Factors affecting the level of integrated reporting disclosure of companies listed on the stock exchange in Vietnam

Các nhân tố tác động đến mức độ công bố báo cáo tích hợp của các công ty niêm yết trên thị trường chứng khoán Việt Nam

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Abstract: The aim of this study is to identify the factors affecting the level of integrated reporting disclosure of companies listed on the Stock Exchange in Vietnam. The study used an unweighted disclosure index based on the content of the IIRC Framework with 200 listed firms in Vietnam in 2020. Ordinary least square (OLS) regression model is used to determine the factors affecting the level of integrated reporting disclosure of listed companies. The results showed that, (1) Vietnamese listed firms disclose about 40% of the information required by the IIRC Framework, and (2) The disclosure levels are positively associated with board independence, audit quality, and firm size.

Keywords: *Annual reports; Financial performance; Integrated reporting; Sustainability reporting.*

Tóm tắt: Mục tiêu của nghiên cứu này là xác định các nhân tố ảnh hưởng đến mức độ công bố thông tin báo cáo tích hợp của các công ty niêm yết trên thị trường chứng khoán Việt Nam. Nghiên cứu sử dụng chỉ số công bố thông tin không trọng số dựa trên nội dung của Khung báo cáo tích hợp IIRC với 200 công ty niêm yết tại Việt Nam vào năm 2020. Mô hình hồi quy bình phương nhỏ nhất (OLS) được sử dụng để xác định các nhân tố ảnh hưởng đến mức độ công bố thông tin báo cáo tích hợp của các công ty niêm yết. Kết quả cho thấy rằng, (1) các công ty niêm yết tại Việt Nam công bố khoảng 40% thông tin theo yêu cầu của Khung IIRC, và (2) mức độ công bố thông tin có mối quan hệ tích cực với tính độc lập của hội đồng quản trị, chất lượng kiểm toán và quy mô doanh nghiệp.

Từ khóa: *Báo cáo thường niên; Báo cáo tích hợp; Báo cáo bền vững; Hiệu quả tài chính.*

1. Introduction

The United Nations Framework Convention on Climate Change, ratified during the Rio de Janeiro Earth Summit from 4 to 14 June 1992, critically articulated global concerns regarding the interconnected trajectories of economic sustainability, environmental preservation, and national resilience amidst escalating climate transformations. Contemporary global societies confront multifaceted challenges, encompassing climate volatility, biodiversity erosion, resource depletion, intensifying globalization, and systemic socio-economic disparities [1]. Within this context, investors increasingly prioritize comprehensive performance metrics, encompassing both financial and non-financial dimensions, with heightened scrutiny on the potential environmental and societal implications of their investment strategies and consequent organizational activities [2].

Integrated reports demonstrate notable convergence with annual and sustainability reports, while simultaneously introducing more comprehensive and strategic information designed to transcend the inherent limitations of traditional reporting frameworks [3]. Moreover, [4] posits that potential reporting deficiencies could be systematically addressed when Integrated Reporting (IR) emerges as the predominant reporting paradigm. IR strategically seeks to consolidate diverse organizational activity reporting within a unified conceptual framework and overarching strategic objective [5]. Fundamentally, IR represents an organizational response to the complex challenges of value generation, simultaneously addressing stakeholders' critical information needs regarding an enterprise's prospective value creation potential [6].

Extant literature has systematically documented the persistently inadequate level of information disclosure in interim and annual reports by listed enterprises in Vietnam [7]. Corporate reporting practices in Vietnam are governed by a comprehensive regulatory framework, including the Enterprise Law 2014, the Law on Accounting 2015, the Law on Securities 2010, and Vietnamese Accounting Standards. Notably, the Accounting Standards issued by the Ministry of Finance between 2001 and 2005 remain unrevised and outdated. Vietnam exemplifies a jurisdiction with a rigorous periodic disclosure regime, mandating listed firms to prepare a comprehensive suite of financial reports, including quarterly (four) financial statements, semi-annual financial reports, and annual financial reports.

