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### Integrated Report, Access Trends in Vietnam

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#### Abstract

Internationalization is becoming deeper and deeper, businesses, regulatory agencies and investors are always interested in how to access information to ensure market transparency. Accordingly, the quality of accessible information and the way of providing information are two issues that need to be mentioned. To improve information quality, integrated reporting is being considered as a solution. Integrated reporting is being targeted by businesses around the world, but has not received much attention from

listed businesses in Vietnam. The main trend in approaching and applying integrated reporting is voluntary. The article is based on analysis and approach from general information to specific quantified indicators, to overview the general issues related to Integrated Reporting and trends in approaching Integrated Reporting in Vietnam, and at the same time propose some ideas to increase the accessibility of integrated reporting in Vietnam.

**Keywords:** Integrated Reports, Enterprise Reports

#### 1. Introduction

Vietnam is one of the countries that has not required businesses to prepare financial reports according to IIRC requirements. Current financial statements are being applied according to Vietnamese accounting standards issued from 2001 to 2005 based on IAS. With the rapid changes of the market economy, Vietnam's current accounting standards are revealing many limitations, the quality of information in financial reports still reveals many weaknesses and transparency in financial reports is still low, especially only financial information has been published, affecting the interests of investors, making it difficult for state agencies to supervise, and reducing trust in investors. with the public.

In the context of Vietnam's increasingly deep integration with the world, Vietnamese businesses are required to gradually standardize the preparation of responsibility reports in the direction of transparency, presentation, and expression of responsibility reports in a scientific way, aiming to provide complete, multi-dimensional information from investors and partners who want to approach businesses. However, the current responsibility reports often provided to investors and shareholders do not show enough to see how a business has created its value over time in a sustainable way. Therefore, the trend of integrated reporting is changing the way businesses build reports. Integrated reporting is the clearest way to communicate how a business's strategy, governance, performance and potential can create value in the short, medium and long term. Degree by publishing financial and non-financial information in the same report, businesses can change the way they think about their strategies and operating plans, make optimal decisions and manage key risks to build trust for investors, stakeholders and improve future business performance.

In the process of integrating into the world economy, Vietnam's international integration in accounting and auditing is an objective necessity. When Vietnam applies integrated reporting according to IIRC, that business will be guaranteed according to international standards and recognized by foreign investors, which also means creating conditions for that business to have Passport to access capital flows in the international market. But more importantly, the report itself will bring many basic benefits such as more transparent information, ensuring comparability with other countries, and increasing the responsibility of businesses to disclose information. To keep up with this trend, Vietnamese businesses need a specialized force that can grasp the "spirit" of integrated reporting as well as have appropriate solutions to be able to access integrated on the basis of the principles and content specified in the integrated reporting framework.

## 2. Overview of Integrated Reporting

Integrated reporting was born through a joint initiative of the International Integrated Reporting Council (IIRC) established in 2010, however, integrated thinking had been mentioned sporadically and unsystematically before. Upon its establishment, IIRC launched a pilot program to find a basis for developing principles in the practice of Integrated Reporting. IIRC's pilot program is implemented in more than 100 businesses in 26 countries (of which 52% of companies are in Europe, 22% Asia, 13% South America, 11% North America, 7% South Africa) on applying integrated reporting principles into practice [2].

Although IIRC was established in 2010, it was not until 2013 that IIRC introduced the concept of integrated reporting as follows: "Integrated reporting is a concise means of communication about strategy, corporate governance, performance and prospects of an organization in relation to the surrounding environment with a view to creating value in the short, medium and long term" (IIRC, 2013) [4]. The IIRC also emphasizes an integrated reporting process that builds on an organization's integrated thinking about creating and sustaining value over time. On this basis, integrated thinking and Integrated Reporting reinforce each other. Integrated thinking must take into account the connectivity and interdependencies between resources that influence an organization's ability to create value. Integrated thinking leads to integrated decision making and actions that consider value creation in the short, medium and long term, it promotes a comprehensive assessment of business and societal development. This process will lead to more profound change within the organization than simply creating a new report. The main goal of integrated reporting under the IIRC framework is to convey the story throughout the organization's value creation process. The conceptual basis of this objective is that value is not created by the organization itself but is influenced by the external environment, relationships with stakeholders as well as shareholders and other resources. To describe how value is created within an organization, the IIRC introduced a new approach to non-financial capital in reporting. IIRC has distinguished six types of capital to explain the impact of these types of capital on the external environment and stakeholders.

