Integrated Reporting at the Crossroads: Will it Become Trendsetter Model for the Corporate Reporting

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Abstract: *The landscape of corporate reporting is changing quickly. The concepts, elements and principles that characterize the way organizations plan, manage and report their annual performances are currently being questioned, debated, and redesigned throughout the world. However, widening the scope of corporate performance and reporting is a major issue. Interest in and adoption of IR regarding a company's financial, environmental, social, and governance performance is growing rapidly. Research needs to bridge the gap between social and financial performance by considering corporate performance in a wider perspective.*

At base, IR is a relatively new but powerful idea: enhancing the way organizations think, plan and report the story of their business. Organizations are using IR to communicate a clear, concise, integrated story that explains how all of their resources are creating value. IR is helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance. It is shaped by a diverse coalition including business leaders and investors to drive a global evolution in corporate reporting. This paper examines the rise of what has been widely claimed to represent a new and striking future for corporate reporting, namely the notion of 'Integrated Reporting' (IR).

Unfortunately, there is poor empirical research work undertaken which has focused on published integrated reports. This research study provides initial analysis of the content and structure of the corporate integrated reports published in 2013 and available on the International Integrated Reporting Council (IIRC) Emerging Examples Database. As part of this study, Integrated Reports were analyzed for company information, report information and report content. Moreover, they were also evaluated as to the extent these adhered to the integrated reporting (IR) Guiding Principles, Content Elements, and the multiple capitals model. Findings of this study indicate that "early integrated reports were mostly lengthy, fail to adhere to all the guiding principles, and covered four of the six capitals suggested." At present, no universally accepted global framework for IR exists and it is still largely a voluntary practice. We believe that IR of both financial and non-financial performance should be made mandatory, and it should become a universal practice for all the global listed companies within the next 5-10 years.

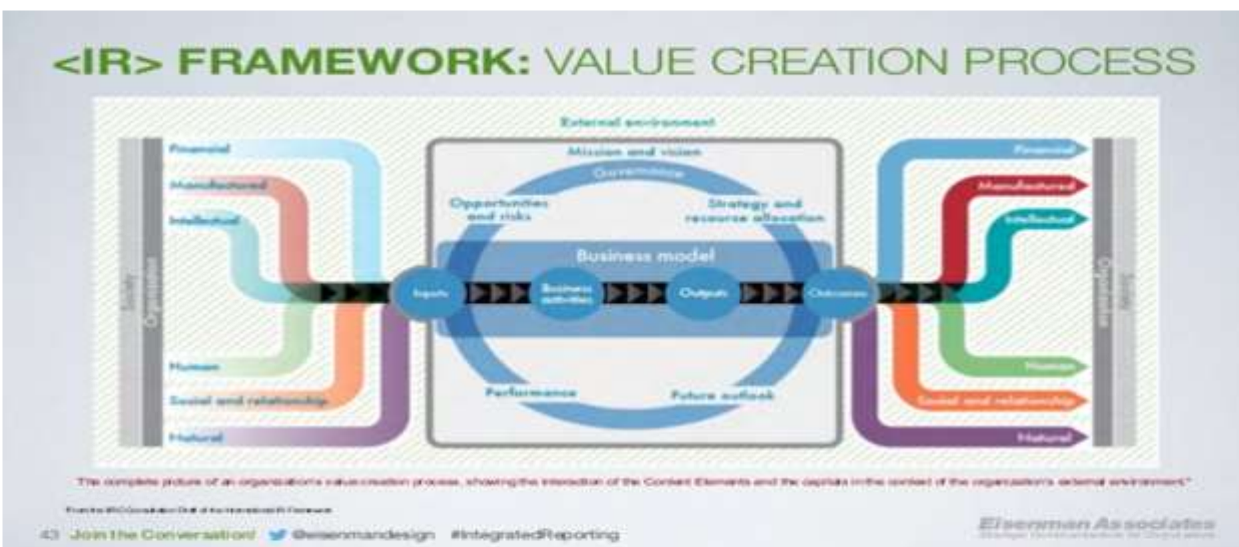
Keywords: *Integrated Reporting, trendsetter model, corporate reporting, IIRC, reporting framework, guiding principles, content elements, multiple capitals models.*

