

# Challenges of, and techniques for, materiality determination of non-financial information used by integrated report preparers

Determination  
of non-  
financial  
information

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## Abstract

**Purpose** – The international integrated reporting framework encourages organisations to disclose material information that affects their ability to create value. This paper aims to investigate the challenges and techniques preparers of integrated reports use to determine the materiality of non-financial information.

**Design/methodology/approach** – This paper uses an exploratory interpretive thematic analysis and an archival research approach. Qualitative semi-structured interviews were conducted with 55 integrated reporting (IR) preparers in 12 publicly listed companies, supported by the perusal of the companies' integrated annual reports over a three-year period.

**Findings** – IR preparers find materiality determination for non-financial information challenging. This study found that preparers convert challenges into opportunities by using materiality disclosures as image-enhancing marketing tools, which causes concerns regarding weak accountability and a deviation from the International Integrated Reporting Council's objective of improving information quality. This study found that IR preparers use various techniques in conjunction to determine materiality levels, as well as whether to disclose non-financial information in their integrated reports. The institutional isomorphism lens used in the study highlighted the issues IR preparers faced in their determined efforts of IR materiality levels under mimetic and normative isomorphism pressures.

**Research limitations/implications** – The challenges and techniques identified can contribute to the development of a framework for materiality level determination for non-financial information.

**Practical implications** – Regulators who are concerned with ensuring sufficient information to improve investor decision-making will be interested in the techniques IR preparers use to determine materiality levels for non-financial information, to improve their regulations and frameworks.

**Originality/value** – This study contributes to the literature regarding challenges with materiality level determination in integrated reports and techniques used by IR preparers. The application of an institutional isomorphism lens led to greater insight and understanding of IR preparers' challenges and techniques in materiality determination. This paper makes a number of significant contributions to the IR literature. First, it identifies the usefulness of material information for decision-making and the influence stakeholders have on the materiality determination of non-financial information, which have not been mentioned in the prior literature. Second, the literature is silent on how organisations relate materiality to value creation for the purposes of determining the materiality content of an integrated report; this research provides empirical evidence of the use of value creation criteria in materiality determination. Third, the study highlights that