Integrated reporting is increasingly supported by the growth in the number of research institutes, governments, organizations, companies (KPMG, PwC, GRI...) and the role of integrated reporting is increasingly recognized by the world. The emergence of integrated reporting as a credible solution to the reporting problem (Burrirt, 2010) [1]. Integrated reporting is an outstanding tool for business organizations, which allows all types of reporting features within a single report (Morros, 2016). Integrated reporting helps increase the confidence of investors and stakeholders, and behind an integrated report is building a sustainable society (Hoque, 2017). That is why, integrated reporting is not just a business report, but it goes beyond a report (Steyn, 2014) [9].

Integrated reporting is the latest development in a long line of proposed reporting initiatives that have sought to improve the usefulness of corporate reporting and promote the International Integrated Reporting Council (IIRC). to launch Integrated Reporting as a global framework in December 2013 and updated to the latest version in 2020. Integrated Reporting provides businesses with a reporting approach

that benefits understanding and emphasizing strategy, helps implement internal governance and attract financial capital for investment, and helps investors understand the strategy being pursued that creates value over time. The idea of integrated reporting is not just a tool for reporting but also a tool for management, providing directors and managers with a comprehensive view of the organization's systems involved, to create value in the medium and long term. Integrated reporting is a concise communication of how an organization's strategy, governance, performance and prospects, in the context of the external environment, lead to value creation in the short, medium and long term. An integrated report can be understood as a report that integrates the content of a traditional Annual Report, or Sustainability Report with a Financial Report, to provide businesses and stakeholders with a comprehensive perspective. about businesses in many different aspects such as finance, management, social responsibility and environment (IIRC, 2020) [6]. The emerging idea of integrating strategic information related to sustainable development with other key financial information is a significant and positive development. Sustainable development is and will increasingly be at the heart of the change that companies, markets and societies drive. Therefore, sustainability information that is relevant or material to the company's value outlook needs to be a core part of integrated reporting (IIRC, 2020) [6].

Integrated reporting is not simply a combination of three reports: Responsibility Report, Sustainability Report and Corporate Financial Report, but is a creative integration of information to convey a single message. A thorough story about how businesses create value. Thus, to create a comprehensive information picture on integrated reports, a fundamental difference compared to financial reports, social responsibility reports, and sustainability reports is through the level and method of presentation. Show non-financial information of the unit (Table 1). However, for Vietnam, presenting business information on integrated reports is still quite new.

**Table 1:** Comparison of differences across reports

Financial report	Sustainability report	Integrated reporting
<ul style="list-style-type: none"> <li>- Economic information</li> <li>- Shows the situation in the past</li> <li>- Focus on short-term goals</li> <li>- Meet compliance with laws and regulations to disclose information to investors</li> <li>- Required information for businesses</li> </ul>	<ul style="list-style-type: none"> <li>- Non-financial information</li> <li>- Shows past and future situations</li> <li>- Focus on long-term goals</li> <li>- Information is both mandatory and instructive</li> </ul>	<ul style="list-style-type: none"> <li>- Combine financial and non-financial information</li> <li>- Shows past and future situations</li> <li>- Focus on short, medium and long-term goals</li> <li>- Support more information for allocating corporate capital</li> <li>- Information is mandatory and instructive</li> </ul>