Integrated Reporting (IR) emerges as a contemporary discourse, demonstrating significant potential benefits for financial markets, yet remains largely unregulated in Vietnam - a stance contrasting with most global jurisdictions, with South Africa being a notable exception [8, 9]. Consequently, IR is increasingly recognized as a pivotal mechanism for advancing corporate social reporting, particularly in contexts like Vietnam where implementing Corporate Social Responsibility (CSR) practices continues to present substantial conceptual and operational challenges [10]. Existing scholarly literature consistently advocates for expanded research to enhance comprehension of Integrated Reporting (IR) implementation methodologies, critically assess the practical applicability of the International Integrated Reporting Council (IIRC) Framework, and empirically investigate the varying levels of Integrated Reporting Disclosure (IRD) [11-12-13]. Therefore, it is pivotal to study the objective of the paper is (1) To examine the levels of integrated reporting disclosure including content elements required by the IR Framework; (2) To consider the factors affecting the level of integrated reporting disclosure of companies listed on the Stock Exchange in Vietnam.

2. Literature review

2.1. Integrated reporting disclosure studies

A substantial body of sustainability reporting literature has emerged, predominantly centered on examining the internal and external drivers of reporting, analyzing disclosure typologies and levels, and primarily relying on documentary analysis of reports and formal documents rather than direct engagement with organizational entities [14]. An incrementally growing research stream has explored Integrated Reporting (IR) issues, albeit in its nascent developmental stages [15, 16]. Concurrently, numerous scholarly investigations have critically interrogated IR by illuminating its inherent challenges and fundamental deficiencies [17-18-19-20-21-22]. Our research strategically addresses this scholarly gap by comprehensively assessing Integrated Reporting Disclosure (IRD) alignment levels within annual reporting frameworks.

2.2. Theoretical and integrated reporting frameworks

Prior research has investigated the impact of firm-specific characteristics on forward-looking disclosures, drawing upon agency theory [23] and signaling theory [24]. [25] highlight that enhanced disclosure of forward-looking information can mitigate information asymmetry and agency costs, thereby facilitating a more accurate assessment of firms' future performance. Studies conducted within individual countries have examined the influence of various firm-level attributes on integrated reporting (IR), such as assurance practices, board composition, firm size, industry classification, and ownership structure. These analyses leverage theoretical frameworks, including agency theory, legitimacy theory, and stakeholder theory, as demonstrated by prior [26-27-28-29].

Agency theory emerges as the most predominant theoretical framework in extant literature. Complementary theoretical perspectives include stewardship, institutional, stakeholder, and legitimacy theories [30-31-32-33].

The International Integrated Reporting Council (IIRC) <IR> model represents the prevailing framework adopted by pioneering firms and early adopters in integrated reporting. This voluntary framework enables reporting across six distinct capital resources and relationships, providing a comprehensive organizational representation [34]. In this study, we quantitatively assess information disclosure levels in Vietnamese listed enterprises' annual reports by analyzing content alignment with the IIRC Framework and investigating organizational characteristics influencing information element publication.

3. Research methodology

3.1. Hypothesis development

3.1.1. Board independence

Independent directors are traditionally conceptualized as a critical mechanism for monitoring managerial behavior [35], consequently facilitating increased voluntary corporate information disclosure. [36] similarly demonstrates that a higher proportion of independent board members enhances disclosure quality monitoring and mitigates information withholding incentives. Aligned with agency theory, existing research consistently reveals the positive correlation between board independence and environmental, social, and governance disclosure [37], as well as Integrated Reporting (IR) quality [16].

In the Vietnamese context, to the authors' current knowledge, no prior comprehensive studies on Integrated Reporting Disclosure (IRD) exist. However, empirical evidence indicates that board independence positively correlates with risk management disclosure in annual reports [7] and discretionary disclosure in interim reports [38]. Moreover, Decree 71/2017/NĐ-CP mandates that listed firms maintain a minimum of one-third independent board members, signaling governmental recognition of board independence's critical role in corporate governance and potentially enhancing information transparency. Synthesizing these insights through an agency theory lens, the following proposition emerges:

H1: Board independence has a significant positive influence on the level of IRD.

