

INTEGRATED REPORTING PRACTICES OF MANUFACTURING ORGANIZATION IN SRILANKA

By

KANESALINGAM PIRATHEEPAN

REG NO: EU/IS/2009/COM/44

INDEX NO: COM-1064

A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka, as a partial fulfillment of the requirement for the Degree of Bachelor of Commerce. (Special)



**DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA
2015**

ABSTRACT

The study identifies the level of compliance of Sri Lankan manufacturing companies with Global Reporting Initiative's (GRI) Guidelines on integrated reporting, which is considered as the best practice for corporate integrated reporting and assesses the associated issues. This study was based on secondary data gathered through the annual report of thirty six manufacturing companies selected from manufacturing sectors of Colombo stock exchange (CSE). The annual report of these companies was analyzed using a checklist prepared based on GRI Guidelines. The study finds that Sri Lankan manufacturing companies do not consider (GRI) Guidelines in reporting for integrated report.

Out of thirty six manufacturing companies, sixteen manufacturing companies have presented sustainability report, five manufacturing companies have presented corporate social responsibility report and none of them have presented integrated report so far. Based on the reports of these twenty one manufacturing companies, only four manufacturing companies have made some reference to (GRI) guidelines and other companies have complied moderately with the minimum level of application of these guidelines. This was due to the fact that most of the disclosure of minimum application level of GRI guidelines are already included in the current financial reporting framework in Sri Lanka.

These findings show that there is an expectation gap as to the information needs of stakeholder on integrated reporting and the information disclosed in the annual reports of companies in the Sri Lankan context. Hence, there is a long way forward for Sri Lankan manufacturing companies in respect of integrated reporting, which is considered as a cornerstone in corporate reporting today.

TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	i
ABSTRACT.....	ii
TABLE OF CONTENTS.....	iii
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Introduction.....	1
1.2 Problem Statement.....	3
1.3 Research Questions.....	4
1.4 Objectives.....	4
1.5 Significant of the study.....	5
1.6 Limitation of the study.....	5
1.7 Summary.....	5
CHAPTER TWO.....	6
LITERATURE REVIEW.....	6
2.1 What is integrated reporting?.....	6
2.2 Theoretical Basis for Corporate Social Responsibility Reporting.....	7
2.3 Global Reporting Initiative (GRI) Guidelines on Integrated Reporting.....	10
2.4 Drivers of Integrated Reporting.....	13
2.5 Fundamental Concepts of Integrated Reporting.....	13
2.5.1 Value creation for the Organization and others.....	13
2.5.2 The Capitals.....	14
2.5.3 The value creation process.....	14
2.6 Benefits of Integrated Reporting.....	14

2.7 Corporate Social Responsibility: Key Stakeholder Issues	15
2.8 Managing and Organizing the CSR Practice.....	16
2.9 Corporate Social Responsibility: Divergent Responsibilities	17
2.10 Principals of integrated reporting	18
2.10.1 Comparability	18
2.10.2 Accuracy	18
2.10.3 Timeliness.....	19
2.10.4 Clarity	19
2.10.5 Reliability	19
CHAPTER THREE.....	20
CONCEPTUALIZATION AND OPERATIONALIZATION.....	20
3.1 Introduction	20
3.2 Independent variable	21
3.3 Strategy and Analysis.....	21
3.4 Organizational Profile	21
3.5 Report Parameters	21
3.6 Governance, Commitments, and Engagement.....	21
3.7 Economic Performance Disclosure	22
3.8 Environmental Performance Disclosure.....	22
3.9 Social Responsibility Performance Disclosure	22
3.10 Dependent Variable.....	23
3.11 Profile Disclosure.....	23
3.12 Performance Indicators	23
3.13 Summary	24
CHAPTER FOUR	25
METHODOLOGY.....	25

4.1 Introduction	25
4.2 Sample Selection.....	25
4.3 Selection of period	25
4.4 Data Collection.....	25
4.6 Data Analysis	26
4.7 Initial analysis of compliance on GRI Guidelines	26
4.8 Application Level Check Methodology	27
4.9 Application Level Criteria.....	27
4.10 Declaring an Application Level	27
CHAPTER FIVE	33
DATA PRESENTATION AND ANALYSIS	33
5.1 Introduction	33
5.2 Initial Analysis	33
5.3 Secondary Analysis.....	34
5.3.1 Strategy and Analysis	35
5.3.3 Report Parameters.....	37
5.3.4 Governance-Commitments and engagement	38
5.3.5 Economic Disclosure.....	39
5.3.6 Environment Disclosure.....	40
5.3.7 Social responsibility Disclosure	41
CHAPTER SIX.....	42
DISCUSSION	42
6.1 Introduction	42
6.2 Discussion	42
6.3 Summary	45
CHAPTER SEVEN	46
CONCLUSION.....	46

7.1 Introduction	46
7.2 Conclusion.....	46
7.3 Summary	48
APPENDIX 01	51
1. Checklist of Integrated Report	53
APPENDIX 02.....	64
1.List of Manufacturing Companies Compliance with GRI Guidelines Disclosures ...	64