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The relationship between assurance and materiality disclosure in IR

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The materiality construct

Materiality disclosure, in our study, does not refer to the *correct* identification of material issues by companies. Rather, it refers to the extent to which companies communicate through their IRs the materiality determination process and the way in which they defined material issues.

Assurance and materiality

SAMPLE AND MAIN VARIABLES

SAMPLE

The 2012 and 2013 IR (or, if not available, the SR) of the companies joining the IIRC program & SR of the matched sample

Assurance

- 0,1 variable (1: presence of assurance; 0: no assurance)

Materiality Variable

- Word-count of the term “materiality” / number of pages of the report
- Relevance (from 1 to 5): the extent to which the report disclosed information about materiality

The determinants of materiality

SAMPLE AND MAIN VARIABLES

Relevance (from 1 to 5)

0: no reference to materiality

1: the report only states materiality has been a principle followed in the report's production

2: if it includes a brief discussion of what is considered to be material

3: if, beyond the discussion of what is material, it communicates the material issues emerging from the analysis

4: if the description of the process and its results were described more carefully

5: if the report devoted particular attention to the materiality issue



The determinants of materiality

RELEVANCE

The relevance score

Variable	IIRC		non IIRC	
	2012	2013	2012	2013
0	36	14	24	28
1	3	15	12	5
2	5	9	4	10
3	7	10	16	12
4	7	9	5	5
5	7	8	4	5
Total	65	65	65	65



The correlation between materiality and assurance

Correlation between Materiality Disclosure Variables and Assurance

The Table displays Pearson correlation matrixes. Coefficients' significance: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

IIRC sample (n=130)

Variable	(1)		(2)		(3)
Materiality WC	1				
Relevance	0.462	***	1		
Assurance	0.341	***	0.4626	***	1

Matched non-IIRC sample (n=130)

Variable	(1)		(2)		(3)
Materiality WC	1				
Relevance	0.644	***	1		
Assurance	0.4575	***	0.6441	***	1



Conclusions

- Unconditionally, assurance and materiality disclosure are significantly and positively correlated, both in the IIRC and in the non-IIRC samples
- The results also validate our empirical measures of materiality disclosure (they are positively and significantly correlated)