firm that they know what they need to report, and it is challenging. You've got a multitude of different stakeholders as to how you take that, so I'm pushing for us to have an external review of the report and the process, just to be able to provide some justification for doing it, but we'll see where that goes."

Preparer 3's experiences bring attention to some of the challenges of attempting to advocate and/or implement stakeholder-led inclusive approaches to materiality in rigid reporting environments. *Paternalism* within Preparer 3's specific organisation appears to be particularly embedded within reporting processes, including materiality processes, to the extent it restricts and inhibits stakeholder identification and recognition and promotes the organisation as the 'all knowing' dominant voice in the materiality process. Stakeholders are perceived as the audience for integrated reports rather than potential or actual contributors or co-collaborators in materiality processes. However, the latent assumption of stakeholders as an audience for integrated reports is potentially problematic. In this example, Preparer 3 has no evidence that stakeholders are interested in, or read the reporting organisation's integrated report, and he does not acknowledge that the primary audience of an integrated report according to the Framework is primarily financial oriented (IIRC, 2013; Milne & Gray, 2013). Though outside the scope of this research, it is interesting to reflect on the extent to which stakeholders may or may not be interested in reading or engaging with Preparer 3's reporting organisations integrated report, given the limited input and influence stakeholders in this particular example have in materiality processes underlying and informing integrated reporting disclosures.

Equity stands as a counterpoint to the *paternalism* aspect of this theme through presenting an argument that materiality processes should not be led and dominated by the voice of the organisation and its managers (whether that voice is benevolent or not). This aspect of the *paternalism/ equity* theme is especially forwarded by the views of consultants who work with

organisation managers to develop and conduct materiality processes. As Consultant 3 comments:

My perspective is the organisation isn't the expert in all areas, many of the sustainability issues are outside the organisation's field of expertise, knowledge, awareness and a whole lot of experiences. So you must have some level of stakeholder inclusivity to do materiality, so totally disagree there that materiality isn't influenced... it's only influenced by stakeholders, internal and external.

The interview extract above demonstrates how consultants who resonate with *equity* place particular emphasis on the importance, significance and worth of stakeholder opinions, innate knowledge and experience and seek to bring these to materiality processes. These integrated reporting participants question the dominance of the organisation's voice within materiality processes through openly contesting the knowledge, awareness and experiences of organisation managers, and the perception of the organisation as an all knowing entity. Consultant 3 explicitly challenges *paternalism* within organisation-led materiality processes by challenging the organisation's ability to self-identify/recognise themselves as an authority within their materiality process through the statement 'the organisation isn't the expert in all areas'. This position is contrasted by Consultant 3 advocating and promoting stakeholders internal to the external to the organisation as experts in their relative fields.

Paternalism and especially the recognition of internal stakeholders in the materiality process is further challenged by Consultant 2 who comments:

... if it's important to stakeholders you should probably be reporting, regardless of whether you agree with it or not, which is why I disagreed with the one about [very] much the organisation deciding what it thinks is important, that's why I disagreed with that, because it's more about the stakeholders. Now, people within the organisation are some of the stakeholders too, but the organisation is not, in my view, the sole arbiter of deciding what is or is not material.

Consultant 2 here questions the right of the organisation (and by proxy, its managers) to recognise themselves as the dominant stakeholder and prevailing decision maker in materiality processes. Specifically, he provides a link between internal stakeholders, the reporting organisation and materiality decision making processes by recognising internal

stakeholders ('people within the organisation') as dominant within materiality decision making processes. As with Consultant 3, Consultant 2 displays a strong opinion that rejects the authority of the organisation and positioning of the organisation as the dominant stakeholder ('the organisation is not, in my view, the sole arbiter of deciding what is or is not material'). *Equity* rejects the recognition of a singular dominant influence or voice in materiality processes, as has come through integrated reporting participants who resonated with *paternalism*, in favour of opening materiality processes to recognise and include alternative, though still potentially 'expert' perspectives.

7.3 The role(s) of stakeholders

In this section I add depth to the discussion in chapter six by analysing the themes that emerged as the integrated reporting participants described their approaches (and underlying perceptions towards) stakeholders and stakeholder engagement.

The expectations of who, or perhaps *what*, constitutes a stakeholder has been explored in section 7.2 in this chapter. The expectations of how a stakeholder could, or should, contribute within materiality processes is tied to the perceived role integrated reporting participants view stakeholders to have. The three dominant themes that emerged therefore explore not *how* integrated reporting participants necessarily engaged with stakeholders, but rather place focus on the complex *role(s)* stakeholders are perceived to hold, or play, within materiality processes. I wish to emphasise here that stakeholders are not necessarily limited to playing one role only; many of the integrated reporting participants interviewed identified that stakeholders, depending on their perceived level of influence and power over the reporting organisation, played, or had different roles enforced upon them. In this section I present

analysis of the emergent themes/roles: *sources of information and channels for influence, limited influence and utility and potential influencers.*

7.3.1 Sources of information and channels for influence

As identified in chapter six, all but one of the preparers and consultants engaged with (external and internal) stakeholders as part of their materiality process. Nine of these integrated reporting participants (Preparer 1, Preparer 2, Preparer 5, Preparer 6, Consultant 1, Consultant 2, Consultant 3, Assuror 3, Assuror 4) described stakeholders as compliant, acquiescent participants in the materiality process. Though the stakeholders were engaged, and they were encouraged to varying extents to participate through the various channels of engagement, the role stakeholders were prescribed by these integrated reporting participants was as source of information, and conversely, an object that information can be imparted upon.

Driven, or potentially constrained by the dominant understanding of materiality as a tool to inform strategy, risk and opportunity, integrated reporting participants perceived stakeholders as a means through which these objectives may be aided and achieved, cementing linkages between how materiality is understood and enacted in practice. Integrated reporting participants who placed particular emphasis on understanding stakeholder perspectives in turn perceive stakeholders' role as a source of information that may be of potential benefit to managers and the reporting organisation. As Preparer 6 deliberates:

... by understanding what's important to your stakeholders, then it helps to understand the risks and opportunities associated with that, so I think that's what the materiality exercise can give you, it helps to cover off some of those risks and opportunities.

Preparer 5 more explicitly links understanding stakeholder perspectives, manager perspectives, and how stakeholder perspectives freely given in the materiality process are used for management purposes. He comments:

... materiality is really trying to figure out what are the most important issues facing the company from both [a] stakeholder point of view and a company point of view, if in an ideal world, if you're really on top of your materiality issues, then that should help inform and drive strategy. If you were really looking at materiality in its broader sense, so if you're looking at what was really material to your customers for example, then that would help drive your customer decision-making process, and strategic thinking around what services or how you're going to address customer concerns and issues. So it should ideally fold back into strategic thinking. So while we might do a materiality study for an exercise for an annual report, or an integrated report, it actually forms part of materiality and understanding issues of various stakeholders, which forms quite a core part of our strategic development process."

Each of these interview excerpts illustrates two interesting points. Firstly, the role of stakeholders in the materiality process is to give, or be the source of information, and for that information to then be understood by preparers, consultants, and other organisation managers. Information is given without preparers/consultants/other managers necessarily engaging in a reciprocal agreement that may be of benefit to the stakeholders themselves. Secondly, the integrated reporting participants consider stakeholders, their role, and the outcomes of stakeholder engagement within a sphere that encompasses and seeks to go beyond the purposes of integrated reporting.

More specifically, integrated reporting participants deliberate on the consequences of engaging with stakeholders and *understanding* their perspective. Information given by stakeholders within materiality processes, especially in an 'ideal' situation as Preparer 5 describes, feeds back into how those stakeholders as a collective group are managed and/or approached by the organisation: "... that would help drive your customer decision-making process, and strategic thinking around what services or how you're going to address customer concerns and issues". However, it is not clear, and is beyond the scope of this research, whether and to what extent the information stakeholders give during engagement in the materiality process is fed into a loop that then positively benefits stakeholders in their relationship with the organisation, or, if the information is used by managers within the organisation to manipulate their relationship with the stakeholder group, or assert/reassert dominance and enforce/reinforce a position of power over stakeholders

Six of the integrated reporting participants (Preparer 1, Preparer 2, Preparer 6, Consultant 1, Consultant 2, Assuror 2) extended the role of stakeholders from being something to be *understood* to something that can, in turn, be passively influenced to understand the position and ‘truth’ of the organisation. For these participants, the role of the stakeholder further extends beyond engagement in materiality processes. Consultant 1 explains:

And then this one around *what the stakeholders perceive is important* is absolutely the case because stakeholders are only equipped with the information that the organisation is reporting, or the media or someone puts out there about what they’re doing with their strategy, their performance, so it’s always going to be partly subjective and partly around the perception of stakeholders rather than necessarily the actual. So, for example, for [client], they were getting quite frustrated because NGOs, scientists, had a particular view of the fishing industry in New Zealand and they’re lumped in with that, around fish stocks and monitoring and so on. And they said, well we’ve got way more monitoring happening than they’re saying and all this kind of thing. And I said well, that’s stakeholder perception because that’s the information they have and they’ve formed a view on that, based on the information they have. Do if you are doing more monitoring and you do have more data on it, then tell them and perhaps publish the data somehow – whether it’s online or in the report. I do believe that it is influenced by what stakeholders perceive as important because what they perceive may not be the reality depending on what information they have. I think that’s a good statement, the perception statement, because that’s where you start to get back to your reporting statements, *which is how a company can enhance the understanding of stakeholders so that their perception is closer to what is actually the case.* [emphasis added]

The perception of stakeholders holding a passive role in materiality processes is further discussed in the following theme/role, *limited influence and utility*.

7.3.2 Limited influence and utility

The integrated reporting participants aligned with the *sources of information and channels of influence* theme/role perceive stakeholders as compliant actors within materiality processes. Further integrated reporting participants (and some of those identified in the previous theme) (Preparer 1, Preparer 2, Preparer 3, Preparer 4, Preparer 5, Preparer 6, Consultant 1, Assuror 1, Assuror 2, Assuror 3, Assuror 4) view stakeholders as playing an even more passive role. In the theme *limited influence and utility*, stakeholders are more explicitly identified as having visible, though limited or unrecognised voice. Though some of the integrated reporting

participants whose perspectives aligned with this theme engaged with stakeholders, stakeholders and their voices are shackled to complex expectations of how/what a stakeholder can, or should, contribute within materiality processes. Where the *sources of information and channels of influence* theme presented the role of stakeholders as objects to inform the organisation's report, strategy, and risks and opportunities, the *limited influence and utility* theme examines stakeholder roles that are more explicitly alienated, though still subject to, the goals and expectations of the integrated reporting participants in materiality processes.

Within the *limited influence and utility* theme, stakeholders are viewed as having a limited role/ability to directly and meaningfully contribute within materiality processes. It is useful here to reflect on Preparer 4's comments:

So the stakeholder perspective – if you select the right group of stakeholders, then really the process, if it's done well, will give you what's important to them. It doesn't necessarily mean that's important to the business. You would hope that it is, but that gives you a sense of what they see as being the priorities.

As Preparer 4 deliberates, if done well, stakeholder engagement will 'give you what's important to *them*' (i.e. the stakeholders); however, as Preparer 4 identifies, what is important to stakeholders does not necessarily mean that it is important to the *reporting organisation*. Stakeholders may then be argued as silent contributors in the materiality process. Their voices are used but not necessarily heard.

One facet that defines this role is that integrated reporting participants are convinced that they, or others within the organisation already *know*, or have the information available to ascribe what is important to different stakeholder groups. As illustrated by Preparer 3 and Assuror 3:

Preparer 3: Easier to show you than try to explain my way through this. So, essentially here is the list of stakeholders, and this is their ability to influence, and here you're saying – here's a particular issue, social behaviour or whatever it is, I think this is a longer list than what we actually had. Chuck in whether you think there's an element of them being interested in it or not, so 0, 1 – social behaviour for customers might have some interest because it might be disrupted services or graffiti on their rolling stock or whatever, so give them a 1, kind of times it up. And that will add up into a stakeholder score for that particular issue. So all these issues will have a stakeholder score.

Assuror 3: So yes, stakeholders' opinions should always be part of a materiality process in some way. Should stakeholders themselves be involved in the materiality process? I think it's probably the exception to the rule in New Zealand practice that they directly are. Most of the materiality processes that I have seen and that I have been involved in doing myself have involved using the information that you already have about stakeholders. Talking to people who have interacted with that stakeholder group the most over the previous year, who understand the stakeholder group the most, looking at any raw data sources that you might have about that stakeholder groups opinions, and then abstracting from that what their views are as opposed to asking them directly.

And I think asking them directly is a big can of worms, for a couple of reasons. One is that they don't understand the terminology you're using. So if you say, tell me what's most important from a sustainability perspective about my company, they will think of random shit depending on who they are. Anything from, do you recycle, to, they will go for the environment first because that's what most people think sustainability means. They won't think social issues. If you said to a stakeholder: what do you think is material to my organisation's ability to create value for myself and others across all capitals, they'll just go huh? What are you talking about? So it becomes quite difficult to ask them meaningful questions that elicit meaningful responses. That's one problem is language. And a second problem is that stakeholders are likely to complain to you, or to highlight to you issues where they think you aren't doing very well, but they're not likely to tell you the things that they think are most important unless you fuck them up. It's hard to tease out those, what are the things that stakeholder group would be up in arms about if I failed, so sometimes it's more useful to use the person who understands that stakeholder group to look through a list of topics that you've generated – like a huge, the biggest list you could find – and go, if we did that poorly would that stakeholder care.

Each of these interview abstracts introduce different aspects of *knowing* stakeholders and simultaneously acting to silence them within materiality processes. Preparer 3's comments more explicitly illustrate that it is the integrated reporting participants' own abilities and perceived knowledge of stakeholders that guide them to decide what stakeholders think, or should think, is important. Assuror 3's comments explore an alternative approach that is more reliant on the experiences of others (i.e. 'people who have interacted with that stakeholder group') and emphasises tangible 'evidence' of stakeholder opinions to inform deciding what stakeholders think, or should think, is important.

The latter section of Assuror 3's comments provide further insights into how integrated reporting participants justify the limited role they force stakeholders into. Stakeholders are argued as unable to 'meaningfully respond' to the demands of materiality processes, with the stereotypes of holding a wholly negative agenda towards the reporting organisation and also

being ignorant of issues that might be important or relevant for materiality processes precluding stakeholders from direct contribution. Interestingly, Assuror 3 specifically identifies the language or ‘terminology’ populating the materiality process as a specific barrier that limits both the ability of so-called layman stakeholders to understand *what* an ‘acceptable’ understanding of sustainability is (and thus be seen as appropriate to be included in the materiality process), and promotes the role of sustainability ‘experts’ within materiality processes.

Through using technical terminology as a means to justify the exclusion of direct stakeholder contributions to the materiality process, language itself may be seen as a structural constraint that integrated reporting participants rely upon to shape their perception of a silent role for stakeholders. Other integrated reporting participants (Preparer 2, Preparer 6, Assuror 1, Assuror 2) maintain the reporting organisation’s focus on financial compliance and the mandatory requirements of legislation and regulatory bodies are another structural constraint that directs attention away from other stakeholder groups, and their ability to be heard within materiality processes. Preparer 2 explains:

So I think we haven’t quite got the balance right between meaningfully reporting on what our stakeholders value about, versus compliance. ... this could be so much more simple, but for us as an organisation it’s very difficult to get the balance between simplicity and providing the right and accurate information out to our stakeholders. So in an ideal world, I think it would be simple. I think it would be stakeholder-focused, and to me that means speaking to a range of stakeholder groups, not just investors. I think in an ideal world, you would have more buy-in in an organisation, and when you’re all on board with materiality as a process, and the material issues leading the strategy ... But currently that’s not the case. We have a business strategy and the work of our team is to push sustainability up into our business strategy. That’s where we’re at as an organisation. ... So it’s about stakeholder views being central to how we do our business. It’s not [reporting organisation] centric, it would be [organisation] as part of an eco-system, and if we look after that eco-system then we will get what we need for our business. But that’s not where we’re at, at the moment.

