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International Integrated Reporting Framework and the Status of Integrated Reporting in Vietnam

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Abstract

Integrated reporting is an unavoidable tendency in the social economy's long-term evolution. Integrated reporting provides financial and non-financial information. The information in the integrated report provides users with information about the current operation of the business and the prospects of the business, showing how the business creates value and benefits for investors. Integrated reporting

has solved the disadvantages of traditional financial reporting and annual reporting, so integrated reporting is being researched and applied as a development trend in corporate reporting systems. The article also discusses the state of integrated reporting in Vietnam and offers suggestions for enhancing firms' integrated reporting efforts there.

Keywords: Integrated Reporting, Financial Reports, The Annual Report, Sustainability Report, Development Trends

1. Introduction

There are many different kinds of business reports, such as financial statements, annual reports, and sustainability reports. Along with the growth and integration of the economy, information consumers pay attention to other non-financial information about the enterprise, such as the development strategy of the enterprise, corporate governance system, opportunities and risks, and the business model of enterprises, in addition to considering and assessing the situation of the enterprise based on financial information. Therefore, traditional financial reporting no longer fully meets the needs of information users. Since then, integrated reporting has been born as an objective necessity. Integrated reports, in addition to providing financial information, also provide non-financial information on future directions, opportunities and risks, strategy and resource allocation, performance, and business development prospects. Non-financial information combined with financial information will provide information users with a view of the present and the possibility of sustainable business development in the future. Integrated research and reporting have been carried out in many countries around the world. Therefore, the study of integrated reporting and the situation of integrated reporting in Vietnam is a topical issue.

2. Theoretical Basis of Integrated Reporting

The IIRC's integrated reporting framework. The International Integrated Reporting Commission is abbreviated as IIRC (International Integrated Reporting Committee). The International Integrated Reporting Committee (IIRC) was established in August 2010 by the Sustainable Development Plan Project and the Global Reporting Initiative (GRI). The International Integrated Reporting Commission (IIRC) is a global alliance of regulators, investors, companies, standard-setters, professional accountants, academia, and non-governmental organizations (NGOs). This coalition believes that communicating about the creation, preservation, or degradation of value is the next step in corporate reporting evolution. The International Integrated Reporting Commission is tasked with researching and creating a framework for integrated reporting that is generally accepted worldwide. The IIRC created an international integrated reporting guidance framework in 2013. This paradigm necessitates the synthesis of all financial, environmental, social, and corporate governance information in an "integrated" form that is clear, concise, relevant, and comparable. Therefore, the purpose of this report is to make it easy for readers to see the contents of performance, future vision, as well as the historical value of organizations towards sustainable development, globalization integration, and other arising requirements of stakeholders. The 2013 version of the IIRC's integrated reporting framework will be superseded by the January 2021 edition of the integrated reporting framework by 2021. This most recent version is effective for the reporting period commencing January 1, 2022. The long-term purpose of the IIRC is to create reports that are integrated with financial, environmental, social, and corporate governance information to improve capital allocation efficiency and

productivity, assisting firms in developing steadily and sustainably.

According to IIRC (2021) ^[9], integrated reporting is defined as follows: "An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term" (IIRC, 2021) ^[9].

Principles for Integrated Reporting under IIRF 2021. The IIRC promulgates an extensive International Integrated Reporting Framework (IIRF) worldwide. The IIRF's objective is to define the guiding principles and decisions of an integrated report and to explain the fundamental concepts to reinforce them. The seven Guiding Principles underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented.

Table 1: IIRF 2021 Integrated Reporting Principles

Guiding Principles	Content
Strategic focus and future orientation	An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals.
Connectivity of information	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.
Stakeholder relationships	An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.
Materiality	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.
Conciseness	An integrated report should be concise.
Reliability and completeness	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
Consistency and comparability	The information in an integrated report should be presented: <ul style="list-style-type: none"> • On a basis that is consistent over time • In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

IIRC (2021) ^[9]

The above ideas are directly related to the major content pieces for integrated reporting. Each integrated report includes eight core content parts to deliver information in

the most comprehensive manner possible. An integrated report is made up of eight content pieces that are inherently interconnected but not mutually exclusive.

Table 2: The basic contents of the IIRF 2021 Integrated Report

Content	Describe
Organizational overview and external environment	An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?
Governance	An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?
Business model	An integrated report should answer the question: What is the organization's business model?
Risks and opportunities	An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?
Strategy and resource allocation	An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?
Performance	An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
Outlook	An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
Basis of preparation and presentation	An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

IIRC (2021) ^[9]

Thus, the integrated report not only provides information about the enterprise's financial position and past operating data, but it also provides information about corporate governance, business risks and opportunities, the enterprise's development strategy, and the plan to allocate resources to implement the strategy. At the same time, outline the challenges that firms confront and how they might overcome them. Integrated reporting provides information to the user to assess the long-term prospects of the business.