3.1.2. Audit quality

Numerous scholarly investigations have explored the relationship between audit firm size and corporate disclosure [22, 39]. Several prior studies have consistently demonstrated a positive correlation between audit quality and disclosure levels [40, 41]. Within the Integrated Reporting (IR) literature, a positive association between external assurance and Integrated Reportinsg Disclosure (IRD) has been similarly documented [42-12-32]. Conversely, certain researchers have failed to establish a definitive influence of audit quality on corporate disclosure [43]; potentially attributable to auditors' constrained roles within mandatory regulatory boundaries [43].

In the Vietnamese context, Big-4 auditors consistently command a premium pricing over alternative auditing firms, a phenomenon well-documented in existing literature [44]. Consequently, Big-4 auditors predominantly serve large-scale enterprises, with client motivations extending beyond audit quality to include strategic self-representation. Grounded in stakeholder and legitimacy theories, the following hypothesis is proposed:

H2: Audit quality has a significant positive influence on the level of IRD.

3.1.3. Firm size

The positive correlation between organizational size and disclosure levels has been extensively documented in both cross-country [45] and within-country empirical studies [41]. Conversely, alternative research streams have failed to establish a statistically significant relationship between organizational size and corporate disclosure levels [46]. These inconclusive findings may potentially stem from methodological limitations, such as constrained sample sizes [46-41].

In the Vietnamese context, larger enterprises have strategically attempted to adopt international reporting frameworks to enhance proximity with foreign investors and respond to escalating demands for comprehensive disclosure practices. Grounded in agency theory, the following hypothesis is proposed:

H3: Firm size has a significant positive influence on the level of IRD.

3.2. Sample section

The research sample includes the top 200 Vietnamese listed firms by market capitalization as of December 31, 2020, from HOSE and HNX, ensuring consistent reporting standards. The financial sector is included, as the IIRC Framework lacks sector-specific requirements.

The data in 2020 is used for its reliability, availability, and relevance, reflecting disclosure practices during the COVID-19 pandemic and serving as a baseline for long-term analysis. If a firm's 2020 report was unavailable, the next largest firm was selected, ensuring a final sample of 200 firms. This sample size aligns with recent IR studies [25]; [32], which use researcher-constructed indices. Annual reports were sourced from stock exchanges' archives for systematic analysis.

3.3. Research model and variable measurement

3.3.1. Research model

The three hypotheses are simultaneously evaluated using 2020 financial year data through an ordinary least squares (OLS) regression model, specified by the following regression equation.

$$\mathbf{IRD_i} = \beta_0 + \beta_1\ \mathbf{BIND} + \beta_2\ \mathbf{BIG} + \beta_3\ \mathbf{FS} + \varepsilon$$

3.3.2. Dependent variable

Content analysis represents one of the most prevalent methodological approaches in disclosure research, characteristically involving binary confirmation of item presence or absence through a non-weighted disclosure indexing method [47]. This study adopts this established approach, operationalizing the Integrated Reporting Disclosure (IRD) score by systematically analyzing the presence of 50 disclosure items derived from the International Integrated Reporting Council (IIRC) Framework, as detailed in Table I.

Table 1. Integrated Reporting Disclosure (IRD) Alignment Checklist

Content Elements (Group)	Disclosure Items
Organizational overview and external environment (G1)	Mission and vision statement
	General explanations about organization culture, ethics, or values
	Code of conduct
	Ownership or operating structure
	Competitive landscape and market positing
	The number of employees
	Countries in which the organization operates
	Legal factors
	Political factors
	Social factors
	Market forces
	Key stakeholders
	Environmental factors
Governance (G2)	Board of directors list
	Board experience or skills
	Culture, ethics and values are reflected in its use of and effects on the capitals
	Actions are taken to monitor the strategic direction
	Compensation policies
Business model (G3)	Key inputs
	Product differentiation
	Delivery channels and marketing
	After-sale service