And Assuror 1 explains from an assurance perspective:

We look at the process of engagement, we don’t directly engage with stakeholders. ... coming back to structural problems here, the auditor or the assurance provider is engaged by the company on behalf of the shareholders, or the board of directors, depending on the role you’re doing. Therefore, I have no duty of care to the customer, and I don’t want a duty of care to the customer because it increases my liability and

I'm not getting paid for that. So I don't want a duty of care to the stakeholders, they're not the ones I'm engaged by.

... the Companies Act 1993, probably based on the previous one 1978, probably based on the one previous to that, 1950 or something. Means that you've got a long, long history of requiring boards of directors to behave in a way that basically favours, or focuses on the shareholder, and the easiest way to demonstrate you've done that is to derive profit, and profit in the short term not profit in the long term. So structural change, probably structural change and regulatory requirements as well, so regulators.

Preparer 2's and Assuror 1's comments highlight a couple of important points raised by integrated reporting participants. Firstly, integrated reporting participants view legislative (i.e. the New Zealand Companies Act 1993) regulatory financial reporting requirements and the accountability relationships legislation and regulation are perceived to create as excluding the engagement and inclusion of 'other' stakeholder groups. In other words, legislation and regulation to some extent leads integrated reporting participants to focus on the board and shareholder relationships and commitments at the detriment and silencing of other stakeholder voices within materiality processes (Preparer 2: "I think we haven't got the quite the balance right between meaningfully reporting on what our stakeholders value... versus compliance). Secondly, the role that integrated reporting participants place themselves within influences the role they impose onto (nonfinancial stakeholders). For example, the interview extract above indicates Assuror 1 perceives himself to be restrained by the structural constraints he works within; this in turn influences his perspectives on stakeholders and the role they can have within materiality processes ("I have no duty of care to the customer, and I don't want a duty of care to the customer because it increases my liability and I'm not getting paid for that").

The *silent* role stakeholders are perceived to play is further attributed to the sheer dominance of organisations, and organisation managers within materiality processes, and significantly the reluctance to cede power over materiality processes. Integrated reporting participants are explicit in how the power of the organisation imposes the silent role upon stakeholders. This point is best illustrated in the following interview excerpt provided by Consultant 3 who realistically assesses the situation he finds himself within:

I strongly agree that at the end of the day the organisation makes a decision, it's informed by a whole lot of external and internal outputs, but at the end of the day it's their decision. There's no right answer. The organisation must do it themselves, so deciding what it thinks is important, but using all the inputs. So I'm assuming they base that decision on doing all the other good things – stakeholder inclusivity... being unbiased in identifying them [stakeholders], having robust processes to go through that [stakeholder identification and materiality processes].

Consultant 3's comments firmly establish the organisation (and organisation managers) as dominant decision makers and illustrate the limited, silent role other stakeholders can actually hold or play in materiality processes so long as the decision making aspects of materiality processes remain unchallenged. As a consultant, Consultant 3's observations come from the outside looking in. He assumes materiality decisions are based on good things: "stakeholder inclusivity... being unbiased in identifying them [stakeholders], having robust processes to go through that [stakeholder identification and materiality processes]." However, interview excerpts from other integrated reporting participants suggest that 'good' things do not necessarily factor into materiality decision making. For example, Assuror 2, discussing the setting of a materiality threshold comments:

But then what you don't want is basically consensus reporting, Rebecca sets one million dollars, [Assuror 2] sets one point five million, or we'll settle at one point two five million, and that will be the number.

Assuror 2's interview extract explicitly describes an unwillingness to collaborate with other stakeholders (in this case the stakeholder is me, with Assuror 2 referring to himself as the primary materiality decision maker). Assuror 3 goes further to consider why managers may not be willing to engage with others:

Also, involving stakeholders directly in the materiality process is very time consuming and costly, probably involves consultants, and raises the heckles of the powers that be within any organisation, that you're going to be making promises that you can't keep or that you're going to be opening Pandora's Box.

The allegory of Pandora's Box is interesting and illustrates the perceived fear of potential disaster or the 'evils' that may come from engaging with unknown stakeholder perspectives. The allegory further lends itself to promoting the maintenance of the status quo. That is,

keeping Pandora's Box closed, so to speak, through continuing to exclude stakeholders, or silence them in materiality processes.

7.3.3 Potential influencers

Both the *understanding and being understood* and *silent/silence* themes demonstrate an unwillingness to bring stakeholder voice to the fore of materiality processes. *Potential influencers* present an alternative perspective that explores the potential for stakeholders to disrupt power differentials in the stakeholder/manager/assuror relationship by acknowledging the 'hidden' power stakeholders do or may be perceived to have. Integrated reporting participants (Preparer 2, Preparer 7, Preparer 8, Consultant 3, Assuror 3, Assuror 4) specifically acknowledged (prominent) stakeholders as holding a potential influencing role, in the sense that through materiality processes stakeholders may be able to impose their perspectives and especially agenda upon the organisation to effect organisation change. In line with the *friendly and adversarial perspectives* stakeholder recognition theme above, stakeholders perceived friendly or adversarial stakeholders as potential influencers. Preparer 7, reflecting on engagement with iwi within materiality processes, discusses:

I was really pleased with how willing people were to be involved and participate, and that was really cool. And they want more, particularly the iwi members that we went out and saw, there's this expectation that they want more engagement around this... If we don't have the buy-in from our iwi members, and if we hadn't done that big process with all the regional hui, then the whole project would have fallen over probably

The above interview excerpt illustrates the perceived influence of iwi as the shareholders of the reporting organisation, and the importance of 'buy-in' from the iwi to the success of materiality processes – more so than any of the other stakeholders Preparer 7 engaged with. The iwi as a stakeholder group are extremely influential within the materiality process but also with the senior management of the reporting organisation, and the cultural values of the iwi are further embedded in the organisational values of the organisation.

Considering the potential for stakeholders to influence materiality processes from perhaps a more adversarial position, Assuror 4 reflects:

Because they've realised – and this comes back to that Court piece – they understand the legal stake that they can pull. I won't say all stakeholders, it would be particular stakeholders that have different levels of maturity, they might be larger not-for-profits. Their understanding of the legal that they can pull.

The above interview excerpt demonstrates a perception held amongst the identified integrated reporting participants that 'mature' stakeholders have an awareness of their potential power over organisations. And further, they can, and do, use powerful existing institutions, such as the legal system, to challenge the dominance of the organisation and, effectively force change upon organisations. The perception of 'influencing' stakeholder's ties through to how stakeholders are recognised within materiality processes. Stakeholders, such as the 'mature' stakeholders that Assuror 4 identifies in the interview excerpt, are identified and specifically targeted for inclusion in materiality processes. Their inclusion can be understood as giving potentially powerful stakeholders the perception of being 'heard' within materiality processes. A further understanding is that inclusion of potentially powerful participants in materiality processes can in turn provide integrated reporting participants with opportunities to attempt to influence the opinions and agenda of stakeholders they consider to be influential: thereby negating, or perhaps attempting to mitigate the propensity of 'influencer' stakeholders to seek out alternative routes to impose their agenda on the organisation. From this perspective, integrated reporting participants may seek to 'mollify' or silence influential stakeholders through inclusion, curbing the ability of these stakeholders to influence.

For some of the other integrated reporting participants identified (Preparer 2, Consultant 3), the ability for stakeholders to potentially influence materiality processes is positive for the reporting organisation in terms of equipping the reporting organisation to better 'adapt' in an environment where technology is perceived to be increasingly shifting the power from organisations to the public. For these participants, incorporating stakeholder voice into materiality processes and the outcomes of materiality processes (reporting, strategy, risk and

opportunity assessment) is necessary for the organisation to continue to operate competitively in this shifting environment. This point is best illustrated by Consultant 3 who comments:

Ecological – it's the way of nature, to adapt. Those who fail to adapt will be replaced by more successful species, so it's very ecological, I think. Those that are able to take more sources of feedback, make better informed decisions, and adapt to changing conditions will be more successful than those that go, yeah, we do this process but we don't actually adhere to any of the feedback that we get. In fact, we block some feedback and we alter other feedback to fit our existing understanding of the world around us. Actually, the world's moved on. Disruptive economic theory would say, well, banks better watch out, here comes bitcoin, the evidence is already there and things are changing. People want peer-to-peer value creation, value lending. So if you fail to adapt, then you probably start focusing on how do you maintain our view of the world, and we want to keep doing what we're doing the way we're currently doing it.

Being open to changing, or disrupting versus maintaining a 'view of the world' suggests a willingness to consider 'opening up' materiality processes to alternative agendas, opinions, ideological orientations, and voices. It further suggests the creation of alternative spaces and markets outside of dominant and established ways that business is 'done' (such as the bitcoin versus bank example that Consultant 3 draws upon on the interview excerpt above). How radical or transformatory 'change' can be is, however, shaped and constrained by what can be considered to be 'success'. It is unclear what 'success' Consultant 3 is referring to here. However, if success is considered a reiteration of business case logics and neoliberal ideology that underpin the current nonfinancial reporting environment (Unerman & O'Dwyer, 2007; Thomson, 2015; Flower, 2015; Humphrey, O'Dwyer, & Unerman, 2017, Spence, 2007; Tweedie & Martinov-Bennie, 2015) the potential for change to be transformatory in terms of the liberation of stakeholder voice may be limited. If success is measured, or considered outside of this narrow framing it potentially opens up for stakeholder voice to be heard.

7.4 Chapter summary

In this chapter I have presented a response to research questions 1(c) and 1(d). I have discussed what stakeholders are identified by integrated reporting participants, and

thematically analysed how stakeholders are recognised for engagement in materiality processes. In examining the perceived role of stakeholders in materiality processes, I discussed and analysed three emergent themes/roles that integrated reporting participants perceive stakeholders to play, or have been enforced upon stakeholders through engagement (or exclusion from engagement). The findings of this chapter suggest that the integrated reporting participants relationships with stakeholders is complex, and that power is varied and also nuanced within stakeholder groups. Power is aligned with how/to what extent stakeholders are perceived to influence the reporting organisation or the environment the reporting organisation operates within. Many of the integrated reporting participants perceive stakeholders as having more than one role within materiality processes. Further, how stakeholder roles are perceived could in part be attributed to what and how stakeholders are recognised.

In each of these themes/roles, I have especially focused on how the role stakeholders in a lesser position of relative power are ascribed ultimately constrains and silences stakeholder voice. In the following chapter I problematise these roles, and the relationship between the integrated reporting participants and the stakeholders through a Freirean-informed dialogic approach. I further consider and discuss alternative Freirean-informed dialogic approaches to materiality processes that I argue have the potential to promote and privilege the liberation of stakeholder voice.

CHAPTER EIGHT: A FREIREAN-INFORMED DIALOGIC ANALYSIS OF INTEGRATED REPORTING MATERIALITY PROCESSES

8.1 Introduction

This chapter addresses research objective two: *To draw upon Freirean conceptions of banking and dialogic education to critically evaluate and analyse whether, and to what extent, stakeholder voice is liberated within integrated reporting materiality determination processes.*

I draw on Freire's (2005) conceptions of banking and dialogic education, as outlined in chapter four, to critically evaluate and analyse the research findings regarding perceptions on stakeholder relationships, and stakeholder engagement and roles within materiality processes. I further draw on Freire's conceptions of banking and dialogic education to explore, inform, and reflect on alternative dialogic framings of materiality processes which I argue have dialogic potential to privilege and make visible stakeholder voice.

I begin the chapter by critically analysing and problematising integrated reporting participants⁷⁹ and stakeholder relationships in section 8.2. I then revisit materiality processes within an educative space framing in section 8.3, evaluating and analysing the 'current approaches' to materiality processes within educative spaces, and suggesting Freirean-informed dialogic 'alternative approaches'. I summarise the chapter in section 8.4.

⁷⁹ In line with the rest of this thesis, in this chapter "integrated reporting participants" is used to refer to the participants included in this research, that is, preparers, consultants, and assurers who are in a position of greater relative power.

8.2 Analysing and problematising stakeholder relationships

As discussed earlier, much of the research that draws on Freirean framings to interpret empirical findings within accounting utilise Freirean-informed dialogics as a lens for the oppressed. That is, they draw on Freire to explore how institutional and other dominant forces oppress stakeholders and other objects within particular research case studies or contexts, or to examine how the techniques and lessons of Freire can be drawn upon to inform alternative accounting(s) of, or for, the oppressed (for example, see Contrafatto et al., 2015; Denedo et al. 2017). This research departs from these studies in the deliberate and purposeful focus on the oppressor. I focus on preparers, consultants, and assurers who I argue are in a position of greater relative power than the stakeholders who take part in, or are excluded from, materiality processes. More specifically, I direct attention to their perceptions of the stakeholders they engage (or do not engage), and the nature of those relationships and engagements. Though I acknowledge Freire's (2005) argument that it is within the oppressed themselves where liberation from power inequities can and should be driven, I argue that, in the current (western) 'free society' that the integrated reporting participants in this research live and engage with, it is also crucial to understand the reality of the oppressor, and how the oppressor has constructed this reality, in order to be able to challenge and seek liberation from it. As such, the purpose of this section is to critically analyse and evaluate the relationships between the integrated reporting participants and stakeholders as a basis for evaluating 'current' materiality processes and exploring 'alternatives' through a Freirean-informed dialogic approach.

The findings of this research indicate that the 'realities' (Freire, 2005) of materiality processes are dominated by the consciousness and agendas of the integrated reporting participants who run them. Domination is driven in the first instance by an almost universal collective understanding of materiality that works to characterise and constrain stakeholders and their perceived role/s within materiality processes. As Puroila and Mäkelä (2019, p. 8) identify, how

materiality is understood and framed has consequences for “what stakeholder views are privileged, which inputs are filtered through, what is highlighted, and which questions are asked”. The findings of this research supports the case put forth by Carpenter et al. (1994) and Puroila and Mäkelä (2019) who argue that materiality represents a socio-economic and political phenomenon, as opposed to a technical-rational one. Within the dominant *strategic stakeholder engagement* understanding of materiality, the emphasis placed on the importance of stakeholders and understanding stakeholders’ perspectives is framed by underlying business case logics that appear to privilege managerial voices and agendas. The perception of the role/s of stakeholders in materiality processes is further explicated when the integrated reporting participants more explicitly discuss stakeholders as tools (i.e. objects) in the materiality toolbox, compliant, passive, or absent presences in materiality processes.

As I illustrate in chapter six, understandings of materiality in turn underpin and inform the integrated reporting participants materiality processes, including how and to what extent stakeholders are engaged and their voices included (or excluded). It is useful here, for the purposes of setting up a Freirean-informed analysis of integrated reporting participants and stakeholder relationships, to reiterate some key points of this research. The findings illustrate that within materiality processes it is the integrated reporting participants who decide what materiality means and for whom, what the materiality agenda is, and why, who is perceived to be a stakeholder in materiality processes, and when/how/why recognised stakeholders are engaged. As argued in chapter four, Freire (2005, p. 37) presents an oppressive situation as one where “‘A’ [the oppressor] objectively exploits ‘B’ [the oppressed] or hinders his pursuit of self-affirmation as a responsible person”. Drawing on Breault (2003), I argue that within the seemingly ‘free society’ that materiality processes are within, and could also be seen to represent, oppression and oppressive relationships exist between integrated reporting participants who are in a position of greater relative power, and stakeholders, who in a lesser position of power. This occurs primarily through the mechanism of stakeholder engagement.