Source: Compiled by author

## 3. Trends in approaching Integrated Reporting in Vietnam

While traditional annual reports mainly focus on the past and present activities of the business, integrated reports focus more on strategies and future directions, which is what

investors very interested. Obviously, this can help overcome the long-standing weakness of Vietnamese businesses, which is to present a lot about past activities, while analyzing and forecasting future prospects has a strong impact on expectations and investor's decisions. Therefore, Vietnamese businesses have also begun to pay attention to Integrated Reporting, but the number of businesses building Integrated Reporting is still quite modest because the concept of Integrated Reporting is still quite new to the stock market in general and businesses in particular, when there are no specific standards and instructions for implementation. Therefore, there have been many concerns about the application of integrated thinking or Integrated Reporting associated with large-scale responsibility reporting for listed enterprises, in the context of Vietnam being a developing country, is it appropriate or not? This issue has been raised by many studies around the world such as Gunarathne & Senaratne (2017) [2], Kurniawan (2018) [8], Joshi (2018) [7]. Some scholars believe that for a developing country or an emerging economy, it is sometimes an advantage because they can learn the best rules from previous countries to be able to leapfrog, not necessarily. It is necessary to go through each step, which takes a lot of time. In addition, according to statistics, integrated reporting has a high growth rate in many countries in the region. This trend is consistent with the recent increased commitment by governments to promote reporting transparency. A recent PwC study and assessment of integrated reporting practices of companies listed on the stock market in 6 countries in the region shows that the high level of maturity is led by Singapore and Malaysia, followed by Thailand. and Indonesia, while the Philippines and Vietnam are still at a very "modest" level (PwC, 2019).

In Vietnam, the concept of integrated reporting and the international integrated reporting framework (IIRC) have been recently introduced by the State Securities Commission, the International Finance Corporation (IFC) and the International Finance Corporation (IFC). British Chartered Accountants (ACCA) targets companies listed on the two stock exchanges. However, currently only a few businesses have made this report. According to the assessment of the Organizing Committee of the 2019 Best Annual Report Voting, 54% of annual reports of businesses listed on the two stock exchanges announced strategic vision, but only 7% of companies have stated strategic priorities. Of the 35% that reference the business model, only 5% analyze the connection from the business model to value creation. In addition, 67% of reports mentioned risk management and internal control, while only 10% provided main risks and solutions [3]. Most listed companies only stop at including structural and risk management compliance content in their reports without considering fully applying the components of integrated reporting. With this result, it can be seen that integrated reporting is still quite new to the Vietnamese market and businesses, so there are currently no specific standards and instructions for implementation, as well as no consulting unit. and training courses and integrated reporting practices in Vietnam, businesses now have to learn and apply themselves.

In Vietnam today, only a few large enterprises and foreign-invested enterprises have voluntarily applied integrated reporting to meet the information quality requirements of investors as well as investors. Other stakeholders, most notably Bao Viet, one of the businesses quite successful in

creating integrated reports. That's because applying integrated reporting in Vietnam is really not easy to do, it can be summarized in the following aspects:

The first, implementing integrated reporting for the first time will incur costs such as staff training costs, costs of hiring consultants... For businesses applying integrated reporting for the first time, the role of accounting in the reporting process has changed, reporting according to the integrated reporting model requires the combination of departments, divisions and consultants, in addition to requiring Members on each team must have an understanding of integrated reporting. All of these requirements will cause businesses to incur significant additional costs. Meanwhile, very few businesses invest resources and intelligence to build sustainable development strategies. Without clear and reasonable strategies, applying integrated reporting will not bring success.

The second, the information management system is not ready, making the information synthesis process take a long time and the accuracy and reliability are not high.

The third, complex integrated reporting and strict regulations on information disclosure. Integrated reporting has no common format and is not compliance-based. IIRC's guidance framework was only released around 2013 (too short compared to international financial reporting standards), and documents and training programs on integrated reporting are still very limited and the guiding content is only at a basic level. Although this helps businesses be flexible in preparing integrated reports, it is also very difficult to have detailed "standards" for businesses to follow.

The fourth, many businesses are afraid of implementing integrated reporting because too detailed a level of information disclosure can affect the competitive position and business results of the business, such as information on prices, markets, business models, initiatives,...

The fifth, when applying integrated reporting, the reliability of the report is also a huge challenge because very few auditing companies can perform and audit non-financial information.

