

MARKET AND COMPANY EFFECTS OF VOLUNTARY IR ADOPTION - A QUESTIONABLE TOPIC IN THE CASE OF EUROPEAN COMPANIES

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Abstract:

The primary purpose of Integrated Reporting is to explain how an organization creates value over time to financial capital providers. Using shareholder theory lenses, this study explores the effects of voluntary adoption on the capital market and value of the company. Thus, is analyzed the relation between a self-constructed Disclosure Index Score (measuring the alignment degree of an integrated report with Framework) and analysts forecast error, respectively Tobin's Q. The analyzed sample is formed of 98 integrated reports produced by 61 European companies, published on IIRC website for 2013-2017 period. The results highlight that, as the analyzed report is more aligned with Framework, analysts forecast error increases while the value of the company decreases. Consequently, information disclosure in a voluntary setting, affects in a negative manner analyst forecast errors while the proprietary costs and competition sensitive information, exceed the benefits of adoption. The current study contributes to existing knowledge by exploring the voluntary adoption of integrated reporting using quantitative analysis and focusing on the European context.

Keywords: *integrated reporting, company value, analyst forecasts*

JEL codes:: *M20, M40*