As I have established, the assurors who participated in Q and semi structured interviews did not engage with stakeholders in their assurance materiality processes. The nature of the oppressive relationships between assurors and stakeholders thus differs from the oppressive relationships between preparers and consultants who did engage with stakeholders in their materiality processes. Considering preparers and consultants who did engage with stakeholders, I have identified two connected aspects from the findings that suggest the presence of oppression and oppressive relationships within materiality processes.

First, materiality processes described by preparers and consultants are exploitative of the labours of the stakeholders who are directly engaged. Stakeholders are encouraged to freely communicate their views and understandings of issues, including those views/issues preparers and consultants have already identified as important. But, from the perspectives of the preparers and consultants, it is not clear what the stakeholders have to gain from engaging in materiality processes beside the appearance of having their voices 'heard'. There is no exchange or ceding of power within materiality processes, as materiality decisions ultimately remain with the preparers and consultants who invited the stakeholder(s) to engage. As I argued in chapter seven, there is some evidence to indicate that the information individual stakeholders provide in materiality processes in turn informs strategies to manage the stakeholder group(s). However, coming from a Freirean-informed approach, stakeholder engagement in materiality processes does not appear to lead to the liberation of stakeholder voice, or the development of critical consciousness or praxis, as dialogue is used by those in a position of greater relative power to establish or continue the subjugation and domestication, versus the emancipation of stakeholders within preparer/consultant and stakeholder relationships (see Solomon & Darby, 2005). Rather, materiality processes, and specifically stakeholder engagements and relationships as perceived by the preparers and consultants in these processes, can be interpreted as a means through which negative power is (re)established and (re)enforced within stakeholder – preparer/consultant relationships.

Negative power, that is, power that is used to dominate (Bebbington et al., 2007), appears to exist between those in a greater position of power (i.e. integrated reporting participants) and those in a lesser position of power (i.e. stakeholders engaged and stakeholders excluded from materiality processes). The use of negative power is demonstrated through how integrated reporting participants control both the recognition, and thereby the legitimization of stakeholders (O'Dwyer, 2005; Mitchell et al. 1997) as 'worthy' to be included in materiality processes, and the perception of the role stakeholders who are and also aren't chosen to engage in that materiality process. The role of stakeholders is imposed upon them by integrated reporting participants who carefully control nearly every aspect of their involvement: how stakeholders are engaged (whether survey, interview, workshop, hui, or not engaged at all), the topics stakeholders can discuss (the list of predetermined issues), how the information provided by stakeholders is understood (stakeholder proxies, for example), and how the information stakeholders provide is used (how reporting, including reporting on materiality processes is presented, how information provided by stakeholders is used by managers). Through the apparent control of each aspect of materiality processes, and the role of stakeholders within them, integrated reporting participants, and preparers and consultants in particular are able to both construct the reality of materiality processes and subject stakeholders to this reality. They are also able to limit the ability of stakeholders to pursue their own agenda and agency through materiality processes, that is, pursue self-affirmation. Through a Freirean-informed lens, I suggest that materiality processes, as communicated and perceived by the integrated reporting participants, appear to be processes that support subjugation and silence of stakeholders. The prevailing purpose of undertaking materiality processes may be, through a Freirean-informed lens, to pursue the domestication of stakeholders as opposed to providing a platform that enables the liberation of stakeholder voice.

Bebbington et al. (2007), drawing on Freire (2005), suggest that while negative power can heavily characterise oppressive relationships, the exercise of that power is not complete (see Tregidga, 2017; Denedo et al. 2017; Dey et al., 2011; Gallhoffer et al., 2006). Similarly,

evidence from this research shows that the power integrated reporting participants wield is nuanced and potentially able to be challenged. The ability of stakeholders to challenge, and through challenging potentially seek the liberation of voice and genuine recognition and agency within materiality processes, is perhaps best evidenced through the integrated reporting participants who perceive stakeholders as potentially holding an influencing role in materiality processes. Some integrated reporting participants argue that certain stakeholders, especially those able to understand and communicate in the language of the legal environment(s) reporting organisations operate within, are able to draw on their own power and the power of the legal system, to impose their will upon the reporting organisation, preparers and other managers.

Though it must be acknowledged that these integrated reporting participants do appear to privilege larger, more 'mature' NGO and not-for-profit stakeholders and some shareholders over those that do not speak the 'right' language, through perceiving at least *one* stakeholder group (however prominent) as having the ability to influence and potentially pursue recognition and a degree of agency within materiality processes, they potentially open the door and the possibility for other, more silenced and excluded stakeholder groups to follow. I would therefore argue, based on the findings of this research, that for stakeholder voice to be liberated within materiality processes, stakeholder exploitation and the power inequities within integrated reporting participant and stakeholder relationships need to be addressed and disrupted. It is from this point of view that I approach the following section.

8.3 Constructing materiality processes as educative spaces

In this section I refer back to Thomson and Bebbington's (2004) diagram (see p. 93) depicting the three stages of dialogic education as a frame to discuss materiality processes, and how

these processes can be perceived as educative spaces, and thus as educative processes. As I introduced previously in chapters one and four specifically, I argue that materiality processes are a space where education can, and does, take place. In the following subsections I add depth to this argument through critically evaluating and analysing where current materiality processes sit in relation to each of the three stages of dialogic education introduced in chapter four (*educational programme*, *educational process* and *action process*) (Thomson & Bebbington, 2004), and by suggesting alternative ways forward that promote the liberation of stakeholder voice.

Each of the following subsections begins with the evaluation and critical analysis of current materiality processes, that represent the 'realities' constructed by the integrated reporting participants. This 'current situation' is then followed by an alternative approach, informed by Freire's (2005) conceptions of dialogic education.

8.3.1 Determination of the educational programme

Within the materiality processes, the *educational programme* refers to the agenda of the process itself, that is, the material issues that are raised, refined, ranked, and finally presented in an organisation's integrated report. Following Freire (2005) and also drawing on Illich (1971), within this research I argue that educational spaces include those that are not necessarily overtly educational, like a school, or a higher learning institution. Similarly, educational programmes include those that do not necessarily appear overtly educational (Bebbington et al., 2007; Illich, 1971), such as material issues. Within materiality processes, material issues represent the *educational programme* as they are both the anchoring point around which processes, and dialogue/interactions within processes are based, and the material issues themselves tell preparers, consultants, assurors, and stakeholders what they 'need to know' about the reporting organisation.

8.3.1.1 Current situation

The development of the *educational programme* is framed both by how integrated reporting participants, as those in a position of greater relative power within materiality processes, understand materiality, as well as how material issues are identified, revised, and refined.

The emergence of the *strategic stakeholder engagement* understanding of materiality indicates the coming together of powerful elites (Solomon & Darby, 2005; Brown, 2009; Unerman & Zappetini, 2014) to develop a mutually negotiated meaning (Eccles & Krzus, 2015) of materiality. These powerful elites further emerge as the dominant voice within materiality processes. I analyse how this understanding of materiality shapes the formation of (oppressive) integrated reporting and stakeholder relationships above. Here I focus on how the dominant understanding of materiality influences how material issues (i.e. the educational programme), are identified and refined. I further explore how the dominant understanding of materiality excludes stakeholders outside of the reporting organisation from participating in this educative stage of materiality processes.

The term 'materiality' is imbued with historical significance and largely financial accounting, reporting, and assurance connotations that bring forth arguments of paternalism, mythologising, protectionism, and power asymmetry (Canning et al., 2019; Edgley, 2014; Houghton et al., 2011; Iyer & Whitecotton, 2007; Roberts & Dwyer, 1998; Unerman & Zappetini, 2014). This research finds that the majority of integrated reporting participants reject historical rules, as well as financial and nonfinancial guidance within the dominant understanding of materiality. This, I argue, limits the influence of institutional reporting standards and guidance setters such as the IIRC, and the Framework, in framing the *educational programme* in current materiality processes. In the place of these institutional actors and objects, the integrated reporting participants are found to favour their own subjective views, with materiality, and integrated reporting materiality processes that follow shaped by the agendas and perceived 'needs' of the reporting organisation.

This research finds that though integrated reporting participants appear to prioritise the importance of stakeholders, especially stakeholder understandings of what is important, stakeholders are located within a narrow business case framing (Brown & Dillard, 2014; Brown & Fraser, 2006; Dumay et al., 2015) that places emphasis on what stakeholders, through materiality processes, can do for the reporting organisation. Stakeholder views are perceived through an organisational lens that translates stakeholder issues “into traditional business language and criteria” (Brown & Dillard, 2013, p. 250). Despite the perceived limited influence of the IIRC, the privileging of the agenda and needs of the reporting organisation within materiality processes are aligned with the key tenets of the Framework (Flower, 2015; Humphrey et al., 2017; IIRC, 2013c; Thomson, 2015). The agenda and perceived needs of the organisation are reflected in the dominant understanding of materiality itself: risk and opportunity assessment, and strategy development, of which the integrated reporting participants consider themselves as the ‘experts’.

The use and adopted meaning of ‘materiality’ amongst the integrated reporting participants limits what materiality *is* and thereby limits the use(s) or purpose(s) of the materiality process(es) towards reaching the perceived needs of the organisation (see also Puroila & Mäkelä, 2019). The findings of this research support Eccles and Krzus’ (2015) argument that powerful elites impose their understanding of materiality on the intended materiality audience. However, unlike Eccles and Krzus (2015), the dominant understanding is not explicitly imposed on stakeholders in terms of a statement of what materiality *is*, but more implicitly through the role/s stakeholders are ascribed in materiality processes. The findings of this research indicate that the dominant understanding of materiality, and the role of stakeholders informed by that understanding, is imposed on stakeholders engaged (and excluded) in materiality processes. With their roles largely perceived as passive and/or silent tools within materiality processes, the ability of stakeholders to meaningfully use to pursue their own agendas within materiality processes appears to be limited. Considering this limiting

perspective from a Freirean-informed approach, stakeholders may be perceived to lack autonomy and a sense of self, becoming passive objects, or students, to be acted upon (Freire, 2005), as opposed to subjects who are able to critically relate to and act upon the constructed reality of materiality processes. How the *educational programme* is designed and developed by the integrated reporting participants further enforces the hidden curriculum of materiality processes, that is, the domestication and the subjugation of stakeholders, their voice, and perspectives within materiality processes.

Assurors more completely dominate their materiality process as stakeholders are excluded from participating in any part of assurance materiality processes. Within assurator materiality processes, subjective materiality judgements represent an absolute truth (Brown, 2009), with the consequence of reinforcing the gatekeeper, expert and paternalistic role of the accounting profession argued by Roberts and Dwyer (1998). However, it is worth noting that assurers themselves have difficulty in articulating their materiality processes, potentially indicating that they have a less clear conception, or are less aware, of the curriculum underlying their materiality processes than the preparers and consultants. The educational programme of the preparers/consultants is defined in the first instance through the identification of “*The List*”, a general catalogue of issues gathered from a number of sources (see chapter six) that inform the remainder of the materiality process, followed by the revising and reducing of “*The List*” within the second stage of materiality processes (refining issues). Though “*The List*” comprises a large number of ‘general’ issues, the sources of the list, with the potential exclusion of passive stakeholder input (customer complaints, for example), is almost entirely organisation led. Thus, from the very beginning of materiality processes, ‘other; alternative perspectives (outside of organisation voices) that may deliberate on oppressive aspects of the preparer/consultant and stakeholder relationship(s) are excluded from participation. This research found, perhaps unsurprisingly, that divergent, challenging or antagonistic perspectives that do not conform to the will or expectations of preparers and consultants are rarely, if ever, invited to engage at any stage of current materiality processes, or the

perspectives are 'silenced' within processes that promote the dominant orientations of organisation agents and stakeholders perceived to hold 'power' over the economic future of the organisation. With the exception of one of the consultants interviewed who started the materiality process through stakeholder engagement (Consultant 3), passive stakeholder input into "*The List*" represents the extent of stakeholder involvement in the determination of preparers and consultants' materiality processes educational programme(s).

Considering the current materiality *educational processes* through a Freirean-informed approach, the dominance of preparers and consultants during the *identifying issues* ("*The List*") and *refining issues* stages of materiality processes is reflective of the continued dominance of the consciousness, (Freire, 2005) and agendas of preparers and consultants as oppressors. Drawing on Freire's (2005) conceptions of banking education, I argue that preparers and consultants within current materiality processes are representative of Freire's (2005) oppressive 'teacher'. Freire (2005, p. 54) argues that the teacher "chooses and enforces his choice, and the students comply; ... the teacher chooses the program content, and the students (who were not consulted) adapt to it". The findings of this research illustrate (through the *refining issues* stage in particular), that preparers and consultants privilege their own judgement in deciding what issues are initially considered relevant, and important as potential material issues in materiality processes. This is particularly demonstrated by the exclusion of stakeholders from participation in the first two stages of preparers and consultants' materiality processes. Through excluding stakeholders from participation in these stages, preparers and consultants are (wittingly, or unwittingly) in the position to direct attention towards specific issues that they consider to be important for the reporting organisation's agenda. This effectively means they control the *educational programme*, and dominate the material issues presented during latter stakeholder engagement (the *educational process*).

8.3.1.2 Alternative approach

Contrafatto et al. (2015) illustrate that the processes underlying the production of a Freirean-informed account (or accounts) goes beyond the production of an account, and the organisation being held to account through what is communicated in an account. The authors argue that Freirean-informed accounting empowers the 'students' to transform the shape of their futures through Freirean-informed dialogic encounters, with the consequence that the production of an account, though still important, is in some ways less important than the transformative dialogic encounters enabled through the process of producing it (Contrafatto et al., 2015). Contrafatto et al. (2015) further identify one of the difficulties of conceptualising transformative dialogic accounting is the conceptualisation of accounting entities within dialogic accounting. The authors argue that "accounting entities are often the obstacles that a community wishes to overcome as part of their transformation process" (Contrafatto et al., 2015, p. 119). As the findings of this research and analysis presented above suggests, oppressive obstacles within current materiality processes are represented by and through relationships between the integrated reporting participants and the stakeholders engaged (or excluded) in these processes. However, I would argue that integrated reporting participants are themselves representative of the underlying oppressive neoliberal ideologies and narrow business case framings dominant in current nonfinancial reporting and assurance.

The findings of this research, and initial analysis of materiality processes as educative spaces above, indicate that materiality processes have further potential beyond being a process to produce an integrated report. Above I argue that the domination of integrated reporting participants in deciding and framing the material issues of the *educational programme* represents the beginning of the domestication, subjugation, and silencing of stakeholders in current materiality processes. Here, I draw on Freire's (2005) conceptions of dialogic education to suggest, and reflect on, an alternative, potentially emancipatory (for

stakeholders), way forward. Specifically, a way forward that may in turn have implications for the current nonfinancial reporting and assurance environments more broadly⁸⁰.

Freire (2005) contends that dialogic education cannot begin with the interests and the dialogue of the oppressor, as the nature of the oppressor is to oppress, versus liberate. Freire (2005) suggests dialogic education requires conscientisation, that is, “exposing and reflecting on “invisible” or “silenced” factors that oppress specific groups, re-examining situations in light of new understandings, problematising existing situations, re-presenting and re-narrating existing situations ... and identifying solutions to transcend existing situations of oppression” (Bebbington et al., 2007, p. 364). Within alternative Freirean-informed dialogic approaches to materiality, the design and the development of the *educational programme* should enact conscientisation through identifying and bringing to the fore the “invisible” or “silenced” (Bebbington et al., 2007, p. 364) aspects or limit situations (Freire, 2005), that characterise the oppressive relationships between stakeholders and integrated reporting participants.