In the context of increasingly deep international integration, Vietnam faces reporting requirements of listed companies that need to provide complete and reliable information to investors, customers and creditors. Vietnamese businesses need to soon research and consider applying and implementing integrated reporting, helping to reshape goals and build a suitable roadmap for reporting to create long-term value and meet increasing demands from stakeholders. Accordingly, applying integrated reporting in reporting is a new direction, a choice that meets the requirements of economic development and international economic integration. From the analysis and assessment above, it can be seen that this is the direction for domestic enterprises to participate in making integrated reports in the process of international integration, although applying integrated reports still has many challenges to face, but the advantages brought by integrated reporting are huge.

#### **4. Some proposals to increase access to integrated reporting in Vietnam**

Integrated reports not only provide information about current business operations but also provide information about the future prospects of the business, with a longer-term vision, increasing benefits for investors and

contributing to for the healthy development of Vietnam's stock market. Therefore, when approaching Integrated Reporting, businesses in Vietnam need to pay attention to the following issues:

**The first**, take a multi-disciplinary approach: To approach integrated reporting, businesses should form a multi-disciplinary working group to lead the move to applying integrated reporting. Group participants can come from finance, strategy, corporate affairs, human resources, internal audit and investor relations. Individuals from these departments can help break down barriers and encourage integrated thinking. In addition, the "internal communication mechanism" must be well implemented continuously and regularly to point out the necessary needs, benefits of applying, as well as the achievements of applying the integrated reporting model. Coordinate and promptly motivate participants to motivate them to develop, limit centralized management, and these will be factors that make the application of integrated reporting more successful.

**The second**, determine the audience for integrated reports: Enterprises can choose to focus on shareholders and potential investors or a variety of stakeholders as audiences. However, whatever choice is made should be clearly explained in the integration report. Once businesses have identified the object of their integrated report, they also need to determine what activities can create value for that object. Depending on the nature of the business and the goals the business wants to achieve, prepare an appropriate Integrated Report. Integrated reporting is good when it satisfies credibility and accountability.

**The third**, providing business data information: Businesses need to proactively disclose information to the outside, because investors especially welcome businesses that provide general information about their operations, especially those that non-financial information to ensure the sustainability and efficiency of the business in which they are investing. This is an effective way to send signals to the market, helping investors distinguish and evaluate. The disclosure of information is not only good information but also negative information, assessments, and warnings about risks to create trust for investors in the business. To ensure consistency and credibility, publish your company's goals, even if the company doesn't achieve them. The integrated report should also include comparisons of current year and previous year numbers and explain any changes in value measurement.

**The fourth**, raise the awareness of senior managers about applying integrated reporting, and at the same time demonstrate the commitment of the Enterprise Board of Directors: Raise awareness of senior managers about applying integrated reporting helps managers develop practical strategies and apply integrated reporting successfully in the context of the Vietnamese economy. The level of participation and support of senior managers is extremely important. This level is assessed based on leaders' understanding of integrated reporting and business needs. If the application of integrated reporting really brings optimal benefits and solves the problems that businesses are facing, then administrators will make decisions about applying this report or will have incentive policies for the successful application of integrated reporting. On the other hand, investors and stakeholders want to see evidence that integrated reporting is driven by the thinking of the business's top leaders. Some businesses are hesitant, unable

to make a positive statement acknowledging the board's responsibility for Integrated Reporting. Therefore, it is necessary for the CEO to discuss the goals the business needs to achieve in the Integrated Report.

The fifth, use appropriate language: Because integrated reports will be read by people outside the enterprise, who do not have in-depth expertise in accounting and finance. Therefore, it is necessary to avoid complex and difficult-to-understand specialized terms.

## 5. Conclusion

Thus, with its role, integrated reporting is the trend of the times. Information integrated reporting is a way for businesses to "upgrade" themselves and increase benefits for investors, a means to find new business opportunities, protect reputation and maximize competitive advantage and minimizing risks and risks, promoting awareness of Vietnamese businesses about responsible investment in production and business activities, and is an effective solution contributing to improving the General transparency of the entire market and the economy. The more businesses that perform well in integrated and comprehensive reporting of information with high reliability, will contribute to the healthy development of the Vietnamese market, ensuring the country's sustainable development.

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