	Innovation
	Employee training
	Key products and services
	GHG emissions
	Water waste
	Employee morale
	Organizational reputation
	Revenue, cash flows
	Customer satisfaction
	Increase in capitals (create value)
	Decrease in capitals (diminish value)
Risks and opportunities (G4)	Internal or external risks
	Internal or external opportunities
Strategy and resource allocation (G5)	Short-, medium- and long-term strategic objectives (without time frame)
	Short-, medium- and long-term strategic objectives (with time frames)
	Strategies it has in place or intends to implement, to achieve those strategic objecties
	The measurement of achievements and target outcomes
	An understanding of the organization's ability to adapt to change to achieve goals
	The link between strategies and key capitals
Performance (G6)	KPIs that present financial measures
	KPIs that combine financial measures with other components (i.e. the ratio of greenhouse gas emissions to sales)
	The linkages between past and current performance

	The comparison between regional/industry benchmarks
	Financial implications of significant effects on other capitals
Outlook (G7)	Expectations about future or explanations about uncertainties
	Forecast about KPIs
	Assumptions related to those forecasts
	The linkages between current performance and the organization's outlook

Source: Compiled from IIRC, 2013

Following the International Integrated Reporting Council [48] Framework, the disclosure checklist comprises the seven core content elements for assessing integrated reporting disclosure (IRD) scores. Each element is evaluated using a binary scoring methodology, wherein a score of "1" indicates the presence of a specific disclosure, while a score of "0" denotes its absence. This methodological approach aligns with the disclosure assessment protocol established by [25].

The methodological approach to integrated reporting (IR) disclosure assessment has been consistently applied across multiple scholarly investigations [17-25]. Utilizing a binary scoring mechanism, disclosure items are coded as either one (1) when the required information is present or zero (0) when absent, resulting in a firm-level disclosure index ranging from 0 to 50 based on the comprehensive disclosure of items within the annual report.

The IRD is calculated by dividing the items disclosed to a maximum number of items that a firm could disclose as follows.

$$\mathrm{IRD}_i = \frac{\sum_{j=1}^{t} IRj}{t}$$

Where:

•IRDi represents the Integrated Reporting Disclosure (IRD) score for firm i

• IR_j is a binary indicator variable:

IR_j = "1" indicates the disclosure of item j in the annual report

IR_j = "0" indicates the non-disclosure of item j

•t = 50, representing the maximum number of potential disclosure items aligned with the International Integrated Reporting Council (IIRC) Framework

3.3.3. Independent variable

Table 2. Independent variables and measurement

Independent variables	Measurement
Board Independence (BIND)	% of non-executive directors to total directors
Big Four (BIG)	"1" if a firm is audited by one of the Big-4 audit firms and "0" otherwise
Firm size (FS)	The natural logarithm of total assets

Source: The authors compiled

4. Results and implications

To address the first research question concerning the extent of Integrated Reporting Disclosure (IRD) among Vietnamese listed firms, descriptive statistical analysis reveals considerable heterogeneity in disclosure practices. The IRD scores exhibit a substantial range from 0.13 to 0.60, with a mean of 0.40. This finding suggests that, on average, Vietnamese listed firms disclose approximately 24 of the 50 potential items prescribed by the International Integrated Reporting Council (IIRC) <IR> Framework, indicating a moderate level of integrated reporting compliance.

The Integrated Reporting Disclosure (IRD) level in Vietnam demonstrates a moderate performance when benchmarked against international standards. Compared to the disclosure score of approximately 70.2% observed in a study of 82 international firms across 25 countries from 2011 to 2015 [26], the current research reveals a more modest mean disclosure of 40%.

However, this finding suggests a level of comparability with other emerging markets. Specifically, the Vietnamese IRD levels are relatively consistent with those observed in Jordan, which reported a disclosure rate of about 51.28% in a recent study by [49]. To provide a nuanced understanding of disclosure practices, the research conducts a comprehensive analysis of each information group within the Integrated Reporting Framework, as detailed in Table III. This granular examination offers insights into the specific patterns and variations of integrated reporting disclosure among Vietnamese listed firms.