Central to the design and development of the dialogic *educational programme* is Freire’s (2005) ‘investigator’. Considering an alternative, Freirean-informed approach to determining the *educational programme*, it is useful to reflect on the quote from Contrafatto et al. (2015, p. 119), first cited in chapter four, who consider the role of the investigator (that they call the ‘dialogic activist’) in the Freirean project design encounters. The authors suggest the role of the dialogic activist in dialogic projects:

“... is not to dominate or take control of the project... Rather their role involves engaging with the community to co-problematise oppressive aspects of life in the community; inspiring the emergence of local activists; bearing witness to the community’s oppression... and supporting the design and implementation of transformative projects.”

⁸⁰ I discuss the implications of this research for the current nonfinancial reporting and assurance further later in this chapter and in chapter nine.

Thus, an alternative Freirean-informed dialogic approach to determining the *educational programme* of materiality processes begins with the abolition of the oppressive integrated reporting participants roles and the ceding of integrated reporting participants power within the process. Furthermore, the findings suggest that the 'investigator' in materiality processes is unlikely to be a preparer or consultant as they are currently organised. Though the findings of this research indicate that there are preparers who are frustrated, or feel trapped within their organisation role, or perceive stakeholders to potentially have an influential role in materiality processes, they are subject to the wills of the 'powers who be' within the organisation. Similarly, though this research finds that some consultants attempt to challenge the dominance of the organisational preparers and managers in materiality processes, the ability of consultants to step into the investigator role in materiality processes is problematic. It is perhaps naïve to consider that consultants can take on a role that requires the promotion of stakeholder voice and the enabling of praxis and stakeholder action, potentially against the economic interests of the reporting organisations, as consultants are usually hired by the organisation and, willingly or not, become an organisation instrument in turn. Assurers in particular are subject to institutional commitments such as the terms of engagement (with the reporting organisation), professional codes of conduct, and reporting and assurance standards to which they are bound. Further than these identifiable structural constraints, the way that materiality is understood by the integrated reporting participants, and how materiality processes are currently organised to privilege integrated reporting participants judgements and agendas means that, as oppressors, the integrated reporting participants are unable to be separated from the oppressive (neoliberal) ideology they represent (Freire, 2005). Subsequently, any dialogic process cannot begin/be led by these groups as they are limited by, present, and represent the oppressive ideology of the current nonfinancial reporting environment more generally, and specifically reporting organisations and the accounting profession.

Alternative, dialogic *educational programme(s)* must begin with inclusion and encouraging the voice of perspectives currently excluded, silenced, or given limited voice in current materiality processes, alongside stakeholders whom preparers and consultants currently identify and recognise. The inclusion of silenced stakeholders is particularly relevant for conscientisation as it is the experiences and problematic aspects of these stakeholders' relationships with the integrated reporting participants, and the reporting organisation(s) more broadly, that inform the basis of alternative, Freirean-informed dialogic *educational programme(s)*. For the voices of those 'others' to be recognised within materiality processes, the use of the term 'materiality', as currently understood by the integrated reporting participants, must be cast aside in favour of another term or form that is more open to the multiplicity of (potentially conflicting) voices, ideologies, and experiences that reflect the diversity of stakeholder groups. Perhaps a process that is discussed and agreed upon by stakeholders and an independent investigator. As evidenced in chapter six, one of the consultants engaged in this research (Consultant 3) begins the materiality process with the co-creation of the meaning of 'sustainability' and 'materiality'. Though the meaning of materiality specifically is co-created between Consultant 3 and his clients, reporting organisation preparers, the idea of the co-creation of a new term or process between stakeholders and the investigator (i.e. Freire's (2005) student/teachers and teacher/students) would allow stakeholders more power to define their role, and open up materiality processes to alternative issues and topics perhaps including, but also apart from, those that are currently directed and limited through the *strategic stakeholder engagement* dominant perspective.

Within an alternative approach, "*The List*" and the predetermined list (the outcome of the refining issues stage of materiality processes) would also need to be disregarded. The investigator(s) as "sympathetic and empathetic observers dedicated to understanding the living code of the community from the perspective of the community" (Contrafatto et al., 2015, p. 120) (i.e. the stakeholder community), could organise and hold initial meetings with

stakeholders, where the stakeholders, in dialogue with the investigator(s) relate their experiences, and potentially bring material (such as communications with organisation managers, or pictorial representations of their relationship with the organisation) that relates to their relationship(s) with the reporting organisation and its managers. Through these initial meetings, potential oppressive aspects of stakeholder and organisation relationships (in terms of the organisation's impact and influence through its operations and activities) could be analysed and explicitly recognised as limit situations (Freire, 2005), and, together with any other issues that arise from stakeholder dialogue, form the basis of the educational agenda. As oppressive aspects of the stakeholders' relationships with the reporting organisation in particular form the basis of the *educational programme*, the focus of the *educational programme* therefore shifts from what preparers and consultants have determined they need to know to inform risk and opportunity assessments and strategic development towards the lived experiences of the stakeholders themselves, their relationship with the organisation, and the organisations impacts on them (Thomson & Bebbington, 2005; Freire, 2005). Limit situations that comprise the *educational programme* are further engaged with through the *educational process*.

8.3.2 Educational process

Within materiality processes, I argue that educational encounters between integrated reporting participants (preparers and consultants in particular) and stakeholders take place through the different approaches to stakeholder engagement. Through a Freirean-informed approach, these engagements are educative as they are where the *educational programme* (i.e. the material issues), of materiality processes are engaged with, and where educational encounters occur. The role/s ascribed by the integrated reporting participants to stakeholders (*sources of information and channels for influence, and limited influence and utility themes/roles* in particular) within materiality processes support this argument. Within these themes/roles, stakeholders are perceived as passive tools to be used and understood (i.e.

learned from) through the mechanisms of stakeholder engagement or stakeholder proxies. In turn, stakeholders are also perceived as objects that can be influenced (i.e. 'taught') to understand the 'truths' of the reporting organisation. The nature of the *educational process*, and the 'truths' presented through this process, are thus directed by the approaches to stakeholder engagement used, as well as stakeholder roles ascribed by the integrated reporting participants.

8.3.2.1 Current situation

Current *educational processes* relate to educational encounters between preparers and consultants, and the stakeholders that they have chosen to engage. With the exception of the participant Consultant 3 (analysed in section 7.3.1), stakeholder engagement occurs between the *refining issues* and *analysing issues/ranking* stages of preparers and consultants materiality processes. As there is no stakeholder engagement in assessor materiality processes, there are currently no opportunities for educational encounters to occur. Similarly, there is no educational encounter or process for the 'other' stakeholders that preparers and consultants choose not to recognise and engage with.

As articulated in chapter six, preparers and consultants who do engage with stakeholders within materiality processes draw on several approaches to stakeholder engagement: surveys, interviews, workshops, and hui. The findings of this research indicate that how stakeholders are identified and recognised, how chosen stakeholders are engaged, the extent to which they are engaged, and how (preselected) materiality issues (i.e. the *educational programme*) are presented within these engagements are carefully controlled by the preparers and consultants who run materiality processes.

The *educational process* is led by preparers and/or consultants who predetermine the *educational programme* (i.e. the *refined* material issues, which the educational process

confirms), or are in a position to disregard or manipulate unexpected or unwelcome outcomes that arise from stakeholder engagement (see, for example, discussions on manipulation within materiality processes in chapter six). As evidenced by Assuror 4, surveys in particular direct stakeholder attention towards a limited number of preselected material issues, influence stakeholders to perceive a limited number of material issues as 'material', and to understand the issues presented in a specific way. Surveys may thus be argued as influencing stakeholders to conform to the 'consciousness of the oppressor' (Freire, 2005) within materiality processes, with the consciousness of the oppressor represented by the issues preparers/consultants consider to be 'material', and how the issues are understood by preparers/consultants. Though the preparers and consultants who used surveys to engage with stakeholders identified a section at the end of the surveys for stakeholders to express 'other' perspectives, it is unclear to what extent these 'other' perspectives were seriously considered in the remainder of materiality processes, especially as it is the ranking of the surveyed issues that then informs how material issues are then analysed and ranked overall (*analysing issues/ranking*, stage three of preparers and consultants materiality processes, outlined in chapter six). Surveys as educational encounters can therefore be seen as *limiting* opportunities for alternative perspectives and approaches to be seriously considered and further limit creative thinking on material issues from a stakeholder perspective.

In the interviews, workshops, and hui approaches to stakeholder engagement, preparers and consultants engage the *educational programme* in dialogue with chosen stakeholders. However, it does not follow that dialogue is necessarily *dialogic*. Interviews described by preparers and consultants (see chapter six) generally follow survey responses, the limitations of which I have discussed above. In the interviews the potential for dialogue to open up to debate and critical reflection (Freire 2005; Brown 2009; Brown & Dillard 2014; 2015; Brown et al., 2015) is negated by the role(s) ascribed to stakeholders in materiality processes, and the understandings of materiality that inform the purpose and construction of the process itself.

Freire (2005, p. 54) argues that within conceptions of banking education, “the teacher acts and the students have the illusion of action through the teacher... the teacher is the Subject of the learning process, while the pupils are mere objectives”. Dialogue between integrated reporting participants (preparers, consultants) and stakeholders appears to represent conceptions of banking education (Freire, 2005), through serving to confirm the legitimacy of preselected material issues and gain information on the relative importance of preselected material issues, or the organisational ‘truth’, making the preparers and consultants the “subject of the learning process” (Freire, 2005, p. 54). This is opposed to a Freirean-informed dialogic approach that opens up to the ‘truths’ of stakeholders’ oppressive experiences and relationships with the reporting organisation. Stakeholder workshops and hui provide opportunities where stakeholders are able to engage in mutual dialogue with each other, though these encounters are framed within, and directed by, the oppressor’s *educational programme*. It is not clear from the findings whether, or to what extent, *educational encounters* through stakeholder workshops and hui provide a platform for stakeholders’ voices to be seriously considered or whether the platform, as it is currently constructed, fosters critical reflection and debate.

Where ‘other’ stakeholders are explicitly excluded from current *educational encounters*, integrated reporting participants argue that inclusion is not needed/justifiable as (a) the perspectives and opinions of stakeholders are already ‘known’ by preparers, consultants, or other stakeholder proxies within the reporting organisation, who decode and (re)frame stakeholder views and concerns through an organisational lens; (b) structural (e.g. legislative, regulatory) requirements negate any reasonable possibility of stakeholder inclusion; and/or (c) inclusion and especially collaboration are not desirable due to fear of the ‘unknown’, and that stakeholders are not perceived to be able to ‘meaningfully contribute’ to materiality processes. Specifically, perceived ‘technical’ terms such as ‘sustainability’ and ‘materiality’ itself preclude the ability of ‘other’ stakeholder voices to meaningfully contribute within materiality processes. This research contradicts the findings of Houghton et al. (2011) by

suggesting that preparers (as a member of an organisation's management) perceive that they themselves have a clear understanding of what materiality means. However, integrated reporting participants perceive that 'other' stakeholders are unable to understand the meaning of materiality and other 'technical' terms, or at least are unable or currently don't understand materiality in the same way.

Killian (2010, p. 721) examines the role of accounting language through a case study in a conflict arena, and this research builds on her findings that "accounting has failed as a language with which parties... can communicate effectively". This research finds that the language of accounting, and the accounting language ascribed by integrated reporting participants to materiality processes more specifically, is drawn upon by those in a position of greater relative power, and works to exclude those in a lesser position of power from meaningfully participating in those processes. Through a Freirean-informed approach, I argue that the perceived inability to understand, or the different perceived levels of understanding of 'technical' language may be interpreted as the perceived illiteracy of 'other' stakeholder groups. The exclusion of these materiality 'illiterate' stakeholders is juxtaposed by the recognition and inclusion of 'literate' stakeholders who speak the 'language' of materiality and materiality processes.

The implications of excluding stakeholders perceived to be 'illiterate' from even the opportunity to participate goes beyond the narrowing of voice(s) within materiality processes already evidenced by the dominance of integrated reporting participants' voices and subjective opinions in these processes. Recognising stakeholders perceived to be 'literate' in materiality language introduces a perceived level of literacy as a pre-requisite for engagement in materiality education. A point that, through a Freirean-informed approach, precludes illiterate stakeholders from engagement in the socio-political arena that materiality processes more broadly represent (Carpenter et al., 1994; Puroila & Mäkelä, 2019). The consequences of literacy and inclusion or exclusion from political participation is a key tenet underlying Freire's

(2005) work (Gadotti, 1994), as literacy is linked with the ability of the oppressed to participate in political, educative processes that may transform their lives through opening them up to the oppressive realities to which they are subjected. Using, or perhaps abusing education as a tool to maintain (what is understood by the integrated reporting participants as) illiteracy, and through illiteracy the political subjugation and silencing of the oppressed, is a key theme underlying Freire's (2005) conceptions of banking education. The use of literacy as an argument against engagement with the 'other' firmly entrenches materiality processes as educative spaces from a Freirean-informed sense. It further has the effect of re-producing the reporting and assurance status quo in terms of the dominance of literate integrated reporting participants (and like-minded peers) with materiality processes, and the closing down of alternative perspectives and debates that challenge narrow neoliberal and business case framings of reporting, assurance, and broader sustainability (Brown & Dillard, 2014; Gray, 2006; Spence, 2007; Tweedie & Martinov-Bennie, 2015).

8.3.2.2 Alternative approach

Brown and Dillard (2014, p. 1128) suggest that within SEA research there is a need for researchers to embrace methods that acknowledge contestable, power laden relationships in the social world and open up this world for critical reflection and debate. Similarly, in considering a Freirean-informed dialogic approach to the *educational process* within materiality processes, I propose that alternative approaches are needed to open up educational encounters to the oppressive 'truths' of stakeholder/organisation relationships and to take stakeholders voices seriously (Bebbington et al., 2007; Brown 2009; Brown & Dillard 2014; Brown et al., 2015).

Specifically, I argue for approaches that privilege stakeholder dialogue and allow for 'problem posing' educative mechanisms: where stakeholders' oppressive relationships with the reporting organisation and experiences with the organisations operations and activities (i.e. the alternative *educational programme*) can be re-presented and re-articulated through a

series of dialogic encounters that enable transformative dialogue, and introduce potential 'solutions' to the limit situations that comprise the *educational programme* (Freire, 2005; Thomson & Bebbington, 2004; 2005). The role of the investigator in the *educational process* is to mediate stakeholders through the dialogic encounters, that is, the abstracting of themes from the oppressive experiences and relations (the limit situations), stakeholders have with the reporting organisation, extracted through the *educational programme*. These dialogic codifications "are not simply depictions of community life, but representations of the societal structures and "thought-language" that constrain their actions" (Contrafatto et al., p. 119). Through dialogic encounters, and the abstracting of themes into dialogic codifications specifically, the experiences/relations of stakeholders as the oppressed take on new 'meaning'. Dialogic codifications bring the oppressive aspects of experiences/relations into the 'light'. The action of codifying and decoding extracted themes enables stakeholders to recognise not just aspects of theirs, and others, experiences and relations as oppressive, but their role as the oppressed within them, and their indoctrination and submersion in the reality of the oppressors (i.e. the integrated reporting participants, and what they represent) (Freire, 2005; Thomson & Bebbington, 2004). As Freire (2005, p. 96) explicates, the processes of codifying and decodifying extracted themes "makes explicit their [the oppressed] "real consciousness" of the world. As they do this, they begin to see how they themselves acted while actually experiencing they are now analysing, and thus reach a "perception of their previous perception"."