Vietnam's Integrated Reporting Regulations

Circular 200/2014/TT-BTC dated December 22, 12, 2014 of the Ministry of Finance "Guidance on corporate accounting regime" and Circular 133/2016/TT-BTC of the Ministry of Finance dated August 26, 8, 2016 "Guidance on the accounting regime of small and medium-sized enterprises" are two circulars regulating the preparation of financial statements in enterprises. However, financial statements only provide information about the company's previous

financial situation and do not provide information about the company's future growth potential. The Ministry of Finance issued Circular No. 155/2015/TT-BTC titled "Guidance on disclosure of information on the stock market" on October 6, 2015. The circular stipulates that the company must prepare an annual report. In Circular 155/2015/TT-BTC, there are similarities with the integrated report under IIRC, including the environmental and social impact report of the company; including raw material resource management, energy consumption, water consumption, environmental protection laws compliance, employee policies, reports on responsibilities to local communities, and reports on green capital market activities under the supervision of the State Securities Commission (this section can be established separately by the company Sustainability Report). Report and review of the Board of Directors; review of the Company's activities by the Board of Directors; Corporate governance.

Thus, when comparing the annual report required by Vietnam's legislation to the integrated report required by IIRC 2021, the annual report shares some commonalities with the integrated report. However, the content is incomplete compared to the integrated report under IIRC, and the circular does not have specific instructions on how to set targets for enterprises. As a result, there is no legislation or adequate precise instructions on integrated reporting in Vietnam to serve as a foundation for firms to generate integrated reports.

3. The Situation of Integrated Reporting at Enterprises in Vietnam

Currently, Vietnam has not mandated enterprises to prepare integrated reports. However, Bao Viet Group was the first Vietnamese enterprise to prepare integrated reports in 2015 and this enterprise continuously prepared integrated reports for the following years. The integrated report of Bao Viet Group combines the content of traditional annual reports, sustainability reports, and financial statements to provide investors and interested parties with the most comprehensive and comprehensive information about the operation of the business... to the state of the enterprise. Bao Viet's integrated annual report has provided a comprehensive view of the company's performance and ability to create value in various aspects such as finance, governance, social responsibility, environment, and risk. The integrated report from Bao Viet Group provides information integrating corporate profitability with environmental and social protection actions. to help information users understand and evaluate the business's operation position. In 2021, Bao Viet Group's Integrated Report is honored to reach the Top 17 Best Integrated Reports in the world voted by the League of American Communication Professionals (LACP). However, currently, in Vietnam, only Bao Viet Group makes integrated reports.

So, what are the reasons why Vietnamese businesses are hesitant to create integrated reports? The first reason is that the integration report is relatively new to the Vietnamese market and businesses. Many businesses have never known or are sketchy about the value that integrated reporting can bring to their business. Enterprises are unaware of the benefits of integrated reporting for themselves to grow sustainably and increase corporate value. Enterprises' human resources for integrated reporting preparation are restricted in both quantity and quality, particularly employees with the

knowledge and abilities to create integrated reports by the IIRC's international integrated reporting framework. The second reason is that Vietnam currently does not have specific standards and guidelines on integrated reporting. Enterprises that want to make integrated reports must apply the integrated reporting framework under IIRC, which is a difficult barrier for Vietnamese businesses. At the same time, there are no mandatory requirements requiring state management agencies, such as the State Securities Commission, to prepare integrated reports. In addition, there are currently no training and practical courses on integrated reporting in Vietnam. Training institutions, accounting-auditing associations, and business associations have not coordinated integrated reporting training, assistance, and propaganda for businesses.

4. Recommendations

▪ *Recommendations to businesses*

Enterprises must be proactive in generating integrated reports; therefore, enterprises must raise awareness of the necessity of integrated reports, and plan to hire and train individuals to write integrated reports by international standards. Only when business administrators are aware of the importance and value of integrated reports for users and the value of integrated reports for businesses themselves can enterprises prepare integrated reports?

▪ *Recommendations to the State Securities Commission*

The State Securities Commission released Circular No. 155/2015/TT-BTC on October 6, 2015, titled "Guidance on stock market disclosure." However, the provisions on the circular are sketchy and incomplete for integrated reporting. However, the provisions on the circular are sketchy and incomplete for integrated reporting. To help firms prepare integrated reports by international standards, the State Securities Commission should refer to and apply regulations on the International Integrated Reporting Framework under IIRC.

▪ *Recommendations to training institutions, accounting-auditing associations, and business associations*

Training institutions, accounting and auditing organizations, and business associations are among the first to approach and investigate integrated reporting. Training institutions need to have courses and tutorials for businesses to practice integrated reporting. Accounting-auditing associations and business associations must communicate about integrated reports for firms and hold sessions for businesses to share benefits and experiences in creating integrated reports.

5. Conclusion

Integrated reports provide numerous benefits to organizations, including the ability to identify the business environment, strategies, opportunities, and difficulties, allowing firms to improve their production and commercial activities. At the same time, by assisting firms in improving their market position, enterprises will attract outside investment funds. Integrated reporting also brings many benefits to information users outside the business, especially investors. Integrated reporting provides investors with a comprehensive view of the business, including Financial information, Non-financial information, Opportunities, and risks, examines the enterprise's strategy as well as its business efficiency, and the relationship of business with the environment and society, investors can then assess the company's potential and dangers in the short, medium, and

long term. As a result, investors can decide whether or not to invest in a business. Thus, integrated reporting brings many benefits to stakeholders, and the preparation of integrated reporting is the trend of socio-economic development.

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