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IDR score	200	0.13	0.60	0.40	0.17
G1	200	0.05	1.12	0.43	0.15
G2	200	0.21	1.12	0.61	0.15
G3	200	0.05	0.60	0.26	0.13
G4	200	0.00	1.12	0.37	0.23
G5	200	0.00	0.75	0.31	0.17

G6	200	0.00	0.70	0.20	0.14
G7	200	0.00	0.71	0.14	0.13

Table 3 reveals significant variability in Integrated Reporting Disclosure (IRD) alignment across the seven content elements of the IIRC Framework. The alignment levels range from a minimum of 0.15 for G7 "Outlook" to a maximum of 0.61 for G2 "Governance". These findings largely corroborate [25], who similarly identified G1 "Organizational Overview and External Environment", G2 "Governance", and G4 "Risks and Opportunities" as the most frequently disclosed content elements.

The descriptive analysis highlights substantial heterogeneity in disclosure practices. The standard deviation reveals that G4 "Risks and Opportunities" demonstrates the most pronounced variability (0.23), while G2 "Governance" exhibits the most consistent disclosure pattern (0.15).

Table IV provides the correlation matrix for the independent variables, serving to assess potential multicollinearity concerns in the regression analysis. The correlation coefficients do not exceed 0.411, indicating minimal inter-variable correlation. Consequently, the independent variables incorporated in Equation 1 demonstrate low multicollinearity risk, aligning with the methodological guidelines established by [50] and [51].

Table 4. Correlation between dependent variable and independent variables

Variables	IRD	BIND	BIG	FS
IRD	1			
BIND	0.132*	1		
BIG	0.253**	0.034	1	
FS	0.217**	-0.082	0.411**	1

The regression analysis presented in Table 4 provides insights into the determinants of Integrated Reporting Disclosure (IRD) among Vietnamese-listed firms. The statistical model demonstrates significant explanatory power, with an F-statistic of 5.237 ($p < 0.001$), indicating a robust overall model fit. The adjusted R^2 of 0.169 suggests that the three independent variables collectively account for 18.3% of the observed variations in integrated reporting disclosure levels.

$IRDi = \beta 0 + \beta 1\ IND + \beta 2\ BIND + \beta 3\ BIG + \beta 4\ FS + \varepsilon$

Table V. Results of the multivariate regression model

Variables Hypothesis Expected sign Coefficients T-stat P-value

BIND H1 + 0.062 1.821 0.031

BIG H2 + 0.058 2.407 0.005

FS H3 + 0.013 2.337 0.012

R2 0.171

F - stat 5.237 <0.001

The multicollinearity diagnostic (not tabulated) indicates no significant multilinear dependencies in the model, with the maximum variance inflation factor (VIF) of 1.192 falling well below the conventional threshold of 10, as recommended by [50] and [51].

Consistent with the first hypothesis (H1), predicts higher Integrated Reporting Disclosure (IRD) levels with increased independent directors. The BIND variable coefficient is positive and statistically significant ($\beta1 = 0.062$, $p < 0.1$), consistent with numerous prior disclosure studies [7, 37, 26, 16].

The audit quality hypothesis (H2) is supported by the BIG variable coefficient, which is positive and statistically significant ($\beta2 = 0.058$, $p < 0.05$). While Big-4 auditors directly audit financial statements, they indirectly influence reporting disclosure through non-auditing services. This finding aligns with extensive prior research [40, 41, 32, 12].

Additionally, firm size (FS) demonstrates a positive and statistically significant coefficient ($\beta3 = 0.013$, $p < 0.05$), supporting H3 and indicating that larger firms exhibit higher IRD levels. This observation is consistent with an extensive body of disclosure literature [43-46].

5. Conclusion

The study analyzed the 2020 annual reports of companies listed on the Ho Chi Minh Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX). The findings indicate that Vietnamese listed firms achieved an average disclosure level slightly exceeding 40% in alignment with the International Integrated Reporting (IIRC) Framework. This relatively modest level highlights considerable opportunities for both individual companies and regulatory authorities to improve integrated reporting practices. Enhancing transparency in reporting can enable organizations to more effectively address the expectations of diverse stakeholders.

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