The problem posing of coded abstractions is a crucial stage of the *education process*, as it allows the oppressed to challenge what was previously an unmovable limit situation through coming together to find solutions to the object, or obstacle of their oppression (Freire, 2005; Thomson & Bebbington, 2004). For stakeholders, this may involve problematising current materiality processes and their ascribed roles within them (as an obstacle of oppression), and looking for solutions that promote their voices in materiality decision making. However, dialogic encounters are not necessarily limited to focusing on current materiality processes,

as these may represent just one aspect of stakeholders' oppressive relationships with reporting organisations and their managers. This alternative, Freirean-informed approach to materiality opens up space for the stakeholders to critically analyse and explore potential 'solutions' to overcome, or transform the limit situations their relationships with reporting organisations and their managers (re)present, such as the issue of environmental degradation examined by Denedo et al. (2017).

Informal stakeholder workshops and hui in particular, mediated by the investigator, and taking place in an environment apart/away from the physical manifestations of the power of reporting organisations may potentially provide a way forward for stakeholders to engage in the processes of dialogic codifications and the problem posing of coded abstractions. These spaces are more likely to enable the conscious learning of the oppressed as a collective, social community (Freire, 2005; Gadotti, 1994), as they can potentially be organised to bring the stakeholders together through dialogue and dialogic encounters. This is in contrast to surveys, which, through the individualistic way they are delivered, divide stakeholders from one another, and could be argued to (re)enforce a vertical hierarchy structure between integrated reporting participants (as the designers and recipients of the survey outcomes) and stakeholders (as the recipients and also the participants of the survey). However, this suggestion introduces further issues regarding resources in terms of not just the physical location of the *educational process* but also who pays, and therefore, whose interests are actually being promoted through materiality processes.

The emancipatory potential of counter accounting (see p. 98) offers another alternative, potentially dialogic space going forward (see Denedo et al., 2017) for materiality processes that sits apart from the influence of reporting organisations. Through forcibly creating space for an alternative narrative, rejecting dominant, hegemonic discourses and reporting systems and processes, counter accounting provides potential mechanisms through which stakeholders in a lesser position of power come together in dialogue and, through presenting

and promoting an alternative voice, challenges and disrupts organisational reporting hierarchy and oppressive ideology (Gallhofer et al., 2006; Dey et al., 2011; Denedo et al., 2017). Counter accounting recognises that any process, or understanding of a concept that begins with the needs and ideology of an economically oriented neoliberal organisation cannot help but be oppressive to 'others' (Dey et al., 2011; Gallhoffer et al., 2006). The separation of stakeholder and organisation in counter accounting and reporting presents an accounting and reporting manifestation of the distance and inequity between the oppressor and oppressed (Freire, 2005) while acknowledging the political contestation underlying manager/organisation and stakeholder relationships and communication (Rodrigue, 2014). Through a Freirean-informed lens it may then be argued that for any materiality process *educational programme* and any *educational process* to 'truly' promote the consciousness and voice of stakeholders needs to be conducted outside of the control and agenda of the reporting organisation. However, the organisation needs to be held beholden by the *educational programme*, *educational process*, and any outcomes thereof for any transformative change to occur in the relationship between stakeholders and the organisation. I suggest that it is through an alternative *action process* that this change may occur.

8.3.3 Action process

For Freire (2005), the *determination of educational programme* and the *educational process* are starting points for the organisation of the oppressed towards action on the world and the reality within which the oppressed live their daily lives. As I discuss in chapter four, the action process moves between action, reflection and praxis, "reflection and action upon the world in order to transform it" (Freire, 2005, p. 51) to confront, and disrupt the oppressive structures that dominate the reality of the oppressed. Though Freirean dialogic education is iterative, moving back and forth between the *determination of educational programme*, *educational process*, and the *action process*, within materiality processes, I argue that the *action process*

forms part of the decision making and subsequent 'outcomes' of formal materiality engagements.

8.3.3.1 Current situation

Current action processes relate to preparers and consultants' actions in the *analysing issues/ranking* and *presenting material issues* stages of materiality processes. Though outside the scope of this research, further action processes relate to the 'outcomes' of formal materiality processes, such as the implications of the issues raised in materiality processes to inform organisational strategy, and risk and opportunity assessment. The 'action' that takes place the collation of data on stakeholder perspectives following stakeholder engagement, and the process preparers and consultants go through to decide what to recognise as the most material issues for the reporting organisation. From the assessor side, the action process is less clear. However, within both preparer/consultant, and assessor materiality processes, stakeholders are not involved in the final decision making of what is actually considered to be 'material'; nor are they given the opportunity to reflect on their experiences within materiality processes. The only way that stakeholders are perceived to be engaged in the current action process is passively, through being assigned the role of 'receptacles' for the final published integrated report in which the recognised material issues from materiality processes are presented.

The current action process does not involve critical reflection or praxis for integrated reporting participants. For the stakeholders there is no 'action process', as there is no opportunity to act, or to critically reflect, following engagement. Through a Freirean-informed lens, without this opportunity there is no means for stakeholders to challenge or transform materiality processes as there is no action or reflection upon the 'world' and the reality of the materiality process, and their role within them. Through excluding stakeholders from decision making, and presenting stakeholders with a one-way, one-dimensional materiality communicate of their

engagement in the form of an integrated report, integrated reporting participants continue to exhibit the characteristics of the 'teacher' in Freire's (2005) conception of banking education. Knowingly, or unknowingly, the integrated reporting participants promote and perpetuate the oppressive business case logic and neoliberal ideology they represent, through denying not only voice to stakeholders in the *analysing issues/ranking* and *presenting material issues* stages of materiality processes, but also through denying them praxis and thereby the ability to dialogically disrupt or transform materiality processes and their role within them.

8.3.3.2 Alternative approach

In the previous sections of this chapter, I have proposed alternative approaches to both the *determination of educational program* and the *educational process* in the context of materiality processes. However, for these Freirean-informed dialogic approaches to be transformative and emancipatory for stakeholders and stakeholder voice, the reality of the stakeholders within materiality processes must be confronted and disrupted through an iterative process of action and critical reflection (Freire, 2005; Thomson & Bebbington, 2004) directed at the current oppressive structure materiality processes represent. This representation is on two levels. Firstly, the level of the nonfinancial reporting environment (see chapter two) that integrated reporting, and materiality processes, are shaped, constrained, and ultimately representative of. And secondly, at the level of materiality processes that this research examines.

At the nonfinancial reporting environment level, there is much critique within the extant nonfinancial reporting literature that highlights system level changes that need to occur for dominant neoliberal ideologies that underlie nonfinancial reporting (and the processes therein) to be challenged and disrupted (Brown, 2009; Brown & Dillard, 2014; Gray, 2006; Spence, 2007). As discussed earlier, counter accounting provides one potentially dialogic avenue for a stakeholder-led stand against hegemonic discourse through making visible and educating on the 'suffering of oppressed groups' (Vinnari & Laine, 2017, p. 1) and bringing alternative

perspective ideologies and often politically contentious issues into the light (Denedo et al., 2017; Vinnari & Laine, 2017). Through focusing on perceptions of those in a position of greater relative power within materiality processes, this research offers some insights into the hegemonic, and paternalistic dominant (neoliberal) business case framings that Freirean dialogics attempts to highlight and disrupt. Namely, that stakeholder relationships and approaches towards stakeholder engagement within materiality processes that may not appear to be outwardly oppressive veil relations characterised through the use (or abuse) of negative power, and privilege the voices, decisions, and agendas of those who are revealed to be in a position of greater relative power. The alternative, Freirean-informed dialogic approaches to the *educational programme* and the *education* process discussed above explore avenues to make these veiled oppressive relationships and obstacles visible. The potential of the alternative educative dialogic materiality processes in this chapter may be of some relevance to broader transformative and emancipatory dialogic systems that the work of Brown (2009), Brown and Dillard (2014; 2015) and Brown et al. (2015) in particular promote, through emphasising the need to learn from the oppressed of their oppression, and pursue emancipation through the critical learnings of the oppressed themselves.

At the level of materiality processes, space needs to be made for *action*, that is, reflection and praxis, to occur. As I have illustrated in the discussions above, for a Freirean-informed, dialogic alternative to have potential, spaces need to be made for stakeholders to be included and dialogic encounters to occur. Further for the transformative, dialogic *action* of stakeholders and their voices, stakeholders need to be heard, and have their solutions implemented within and through materiality decision making. I have argued that integrated reporting participants need to cede their power within materiality processes for materiality processes to open to alternative and conflicting perspectives, ideologies, and agendas, and the oppressive experiences and relations of the oppressed. At its simplest form, Freirean-informed dialogic *action* may begin with an iterative feedback loop, where stakeholders are given the opportunity to reflect and respond to the outcomes of materiality processes they have been engaged with,

and to challenge the organisation on its response to the issues materiality processes raise. Within this alternative process, stakeholders liaise with organisational representatives through the investigator to 'solve' the issues that materiality processes raise.

However, Freire (2005) proposes a more radical, revolutionary informed approach to action on the obstacles of oppression, premised on cooperation and the organisation of the oppressed as a collective, unified against their shared oppressive reality. For Freire (2005, p. 156), dialogic *action* happens outside of the "magic and myth which binds them to the nature of oppression". Significantly, it begins with the oppressed experiences of the *educational programme* and the *education process*, with Freire (2005, p. 162) arguing that "investigation – the first moment of action... - establishes a climate of creativity which will tend to develop in the subsequent stages of action". Contrafatto et al. (2015) argue that alternative sustainable development oriented accounts produced by oppressed school children and dialogic activists forms the basis for action/activism in the community more broadly, with the accounts themselves inspiring and encouraging broader acts of transformative action and activism on sustainability issues. Stakeholders may be drawn into acts of collective, informed activism against the reporting organisation through their involvement in alternative materiality processes. However, the difficulty lies in *how* stakeholders can confront and overcome obstacles so deeply entrenched within current neoliberal ideological systems that underlie the basis of their oppression. Without engaging with stakeholders, it is difficult to speculate on what creative outcomes would emerge from the alternative materiality approaches discussed in this chapter, and how they would be implemented for the liberation of the stakeholders themselves. Once the oppressive realities of the oppressed are made visible, Freire (2005) trusts the people to pursue their liberation, in their own way. Similarly, it would be in the hands of stakeholders to confront the obstacles of oppression unveiled through, Freirean-informed dialogic alternatives to current materiality processes.

8. 4 Chapter summary

In this chapter, I responded to the second research objective. I problematised integrated reporting participants and stakeholder relationships, identifying and placing emphasis on the use (or abuse) of negative power as a defining characteristic, representative of the oppressive nature of these relationships. I have further drawn on Freire's (2005) conceptions of banking and dialogic education to critically evaluate and analyse current approaches to materiality processes as educative spaces, and the potential for current materiality processes to liberate stakeholders and their voices.

Through a Freirean-informed approach, current materiality processes appear to be reflective of conceptions of banking education, (wittingly or unwittingly) influencing stakeholders to conform to the consciousness of the integrated reporting participants as oppressors through the design and development of the *educational programme*. The delivery of that program through *education process(es)* ultimately limits the potential for stakeholders voices to be heard, and stakeholder issues to be taken seriously. In juxtaposition, I theorised the potential for alternative, Freirean-informed dialogic approaches to materiality processes. I argued that materiality and materiality processes need to be reorganised to open to the oppressive 'truths' of stakeholders and their relationships with reporting organisations and managers. Spaces for dialogic encounters need to be forcibly created for stakeholders to come together and collectively critically reflect on, and act upon the obstacles and objects of their oppression. I reflect on the research, including the response to research objective two, and offer some conclusions in the following chapter.

CHAPTER NINE: CONCLUSION: RESPONDING TO THE RESEARCH OBJECTIVES AND REFLECTING ON THE RESEARCH

9.1 Introduction

This thesis, and this research journey, began with my personal experiences of confusion and concern over the workings of materiality. In the first chapter of this thesis I described how these experiences drove me to investigate how those in a position of greater relative power perceive the role of stakeholders and stakeholder inclusivity within materiality processes. Now, at the end of the thesis and research process, I reflect on both the research motivations and the objectives the research sought to address.

I begin the chapter reflecting on the responses to the research objectives, and conclude the main findings of the research in section 9.2. I then discuss the contributions the research makes to knowledge in section 9.3. In section 9.4 I deliberate on the limitations of the research, and suggest potential avenues for future research. I close the thesis with some concluding comments in section 9.5.

9.2 Responding to the research objectives

In chapter one I introduced the overall aims and objectives of this research. I presented findings related to these research objectives in chapters six, seven, and eight. Next, I summarise my response to these, beginning with the first research objective: *To investigate whether, and to what extent, materiality determination is 'opened up' to stakeholders within the integrated reporting context.*

9.2.1 Integrated reporting materiality determination: 'opening' up to stakeholders

The emergence of a dominant understanding of the materiality concept (*strategic stakeholder engagement*) within the integrated reporting participant group suggests understandings of materiality are dominated and protected in turn by those in a position of greater relative power in materiality processes. The materiality concept emerges as veiled but not contested, interestingly at odds with previous research (Edgley, 2014; Houghton et al., 2011; Puroila & Mäkelä, 2019; Unerman & Zappetini, 2014). However, the veiled nature of the concept was found to close out alternative perspectives on what materiality may mean in this context. Stakeholder voice is limited by the emphasis this dominant understanding places on privileging the subjective views of the integrated reporting participants, the framing of these subjective views as an objective and technical-rational (Brown & Dillard, 2014) 'truth', not open to manipulation or interference from internal and external forces, and the underlying business case logics that frame importance, stakeholders, and importance to stakeholders within this understanding (Brown & Dillard, 2014, Dumay et al., 2015).

The dominant understanding of the materiality concept further framed materiality processes and directed (and limited) the extent to which materiality processes can be opened up to stakeholders. Integrated reporting participants followed linear processes from identification through to presentation of material issues that privileged their own (and other organisational agents) subjective views on what is and what should be 'material'. Within materiality processes, integrated reporting participants recognised stakeholder perspectives they perceived to be in a position of potential power (i.e. NGOs they considered to have a notable public presence and/or resources, or investor representatives), perspectives that reinforced specific organisation goals (i.e. organisation 'partners'), or perspectives in a lesser position of power and were dependent on the perceived generosity of the reporting organisation (i.e. dependent charities). Internal organisation perspectives in a position of power, such as senior managers, were also found to be privileged within the processes.

Though most of the integrated reporting participants engaged with stakeholders within their materiality processes (with the exception of the assessor participants, none of whom engaged with stakeholders), engagement did not necessarily suggest that materiality processes were 'opened up' to stakeholders. Integrated reporting participants cast stakeholders into passive, compliant, and 'silent' roles within materiality processes. These roles were (re)enforced by the approaches to stakeholder engagement integrated reporting participants used. Through presenting stakeholders with a predetermined materiality agenda, integrated reporting participants closed down space for alternative perspectives and limited wider debate on 'material' issues. Through the presentation of the 'agenda' within stakeholder engagement, integrated reporting participants further sought stakeholder conformity to the views the reporting organisation held on the issues identified by integrated reporting participants as 'material'. Stakeholders views were 'seriously considered' to the extent that they were of use to the integrated reporting participants in terms of informing or confirming underlying organisation agendas, specifically regarding reporting, strategy, and risk management. The decisions as to what the material issues were and how they were presented in integrated reports was ultimately in the hands of each integrated reporting participant and/or a group of powerful internal stakeholders.

