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 <IR> 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 <IR> 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 <IR> 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 <IR> Framework, analysts forecast error increases while the value of the company decreases. Consequently, information disclosure in a voluntary <IR> setting, affects in a negative manner analyst forecast errors while the proprietary costs and competition sensitive information, exceed the benefits of <IR> 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

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