The findings and analysis suggests that the extent to which materiality processes are 'opened up' to stakeholders is limited: limited by the emphasis placed on privileging the subjective views of the integrated reporting participants in particular, and the framing of integrated reporting participants' subjective views as an objective, technical, and apolitical (Brown & Dillard, 2014; 2015) 'truth'. Though the views of a select few stakeholders may filter down to be included in the final decision of what is material, the exclusion of (external) stakeholders from any significant position of decision making, and the dominance of the voice of the integrated reporting participants and other powerful organisation agents throughout each stage of materiality processes supports this position. The consistent prevalence and privileging of organisation agendas within materiality processes further negates the possibility

of stakeholders having their voices heard. As such, the findings of this research suggest the continued dominance of monologic, business case framings.

9.2.2 Stakeholder liberation and voice

The second research objective more explicitly considers the liberation of stakeholder voice: *To draw upon Freirean conceptions of banking and dialogic education to critically evaluate and analyse whether, and to what extent stakeholder voice is liberated within integrated reporting materiality determination processes.* I draw on the discussion of my learnings from the findings from research objective one (chapter eight) to address this research objective.

Through drawing on a Freirean-informed approach to the critical evaluation and analysis of current materiality processes, this research has suggested that current materiality processes are reflective of Freire's (2005) oppressive conception of banking education. Oppression in materiality processes was evidenced through the use (or abuse) of negative power that characterised the relationship(s) between integrated reporting participants and stakeholders engaged or excluded from participation in materiality processes. Obstacles contributing to, and reinforcing the status of the integrated reporting participants as oppressors and stakeholders as the oppressed (such as the limited roles ascribed to stakeholders, identified in the response to the first research objective above) further carried through to the organisation of the *educational programme*, *education process* and *action process* of current materiality processes.

Within this research, integrated reporting participants appear to reflect the role of Freire's (2005) teacher within conceptions of banking education. The integrated reporting participants decide the *educational programme* (i.e. the material issues) and how they are presented and engaged with by the 'student' stakeholders in the *education process*. The use of materiality processes to inform their own agendas regarding strategy and risk assessment further indicate

integrated reporting participants as the educative 'subject' of materiality processes. Integrated reporting participants further introduce literacy as a barrier to engagement, further embedding materiality processes as educative spaces, and also using education as a 'tool' to maintain the silence and illiteracy of the oppressed within current materiality processes. There is no *action process* for the stakeholders, as they are excluded from materiality decision making. The organisation of current materiality process decision making and outcomes (i.e. through integrated reports) further does not appear to enable praxis for stakeholders, or the integrated reporting participants. Though some of the integrated reporting participants experienced degrees of frustration directed at the organisational structures they are constrained by, and other (particularly consultants) recognise stakeholders as having a potential influence within materiality processes, ultimately the integrated reporting participants conform to, and represent the neoliberal ideology and narrow business case framings of materiality that subjugate and domesticate, versus liberate, stakeholders and their voices. Through the current organisation of materiality processes, integrated reporting participants as 'teachers' further (re)enforce the hidden curriculum of materiality processes, that is, the silencing and subjugation of stakeholders within materiality processes.

Through a Freirean-informed approach, the extent to which stakeholders are liberated through current materiality processes appears to be limited by the oppressive relationships and organisation of educative materiality processes discussed above. In chapter eight I drew on Freire's (2005) conceptions of dialogic education to explore and inform alternative approaches to materiality and materiality processes that have dialogic potential to privilege stakeholder voice, and significantly, potential to allow stakeholders to come together in dialogic encounters that open up to stakeholders the reality of their oppression. Mediated by a sympathetic and observant investigator, obstacles of oppression within current materiality processes and the relations stakeholders have with the reporting organisation more broadly, are made visible to stakeholders through Freirean-informed dialogic *educational programme(s)* and *education process(es)*. A significant part of the alternative Freirean-informed dialogic approach

suggested is the ability for stakeholders to transform the obstacles of oppression in current materiality processes, and other aspects of stakeholders' relationships with organisations and their managers, through collective action and reflection (praxis).

It is important to note that in exploring alternative Freirean-informed dialogic approaches to materiality and materiality processes, that the underlying pedagogy and curricula of current materiality processes are not necessarily being 'remade'. The perspectives, agendas, and underlying ideologies that drive integrated reporting participants and their materiality processes are not directly being transformed through the alternative Freirean-informed dialogic education suggested, though they may form the oppressive obstacles the alternative approach is directed at. Freire (2005) argues that the oppressors are powerless to escape their role as oppressors. Similarly, this research finds that the integrated reporting participants are too embedded in the neoliberal ideologies and narrow business case logic that underpin the dominant and minority understandings of materiality, and current materiality processes, to lead stakeholders towards their liberation in alternative materiality processes. However, I argue that though conceptions of banking education are not transformed, the alternative Freirean-informed dialogic approach explored allows for an alternative, dialogic pedagogy to rise.

The rise of a dialogic pedagogy and educative processes has implications beyond the potential to transform the role and voice of stakeholders in materiality processes. Freirean-informed dialogic education provides a space for the dialogic codification of oppressive experiences and relations that may extend beyond current materiality processes to address issues such as environmental degradation (see Denedo et al., 2017) that critical accounting makes visible and attempts to address. Through participation in alternative, Freirean-informed dialogic materiality processes, and the process of collectively making visible and problematising oppressive obstacles that constrain and subjugate stakeholders, alternative materiality processes may also lead to radical and informed activism against the obstacles of

oppression (i.e. reporting organisations and their managers), and the broader neoliberal current reporting and assurance environments that reporting organisations and their managers can be seen to represent. Through examining and focusing on the perceptions of integrated reporting participants as oppressors in a position of greater relative power, this research also brings to our attention the importance of learning from the oppressed (in a position of lesser relative power) of their oppression, and the emancipatory potential of critical reflection and action of the oppressed themselves.

9.3 Contributions to knowledge

In the Introduction chapter I outlined the intended contributions of this thesis to theory, literature, method, and practice. In this section, I reflect on the contributions I have made to each of these areas.

One of the main intended contributions of this thesis was to further (especially Freirean) dialogic accounting debates of reporting as a space where educational activity takes place (Bebbington et al., 2007; Brown, 2009; Brown & Dillard, 2014). That is, to explicitly frame materiality processes as an educative space. In this thesis I have contributed to the use of Freire within the accounting literature through drawing on Freire's (2005) conceptions of banking and dialogic education to theorise this educative space, and the relationships between the preparers, consultants, assurers (in a position of greater relative power), and stakeholders (in a position of lesser power) within this space. My contribution in this literature has several facets.

The use of Freire (2005) within this research, and the theorisation of the educative space, draws on the Freirean themes of domination and liberation, and silence and voice. In this research I have contributed to the conceptualisation of oppression within the Freirean dialogic accounting literature through extending what it means to be 'oppressed' within an accounting context, and an integrated reporting materiality context more specifically. Through this research I have further demonstrated that Freire's (2005) conceptions of banking and dialogic education have potential, and are not limited to overt spaces of conflict and/or social injustices previously addressed within the extant literature (Contrafatto et al., 2015; Denedo et al., 2017). I argued that oppression, and oppressive relationships exist in less explicit or outwardly obvious spaces where there is the imbalance and abuse of negative power, and the subjugation of the reality of group(s) of people by a dominant, oppressive other. Further in this vein, in this research I extended Freirean dialogic accounting literature and demonstrated the value of empirically investigating and revealing the perspectives of the oppressors themselves within an oppressive process. It is through this unveiling that it becomes possible to know the world of the oppressor, and to confront and challenge oppression (Bebbington et al., 2007).

Similarly, I have contributed to the broader materiality literature through 'lifting the veil' on understandings of the materiality concept. My research has challenged the fractured, contested understandings presented in the extant literature through the emergence of a dominant perspective of materiality within the integrated reporting participant group. The emergence of this dominant understanding further suggested that, in this context, meanings of materiality itself are dominated by a united group. These findings support critical literature that argues materiality as a protectionist and paternalistic concept (Roberts & Dwyer, 1998). Through lifting the veil, I further challenged debates that argue materiality as ambiguous. Through presenting the revealed characteristics of the two understandings of materiality (both the dominant and the minority understanding), this research thus adds some 'substance' to materiality to counter ambiguity debates presented within the extant literature. By making

visible understandings of materiality within integrated reporting practice, I have opened space for further critique on the protectionist and paternalistic workings of the materiality concept and its effects.

Through the use of Q to unveil subjective understandings of the materiality concept, I have made a contribution to critical accounting method. Though critical accounting researchers have engaged with Q (see Byrch et al., 2015, Sorola, 2017), these authors draw on the extant literature to name and develop the participants' emergent understandings. In my use of Q, I have drawn inspiration from the reflexive use of the method outside of the accounting discipline (Ockwell, 2008; Barry & Proops, 1999; van Eeten 2001; Webler et al., 2001). I allowed understanding(s) of the materiality concept to emerge without any preconception(s) and without drawing upon existing nonfinancial and financial reporting and assurance literature to 'name' or characterise the emergent understandings. In taking this approach I opened up space for understandings of materiality that may not exist within the extant literature to emerge, and further let the perceptions and interpretations of the integrated reporting participants lead the interpretation and analysis of the emergent understandings.

At the beginning of this thesis, I sought to contribute to integrated reporting and assurance practice. Further engagement with practitioners is needed for the contributions outlined in chapter one to be made. However, this research has potentially opened up areas for contributions to practice, specifically in relation to how materiality is understood by the integrated reporting participants, and the connections between understandings of materiality and materiality processes. The findings from Q illustrates that understandings of materiality are not heavily influenced by the frameworks/guidance available to the integrated reporting participants. However, the dominant understanding of materiality does appear to reflect some of the values of the Framework, namely the focus on forward looking strategy that the IIRC

promotes. This research further makes visible a potential disconnect between the Framework and what is enacted by the integrated reporting participants in their materiality processes. Though some of the participants reference the language of the Framework when relating their experiences of materiality processes in particular, the emphasis the dominant understanding of materiality places on the privileging of the subjective opinions, and strategic/risk agendas of the integrated reporting participants is more strongly reflected in the way that materiality processes for both preparers/consultants and assurers are conducted. The findings of this research indicate that, for the Framework to have more influence in materiality practice, the IIRC may need to reconnect with preparers, consultants, and assurers to find spaces where the Framework can direct and guide how materiality is understood, and materiality processes undertaken. This potentially represents an area for future research.

9.4 Limitations and directions for future research

This research has explicitly focused on, and was thus limited to, capturing the perceptions, experiences and understandings of those in a position of greater relative power within materiality processes. A natural direction for future research would be to engage with those who, through the findings and discussions within this thesis, I establish as oppressed within materiality processes: recognised and 'other' stakeholder groups, perhaps especially those external to reporting organisations. Future research could investigate the understanding(s) of materiality within these groups (using a Q approach, as I have taken in this research, or through the use of semi structured interviews, or another research method), and examine the experiences of stakeholders as the oppressed within materiality processes as they currently are. Research on the experiences of stakeholders could lend further insights as to how those oppressed within the materiality process not only view themselves and their role within materiality processes (for example, can they, or do they recognise themselves as oppressed

within these processes) but how their experiences can inform future attempts to liberate stakeholder voice within integrated reporting materiality.

One of the findings of this research is that the dominant understanding of the materiality concept that emerged within the integrated reporting participant group does not perceive institutions (such as reporting and assurance bodies, and legal systems) to have significant influence in shaping how materiality is understood. An avenue for future research is to explore and examine understandings of materiality in environments where these institutions are perceived to have greater influence over the activities of reporting organisations, managers, and assurers. In the United Kingdom, for example, section 172 of the Companies Act 2016 forces the Board of a reporting organisation to consider relationships with stakeholders, community and the environment, and long term impacts on these groups in their decision making. How, or to what extent, does this legislative environment affect the dominance of the accounting profession within materiality and materiality processes? And how does it influence how preparers, consultants, and assurers working within the United Kingdom understand the materiality concept and their perception(s) of stakeholders within materiality? This is a question that is interesting and provides further opportunity to examine the relationship between not just UK preparers, consultants, and assurers and stakeholders, but also the nature of the relationship preparers, consultants, and assurers have with powerful institutions, such as the legal system, whose boundaries they operate within.

In a similar vein, future research could also investigate both understandings of materiality and materiality processes in organisation structures outside of profit oriented entities, such as cooperatives and not for profit organisations. Passetti et al. (2017, p. 173) examine dialogic engagements within a consumer owned cooperative, and find that “dialogic exchange is a relative concept which depends on the interests involved and the topics discussed”. It would be interesting to explore whether materiality is a similarly relative concept, understood differently within different types of organisation structural constraints and agendas. The

investigation of perceptions of stakeholders, and the perceived roles of stakeholders within materiality processes with these different organisation structural constraints is a further area of interest for future research.

I open a further opportunity for future research through the alternative Freirean dialogic framings for materiality processes that I reflect on and discuss in chapter eight of this thesis. Drawing inspiration from Contrafatto et al. (2015) and the co-creation of alternative dialogic sustainability accounts, this avenue of future research would involve not just investigating or observing the Freirean dialogic potential of the alternative approaches I have suggested, but also active engagement in these Freirean dialogic engagements. Cooper (2005 p. 593) argues that accounting academics have the theoretical knowledge and research skills “to bring coherence to fledgling movements and to enable them to overcome the barriers created by the myths perpetuated to hamper social protest”. She contends that by engaging in the social sphere, academics are able to move beyond the academy to become public intellectuals that engage in the social world and challenge “ideologies which service to hide power relations and hold-back legitimate social protest” (Cooper, 2005 p. 593). Through being an active participant, perhaps the investigator in the *educative programme*, the *educational process*, and the *action process*, accounting academics can have a role in Freirean-informed dialogic education that has implications and consequences outside of the educational institutions that they are traditionally bound to. Active participation in the alternative Freirean-informed dialogic framings that I argue in chapter eight, enables accounting researchers the potential to empower praxis (in both themselves, perhaps confronting their own understandings and preconceptions of materiality, and currently marginalised stakeholders in particular), promote the liberation of stakeholder voice(s), and pursue transformatory change of current materiality processes. Participation would also potentially provide accounting researchers with a platform to potentially challenge the dominant business case logics and neoliberal ideologies that critical accounting has attempted to highlight and disrupt (Brown, 2009; Cooper, 2005; Cooper, Coulson & Taylor, 2011; Spence, 2007). Accounting academics could explore

stakeholders' perspectives as an insider in dialogic materiality processes. This position opens up the workings, potential, and barriers to alternative, Freirean-informed dialogic processes, and also makes visible actual and potential transformative impacts of a Freirean-informed dialogic approach to materiality processes.

9.5 Closing comments

In thinking about how to conclude this thesis, I found myself reflecting on the following quote from Adams (2015, p. 26):

Perhaps rather than focusing on blaming the dominance of the accounting profession in the process, we should consider our failure as accounting academics, critical of current accountings, to engage with organisations to help develop new accountings.

Adams (2015) illustrates the responsibility critical accounting academics have to not just draw attention to the injustices of dominant and privileged elites within accounting(s), but the individual and collective responsibility and ability critical academics have to challenge established accounting(s) and contribute to alternate accounting(s) (whether that be through working with organisations or not) that better represent the agendas and ideals of stakeholder liberation, social and environmental justice, equity, and ultimately 'freedom' that critical accounting research attempts to promote (Cooper, 2005; Cooper et al., 2011).

For materiality to truly 'open up' and promote the liberation of stakeholder voice, this research has illustrated that it is necessary for the concept and processes of materiality to be open to debate and conflict, for the views of powerful elites to be challenged, objective 'truths' questioned, and neoliberal business case ideologies that ultimately underlie understandings of materiality to be disrupted. The findings and lessons from this research confirm rather than challenge my experiences in financial assurance, and the concerns arising from those experiences that I outlined as the personal motivations of this research.

This research purposefully engaged with preparers, consultants, and assurors in positions of greater, relative power, and illustrates how these people, as oppressors, oppress stakeholders and their voices within materiality processes. However, on a personal note, the experience of this project has highlighted for me that this research was born through experiences and associations with (financial assurance) oppressors, and the systems they represent, and that I have continued to engage with oppressive voices and perspectives through the course of the research project. At times, I have found this realisation – that my background and experiences with materiality were oppressive to the stakeholder voices that I sought to open up to liberation through this research – deeply uncomfortable. Further, this research has unveiled the oppression of materiality processes and the role of stakeholders within them and is yet to give back through engaging with those in positions of lesser relative power in materiality processes. However, I find some solace that through making visible the perceptions and experiences of those in a position of greater relative power within materiality processes, the findings and lessons from this research also present (myself and other, critically minded academics) with an opportunity. An opportunity to seek out alternative, Freirean-informed dialogic ways forward: to reflect on the lessons learned from this research, and through action, to be an active part of a challenge to disrupt hegemonic discourse and narrow business case framings of materiality (the concept), and materiality processes.

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APPENDIX 1: Concourse participant information sheet

The logo for Auckland University of Technology (AUT) is displayed in white text on a black background.

TE WĀNANGA ARONUI
O TĀMAKI MAKĀU RAU

Participant Information Sheet

PRELIMINARY INTERVIEW PARTICIPANT

Date Information Sheet Produced:

27 April 2016

Project Title

Integrated Reporting, Materiality Determination and Stakeholder Inclusivity.

An Invitation

You are invited to participate in a research project on integrated reporting, materiality determination and the role of stakeholders within the materiality determination process.

This project is being undertaken by Rebecca Bolt, a PhD candidate from the Faculty of Business and Law. Participation in this project is voluntary, and you may withdraw at any time prior to the completion of data collection.

What is the purpose of this research?

Rebecca Bolt is undertaking this research project for her PhD thesis at Auckland University of Technology. It is expected that this research will also potentially result in the publication of research papers, conference papers, academic journal articles, and will potentially contribute to a book and other academic presentations.

How was I identified and why am I being invited to participate in this research?

One of the aims of this project is to gain an understanding of how the materiality concept is perceived by people who are or could be involved in preparing integrated reports and people who are or could provide assurance on integrated reports. The first phase of this project involves gaining an understanding of how the materiality concept is perceived in the wider financial and nonfinancial (i.e. social and environmental, or sustainability) reporting and assurance community. You have been invited to participate in this research as you have been identified as having specific knowledge, experience and/or understanding of the materiality concept within one or both of these areas.

Your name and contact details have come from another participant, or through conference and network contacts.

What will happen in this research?

You will be asked to sign a participant consent form and take part in an interview. The interview will discuss the materiality concept, as well as asking further questions about your experiences of materiality and materiality determination practices, and in relation to stakeholder engagement. With permission, the interview will be recorded via audio tape and note taking. The interview data will be analysed by common themes.

What are the discomforts and risks?

You will be asked to provide information about your perception of the reporting and assurance process of integrated reporting, specifically regarding materiality, materiality determination and stakeholder inclusivity. Due to the nature of this study and the specialised nature of the field there is some potential that you could potentially be identified as a participant in this research through some of the responses given in the interview.

How will these discomforts and risks be alleviated?

This risk and/or discomfort will be alleviated as the data that is being collected relates to a technical accounting and reporting process. If you do experience risk and/or discomfort, you may choose not to answer questions, terminate the interview, and/or withdraw from the research up to the end of data collection. You may also choose a public meeting place of your choice. This research is interested in exploring the broader process of materiality determination and stakeholder inclusivity within the emerging integrated reporting context and is thus not focused on one report preparer/assuror perception and experiences but a number of report preparer/assuror perceptions and experiences. No identifying data from the interview (relating to either participant or organisation) will be used when writing up results or any subsequent publications, and all efforts will be made to ensure that the participant is not identifiable.

What are the benefits?

It is expected that participants in this project will help both accounting researchers and research participants to gain insights into materiality determination and stakeholder engagement processes within integrated reporting, an emerging reporting movement gaining considerable momentum in industry.

How will my privacy be protected?

No identifying data from the interview will be used in the write up of results or any subsequent publications and your private information will be kept fully confidential. The final published proceedings will identify participants by a code (participant A, participant B, etc).

What are the costs of participating in this research?

There are no direct monetary costs involved in the participation of this research. It is anticipated that participation in this project will involve 30 to 60 minutes of your time.

What opportunity do I have to consider this invitation?

You are invited to consider and respond to this invitation within the following four weeks. A follow up reminder email will be sent at the end of the four weeks if no response has been received.

How do I agree to participate in this research?

If you agree to participate in this research please return the attached consent form to the researcher Rebecca Bolt (contact email is provided below). Rebecca will then be in contact with you to arrange a convenient time and place to conduct the interview. You may also choose to sign the consent form at the time of the interview. If this is the case, the consent form will be provided to you at this time.

Will I receive feedback on the results of this research?

You will be offered an opportunity to review the interview transcript once this has been transcribed. It is anticipated that a full summary of research findings will be available from approximately 12 months from the completion of the project. Copies may then be requested.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Associate Professor Dr Helen Tregidga, helen.tregidga@aut.ac.nz, 09 921 9999 ext 5908

Concerns regarding the conduct of the research should be notified to the Executive Secretary of AUTEK, Kate O'Connor, ethics@aut.ac.nz, 921 9999 ext 6038.

Whom do I contact for further information about this research?

Please keep this Information Sheet and a copy of the Consent Form for your future reference. You are also able to contact the research team as follows:

Researcher Contact Details:

Rebecca Bolt:

Email: rbolt@aut.ac.nz

Phone: 09 921 9999 ext 4162

Project Supervisor Contact Details:

Associate Professor Dr Helen Tregidga

Email: helen.tregidga@aut.ac.nz

Approved by the Auckland University of Technology Ethics Committee on 3 May 2016, AUTEK Reference number 16/41.

APPENDIX 2: Concourse interview guide

1. What kind of information do you think is reported by organisations in terms of both financial and nonfinancial reporting? For example, in an annual report and/or a social and environmental or sustainability report.
2. From your perspective, who do you think decides what to report?
3. What role (if any) do you think an organisation's stakeholders have within decisions regarding what information is reported and what information is not reported?
4. What kind of factors can influence decisions to report or not report information?
5. What does materiality mean to you within reporting and/or assurance? Can you please think of an example (or examples) from your experience that might help me to understand what materiality means to you within reporting and/or assurance?
6. What do you think materiality might mean within integrated reporting?

APPENDIX 3: Q set statements

1. all about what's happened, not about what's going to happen
2. whether a Court of Law would think what you did made sense
3. people's opinions so there's always going to be an element of subjectivity involved
4. not compulsory, not regulated, and organisations can choose how they do it
5. treating all stakeholder views the same
6. something that can be distorted by managers when they need to prove their position
7. a blank page, clean slate approach to reporting
8. a number or percentage decided in advance that is stuck to
9. ultimately only influenced by social pressures
10. seen as quite complex
11. about stakeholder opinions informing your thinking around reporting
12. about helping the readers to really understand the real picture by openly disclosing things
13. feeling compelled to respond to some of the issues that are getting media coverage
14. not a mechanical type of formula. It's not having one number or based on a percentage
15. very much the organisation deciding what it thinks is important
16. based on one occurrence at one point in time
17. about the tension between marketing drivers (behind producing the right information, particularly regarding reputation) and drivers around performance and transparency, and making sure it's an actual, credible performance document
18. prioritising the information needs of some stakeholder groups above other stakeholder groups
19. about judgement in putting the report together
20. about helping the organisation to understand what the most important issues are that will then form the basis of strategy
21. an order of priority of what has to be in the report and making sure the organisation is reporting on the most important things

22. an open, meaningful communication with stakeholders
23. a line in the sand around what's right and what's wrong
24. looking at what would impact the market's perception of the organisation
25. the result of a whole lot of internal wrangling with the organisation
26. trying to paint the most balanced, complete picture of the organisation
27. understanding what issues are most important to stakeholders
28. not something that should be tested in a Court of Law
29. about finding insights which management can use to make a difference
30. about the stakeholder voices that really want to be heard and want to see more about what's going on
31. done in an ad hoc, unstructured way
32. being careful that what is reported accurately reflects the situation
33. about the people who want the most information getting the least
34. a way to simplify reporting so it's easier for users to understand
35. flexible, because there's some discretion as to what is reported and what isn't reported
36. identifying, understanding and managing significant business risks and opportunities
37. helpful in framing the report so that it means something to whoever is reading it
38. another way of managing reputation directly. It's about the message it is important to get across
39. not influenced by reporting and auditing frameworks and guidelines
40. not only the dollar amount but the nature of the dollar amount
41. a responsibility that sits with the organisation
42. a move towards conciseness and a bit of brutality on report content – not cluttering the report with too much information
43. not influenced by stakeholders – they don't know exactly what's going on
44. indicators that can be moved and argued, they can be looked at in different ways
45. more inclined towards emphasising some aspects and leaving some others out
46. bound by quite historical rules and a certain amount of prescription

47. about bringing a wide spectrum of different agendas and perspectives to reporting
48. about the level of importance associated with whatever the particular impact or issue may be
49. about working out what to report when it's not actually obvious what stakeholders want
50. not a one size fits all. It can be done in different ways
51. influenced by what stakeholders perceive as important
52. guided by reporting and auditing requirements, frameworks and guidelines
53. more about what should be included than what shouldn't be included

APPENDIX 4: Integrated reporting participant information sheet



Participant Information Sheet

Date Information Sheet Produced:

2 February 2016

Project Title

Integrated Reporting, Materiality Determination and Stakeholder Inclusivity

An Invitation

Dear sir/madam,

You are invited to participate in a research project on integrated reporting, materiality determination and the role of stakeholders within the materiality determination process.

This project is being undertaken by Rebecca Bolt, a PhD candidate from the Faculty of Business and Law. Participation in this project is voluntary, and you may withdraw from the study at any time prior to the completion of data collection.

What is the purpose of this research?

Rebecca Bolt is undertaking this research project for her PhD thesis at Auckland University of Technology. It is expected that this research will also potentially result in the publication of research papers, conference papers, academic journal articles, and will potentially contribute to a book and other academic presentations.

How was I identified and why am I being invited to participate in this research?

You have been invited to participate in this research as you have either:

- Been identified as being involved in preparing or providing assurance on integrated reports,
- Been identified as working for an organisation considering or in the process of preparing integrated reports, or
- Been identified as foreseeably in the future be providing assurance on integrated reports.

Your name and contact details have come from another participant, or through conference and network contacts.

What will happen in this research?

You will be asked to sign a participant consent form and take part in a simple sorting exercise called a Q-sort followed by an interview at a time and place that is convenient to you (please note that the interview will take place immediately following the sorting exercise). The Q-sort will involve you sorting a number of statements relating to materiality and materiality determination according to how you consider the statements align or do not align with your own perspectives. The interview will discuss this process, as well as asking further questions about your experiences of materiality determination practices, and in relation to stakeholder engagement. With permission, the interview will be recorded via audio tape and note taking, and notes will be taken of how the statements have been sorted in the Q-sort exercise. The Q-sort data will be analysed through a correlation matrix to identify whether different participants perspectives align on similar statements. The interview data will be analysed by common themes.

What are the discomforts and risks?

You will be asked to provide information about your perception of the reporting and assurance process of integrated reporting, specifically regarding materiality, materiality determination and stakeholder inclusivity. Due to the nature of this study and the specialised nature of the field there is some potential that you could potentially be identified as a participant in this research through some of the responses given in the interview.

How will these discomforts and risks be alleviated?

This risk and/or discomfort will be alleviated as the data that is being collected relates to a technical accounting and reporting process. If you do experience risk and/or discomfort, you may choose not to answer questions, terminate the Q-sort and/or interview, and/or withdraw from the research up to the end of data collection. You may also choose a public meeting place of your choice. This research is interested in exploring the broader process of materiality determination and stakeholder inclusivity within the emerging integrated reporting context and is thus not focused on one report preparer/assuror perception and experience but a number of report preparer/assuror perceptions and experiences. No identifying data from the interview (relating to either participant or organisation)

will be used when writing up results or any subsequent publications, and all efforts will be made to ensure that the participant is not identifiable.

What are the benefits?

It is expected that participation in this project will help both accounting researchers and research participants to gain insights into materiality determination and stakeholder engagement processes within integrated reporting, an emerging reporting movement gaining considerable momentum in industry.

How will my privacy be protected?

No identifying data from the interview will be used in the write up of results or any subsequent publications and your private information will be kept fully confidential. The final published proceedings will identify participants by a code (participant A, participant B, etc).

What are the costs of participating in this research?

There are no direct monetary costs involved in the participation of this research. It is anticipated that participation in this project will involve 60 to 90 minutes of your time.

What opportunity do I have to consider this invitation?

You are invited to consider and respond to this invitation within the following four weeks. A follow up reminder email will be sent at the end of the four weeks if no response has been received.

How do I agree to participate in this research?

If you agree to participate in the research please return the attached consent form to the researcher Rebecca Bolt (contact email is provided below). Rebecca will then be in contact with you to arrange a convenient time and place to conduct the Q-sort exercise and interview. You may also choose to sign the consent form at the time of the Q-sort exercise and interview. If this is the case, the consent form will be provided to you at this time.

Will I receive feedback on the results of this research?

As a participant the results of your Q-sort exercise will be available for you to consider and comment on once all data has been collected from all participants. You will also be offered an opportunity to review the interview transcript once this has been transcribed. It is anticipated that a full summary of research findings will be available from approximately 12 months from the completion of the project. Copies may then be requested.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Associate Professor Dr Helen Tregidga, helen.tregidga@aut.ac.nz, 921 9999 ext 5908

Concerns regarding the conduct of the research can also be notified to the Executive Secretary of AUTECH, Kate O'Connor, ethics@aut.ac.nz, 921 9999 ext 6038.

Whom do I contact for further information about this research?

Researcher Contact Details:

Rebecca Bolt

Email: rbolt@aut.ac.nz

Phone: 921 9999 ext 4165

Project Supervisor Contact Details:

Dr Helen Tregidga

Email: Helen.Tregidga@rhul.ac.uk

Approved by the Auckland University of Technology Ethics Committee on 3 May, AUTECH Reference number 16/41.

APPENDIX 5: Concourse and integrated reporting participant consent form



Consent Form

Project title: *Integrated Reporting, Materiality Determination and Stakeholder Inclusivity*

Project Supervisor: *Associate Professor Dr Helen Tregidga*

Researcher: *Rebecca Bolt*

- I have read and understood the information provided about this research project in the Information Sheet dated 27 April 2016.
- I have had an opportunity to ask questions and to have them answered.
- I understand that notes will be taken during the interviews and that they will also be audio-taped and transcribed.
- I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- If I withdraw, I understand that all relevant information including tapes and transcripts, or parts thereof, will be destroyed.
- I agree to take part in this research.
- I wish to receive a summary of the research findings (please tick one): Yes No

Participant’s signature:

Participant’s name:

Participant’s Contact Details (if appropriate):

.....
.....
.....
.....

Date:

Approved by the Auckland University of Technology Ethics Committee on 3 May 2016 AUTEK Reference number 16/41.

Note: The Participant should retain a copy of this form.

APPENDIX 7: Transcriber confidentiality agreements

Below is a copy of the confidentiality agreement signed by the secretarial associates who transcribed the concourse and integrated reporting participant interviews.



Confidentiality Agreement

Project title: *Integrated Reporting, Materiality Determination and Stakeholder Inclusivity*

Project Supervisor: *Associate Professor Dr Helen Tregidga*

Researcher: *Rebecca Bolt*

I understand that all the material I will be asked to transcribe is confidential.

I understand that the contents of the tapes or recordings can only be discussed with the researchers.

I will not keep any copies of the transcripts nor allow third parties access to them.

Transcriber's signature:

Transcriber's name:

Transcriber's Contact Details (if appropriate):

.....

.....

.....

.....

Date:

Project Supervisor's Contact Details (if appropriate):

Associate Professor Dr Helen Tregidga.....

Email: *helen.tregidga@aut.ac.nz*

.....

.....

Approved by the Auckland University of Technology Ethics Committee on 3 May 2016 AUTEK Reference number 16/41

Note: The Transcriber should retain a copy of this form.

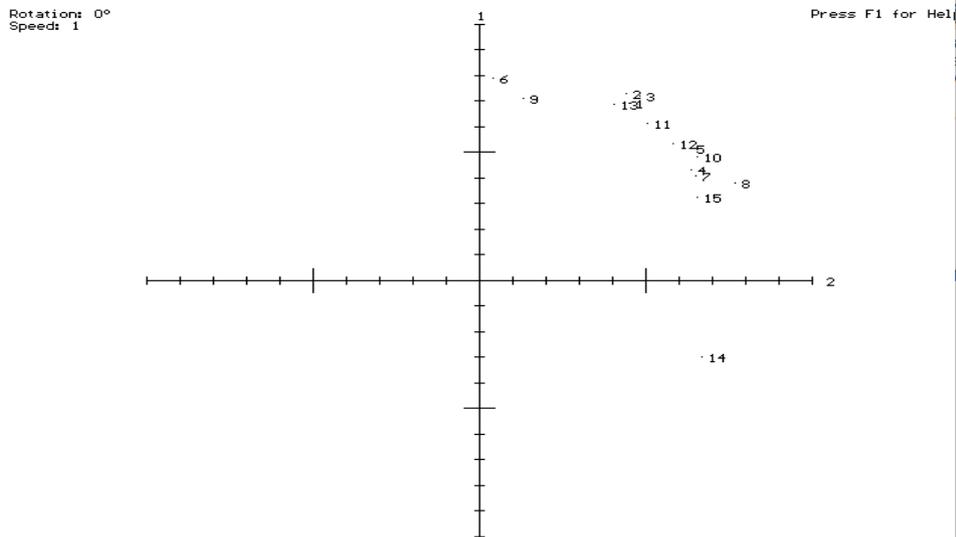
APPENDIX 8: PQ Method Q sort correlation matrix

Correlation Matrix Between Sorts

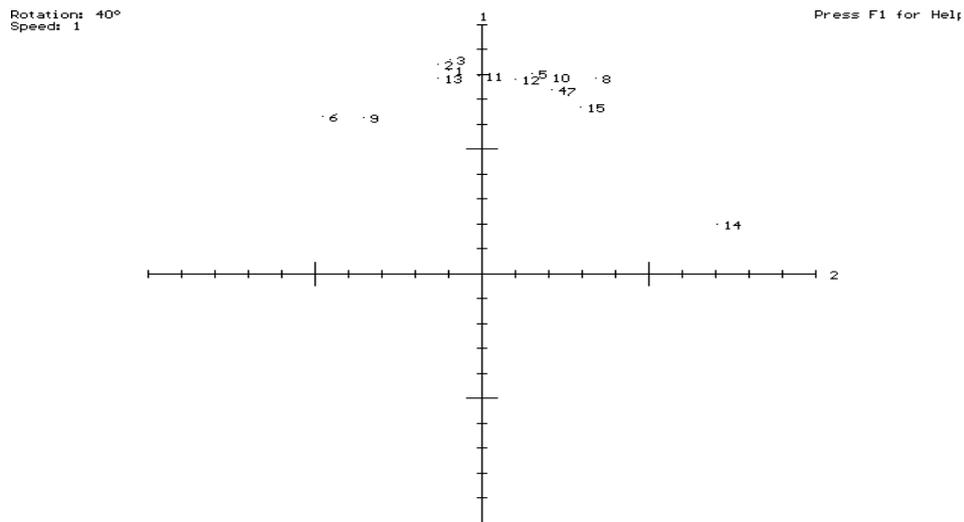
SORTS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 5 (P)	100	67	72	56	67	58	60	52	46	69	67	55	57	16	41
2 7 (P)	67	100	74	49	65	57	45	68	60	57	66	61	68	19	54
3 1 (P)	72	74	100	65	63	55	61	62	54	60	62	67	67	15	47
4 2 (P)	56	49	65	100	52	41	59	65	41	58	53	58	52	23	53
5 6 (P)	67	65	63	52	100	44	60	56	42	74	63	62	56	28	54
6 8 (P)	58	57	55	41	44	100	34	37	44	43	46	35	48	-5	25
7 3 (C)	60	45	61	59	60	34	100	59	41	56	53	62	54	23	51
8 2 (C)	52	68	62	65	56	37	59	100	35	65	62	62	55	31	71
9 1 (A)	46	60	54	41	42	44	41	35	100	34	45	42	52	5	31
10 3 (P)	69	57	60	58	74	43	56	65	34	100	64	53	57	19	60
11 4 (P)	67	66	62	53	63	46	53	62	45	64	100	63	55	13	47
12 4 (A)	55	61	67	58	62	35	62	62	42	53	63	100	65	15	50
13 1 (C)	57	68	67	52	56	48	54	55	52	57	55	65	100	8	50
14 2 (A)	16	19	15	23	28	-5	23	31	5	19	13	15	8	100	10
15 3 (A)	41	54	47	53	54	25	51	71	31	60	47	50	50	10	100

APPENDIX 9: PQ Method unrotated and rotated factors

PQ Method unrotated factors



PQ Method rotated factors



APPENDIX 10: PQ Method consensus and distinguishing statements

Consensus statements:

Consensus Statements -- Those That Do Not Distinguish Between ANY Pair of Factors.

All Listed Statements are Non-Significant at $P > .01$, and Those Flagged With an * are also Non-Significant at $P > .05$.

Factors

No.	Statement	No.	1 Q-SV	Z-SCR	2 Q-SV	Z-
0.79	1* all about what's happened, not about what's going to happen	1	-4	-1.44	-2	-
0.00	3* feeling compelled to respond to some of the issues that are	3	0	-0.08	0	
0.79	5 not compulsory, not regulated, and organisations can choose	5	1	0.35	-2	-
0.40	6* treating all stakeholder views the same	6	-2	-0.60	-1	-
0.40	7* something that can be distorted by managers when they need t	7	-2	-1.01	-1	-
0.40	8* a blank page, clean slate approach to reporting	8	-1	-0.56	-1	-
1.19	9* a number or percentage decided in advance that is stuck to	9	-3	-1.28	-3	-
0.40	10* ultimately only influenced by social pressures	10	-2	-0.94	-1	-
0.00	13* about helping the readers to really understand the real pict	13	2	0.79	0	
0.00	14* not a mechanical type of formula. It's not having one number	14	0	0.03	0	
1.98	16* based on one occurrence at one point in time	16	-3	-1.17	-5	-
0.40	17* about tension between maketing drivers (behind producing the	17	1	0.43	1	
0.40	18* prioritising the information needs of some stakeholder group	18	0	-0.17	-1	-
1.19	19 about judgement in putting the report together	19	0	0.22	3	
0.79	21* an order of priority of what has to be in the report and mak	21	4	1.70	2	
0.40	22* an open, meaningful communication with stakeholders	22	3	1.00	1	
1.98	23* a line in the sand around what's right and what's wrong	23	-3	-1.27	-5	-
0.79	25* the result of a whole lot of internal wrangling within the o	25	-2	-0.92	-2	-
0.00	26* trying to paint the most balanced, complete picture of the o	26	2	0.84	0	
0.40	30* about the stakeholder voices that really want to be heard an	30	1	0.23	-1	-
1.59	31* done in an ad hoc, unstructured way	31	-4	-1.51	-4	-
0.00	32* being careful that what is reported accurately reflects the	32	1	0.46	0	
1.19	33* about the people who want the most information getting the l	33	-5	-1.79	-3	-
0.40	34* a way to simplify reporting so it's easier for users to unde	34	0	0.02	1	
0.79	35* flexible, because there's some discretion as to what is repo	35	0	-0.06	2	
1.19	37* helpful in framing the report so that it means something to	37	2	0.76	3	
0.79	38* another way of managing reputation directly. It's about the	38	-1	-0.58	-2	-

0.79	42*	a move towards conciseness and a bit of brutality on report	42	1	0.46	2
0.79	44	indicators that can be moved and argued, they can be looked	44	-1	-0.35	2
0.00	45*	more inclined towards emphasising some aspects and leaving s	45	-1	-0.23	0
0.00	47*	about bringing a wide spectrum of different agendas and pers	47	2	0.58	0
1.59	48*	about the level of importance associated with whatever the p	48	3	1.31	4
0.40	49*	about working out to report when it's not actually obvious w	49	0	0.00	1
0.79	52*	guided by reporting and auditing requirements, frameworks an	52	2	0.81	2
0.79	53*	more about what should be included than what shouldn't be in	53	0	0.21	2

Distinguishing statements for the dominant understanding of materiality *strategic stakeholder engagement*:

Distinguishing Statements for Factor 1

(P < .05 ; Asterisk (*) Indicates Significance at P < .01)

Both the Factor Q-Sort Value (Q-SV) and the Z-Score (Z-SCR) are Shown.

No.	Statement	No.	Factors			
			1		2	
			Q-SV	Z-SCR	Q-SV	Z-SCR
20	about helping the organisation to understand what the most i	20	5	2.04*	1	0.40
27	understanding what issues are most important to stakeholders	27	5	1.92*	1	0.40
36	identifying, understanding and managing significant business	36	4	1.82*	-3	-1.19
51	influenced by what stakeholders perceive as important	51	4	1.37*	-3	-1.19
12	about stakeholder opinions informing your thinking around re	12	3	1.36*	0	0.00
29	about finding insights which management can use to make a di	29	3	1.20*	-1	-0.40
4	people's opinions so there's always going to be an element o	4	2	0.57*	-2	-0.79
50	not a one size fits all. It can be done it different ways	50	1	0.50*	-2	-0.79
41	a responsibility that sits with the organisation	41	1	0.46*	5	1.98
5	not compulsory, not regulated, and organisations can choose	5	1	0.35	-2	-0.79
19	about judgement in putting the report together	19	0	0.22	3	1.19
11	seen as quite complex	11	0	-0.01*	-4	-1.59
24	looking at what would impact the market's perception of the	24	-1	-0.18*	-4	-1.59
44	indicators that can be moved and argued, they can be looked	44	-1	-0.35	2	0.79
40	not only the dollar amount but the nature of the dollar amou	40	-1	-0.39*	3	1.19
28	not something that should be tested in a Court of Law	28	-1	-0.40*	5	1.98
15	very much the organisation deciding what it thinks is import	15	-2	-0.89*	4	1.59
2	whether a Court of Law would think what you did made sense	2	-2	-1.11*	4	1.59
39	not influenced by reporting frameworks and guidelines	39	-3	-1.23*	3	1.19
46	bound by quite historical rules and a certain amount of pres	46	-4	-1.45*	1	0.40
43	not influenced by stakeholders - they don't know exactly wha	43	-5	-1.84*	0	0.00

APPENDIX 11: Semi structured interview data analysis questions

Research question 1(b):

- What is the process?
 - o What are the steps of the integrated reporting materiality determination processes?
- At what points of the process are stakeholders included?

Research question 1(c):

- Who are the stakeholders?
 - o What people/groups are identified?
- How are the stakeholders chosen (to be engaged in integrated reporting materiality determination processes)?
 - o Who chooses the stakeholders?
 - o Why are those particular stakeholder groups chosen?
 - o Are there any people/groups of people who are excluded? Why?
- Why are the stakeholders included in the process?

Research question 1(d):

- What is the attitude of the [integrated reporting] participant towards the role of stakeholders in integrated reporting materiality determination processes?
- How are stakeholders included in integrated reporting materiality processes?
 - o Who interacts with the stakeholders?
 - o What interactions with stakeholders take place?
- What kind of questions or demands are made of the stakeholders? (What do the [integrated reporting] participants ask the stakeholders to do?)
- How are the stakeholder responses to the interactions recorded?
- What happens to stakeholder's responses once the stakeholder interaction ends?
- Are stakeholder responses ranked or prioritised?
 - o Why?
 - o To what extent?
- Who makes materiality decisions?

APPENDIX 12: AUTECH Ethics Approval 16/41



AUTECH Secretariat

Auckland University of Technology
D-88, WU406 Level 4 WU Building City Campus
T: +64 9 921 9999 ext. 8316
E: ethics@aut.ac.nz
www.aut.ac.nz/researchethics

AUT

25 February 2016

Helen Tregidga
Faculty of Business and Law

Dear Helen

Ethics Application: **16/41 Integrated reporting, materiality determination and stakeholder inclusivity.**

Thank you for submitting your application for ethical review to the Auckland University of Technology Ethics Committee (AUTECH). I am pleased to confirm that your ethics application has been approved for three years until 23 February 2019.

As part of the ethics approval process, you are required to submit the following to AUTECH:

- A brief annual progress report using form EA2, which is available online through <http://www.aut.ac.nz/researchethics>. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 23 February 2019;
- A brief report on the status of the project using form EA3, which is available online through <http://www.aut.ac.nz/researchethics>. This report is to be submitted either when the approval expires on 23 February 2019 or on completion of the project;

It is a condition of approval that AUTECH is notified of any adverse events or if the research does not commence. AUTECH approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

AUTECH grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to obtain this.

To enable us to provide you with efficient service, we ask that you use the application number and study title in all correspondence with us. If you have any enquiries about this application, or anything else, please do contact us at ethics@aut.ac.nz.

All the very best with your research,

Kate O'Connor
Executive Secretary
Auckland University of Technology Ethics Committee

Cc: Rebecca Bolt rebecca.bolt@aut.ac.nz; Rowena Sinclair

AUTEC Secretariat

Auckland University of Technology
D-88, WU406 Level 4 WU Building City Campus
T: +64 9 921 9999 ext. 8316
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www.aut.ac.nz/researchethics

3 May 2016

Helen Tregidga
Faculty of Business and Law
Dear Helen

Re: Ethics Application: **16/41 Integrated reporting, materiality determination and stakeholder inclusivity.**

Thank you for your request for approval of amendments to your ethics application.

I have approved minor amendments to your ethics application allowing changes to the recruitment and data collection protocols.

I remind you that as part of the ethics approval process, you are required to submit the following to the Auckland University of Technology Ethics Committee (AUTEC):

- A brief annual progress report using form EA2, which is available online through <http://www.aut.ac.nz/researchethics>. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 23 February 2019;
- A brief report on the status of the project using form EA3, which is available online through <http://www.aut.ac.nz/researchethics>. This report is to be submitted either when the approval expires on 23 February 2019 or on completion of the project.

It is a condition of approval that AUTEC is notified of any adverse events or if the research does not commence. AUTEC approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

AUTEC grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to obtain this.

To enable us to provide you with efficient service, please use the application number and study title in all correspondence with us. If you have any enquiries about this application, or anything else, please do contact us at ethics@aut.ac.nz.

All the very best with your research,



Kate O'Connor
Executive Secretary
Auckland University of Technology Ethics Committee

Cc: Rebecca Bolt rebecca.bolt@aut.ac.nz, Rowena Sinclair