INTRODUCTION

High-quality business reporting is at the heart of strong and sustainable organizations, financial markets, and economies. In fact, traditional metrics for measuring value and economic progress no longer provides a complete picture of the corporate world. To create value, organizations increasingly rely not just on their resources but the scarce resources belonging to the society. Therefore, the value creation process is based on the principle of "shared costs." Consequently, the value created by an organization should also be shared between its owners and society. The key is to determine the extent to which shareholder value creation depends on a contribution by society as a whole—and whether that contribution is sustainable in the long-term (Stewart, 2015). The information needed to evaluate an organization's ability to create value sustainably over time cannot be gleaned from the prevailing corporate reporting model. A number of arguments support this assertion: (a) Organizations are publishing a growing variety of increasingly extensive reports. However, the information provided in them is disjointed, generated by different departments within the organization, and are products of silo thinking instead of integrated thinking; (b) The complexity of financial reporting standards requires increasing technical knowledge; (c) The current economic, social and environmental crises we face (e.g., recession, the income gap and climate change) are forcing us to think differently about the world and business; (d) The lack of a conceptual and regulatory framework for non-financial reports means that inconsistencies occur. Therefore, stakeholders may find it difficult to compare reports on many benchmarks; (e) Financial reports fail to reflect an organization's ability to create value in the short, medium and long-term through efficient management of its strategic resources; and (f) An organization's value is decreasingly derived from the tangible assets on its balance sheet and increasingly from its intangibles. The weight of tangible to intangible assets has inverted over the last three decades. "With organizations having the ability to create value beyond that captured by financial statements (FS), there is an urgent need to find new ways to measure and communicate real value creation," said Bhasin (2016). Thus, the global economy is facing a new 'value' paradigm.

These arguments illustrate how the current reporting framework falls short of stakeholders' needs and expectations, and is insufficient for investment decision-making purposes. Research performed by ACCA and Eurosif (2013) concluded that "investors say: (a) a link is missing between current reporting, business strategy and risk, and we do not believe that sufficient information is provided to assess financial health, (b) current non-financial reporting is not sufficiently relevant, and non-financial information should be better integrated with financial information; (c) qualitative policy statements are important to assess financial materiality, but quantitative key performance indicators are viewed as essential; and (d) accountability mechanisms should be part of non-financial reporting, either through new board oversight mechanisms, third-party assurance and/or shareholder approval at annual general meetings." The information needed to evaluate an organization's ability to create value sustainably over time cannot be gleaned from the prevailing corporate reporting model. The more forward-looking and detailed information organizations provide, the more efficiently markets operate. Therefore, organizations need to explain their value creation goals from a 'new' perspective: a view that accounts for both intangible and tangible assets and quantifies, whenever possible, the value they create from a broader economic, social and environmental perspective. The ultimate goal is to enable investors to make more efficient and effective decisions and bring an organization's market value closer to its intrinsic value (Brown and Dillard, 2014).

Figure 1: Value Creation Process under the <Integrated Reporting> Framework



In fact, integrated reporting (IR) does just that. **Figure 1** depicts the way how value creation process is followed under the IR framework. IR brings together financial and nonfinancial measure in one-piece of the report. It also shows the links among financial and nonfinancial performance metrics (Hoque, 2017). Several leading global organizations are adopting the IR concept. A number of organizations were already publishing IR before the launch of the IIRC Framework in Dec. 2013. These pioneers incorporate many of the concepts established in the IIRC Framework and clearly define the foundations of how they create value. Included among them are: The Crown Estate (UK), SAP (Germany), Novo Nordisk (Denmark), Port of Rotterdam Authority (the Netherlands), Natura (Brazil), etc. So far, in Singapore, only DBS Group has adopted integrated reporting. It did so for its 2013 annual report after it joined the IIRC's 2011 pilot program. CDL is among the first few companies in Singapore to adopt the integrated approach designed to provide a "holistic" picture on the company's financial and sustainability performance. In the future, Integrated Reporting (henceforth, IR) could eventually replace existing corporate reports. Organizations should be able to decide the way in which it will be presented—for instance, as an overarching document linking to various other reports, or as a single stand-alone document covering all material aspects.

INTEGRATED REPORTING AS A DRIVER FOR INTEGRATED THINKING

We live in a world of multiple dimensions, where a variety of resources and relationships contribute to understanding the full-story of an organization's impacts and value creation. Only by acknowledging the connectivity between these resources and relationships, it is possible to understand the full picture. That is why, it is essential that corporate reporting should be seen through a broader lens that brings into focus financial, non-financial and sustainability information together with other considerations (ACCA 2012). The recognition that a substantial portion of market capitalization was made-up of so-called intangibles (such as governance, trust and the contribution of human capital, legitimacy of operations and supply chain) led to the development and introduction of sustainability reporting by the Global Reporting Initiative (henceforth, GRI). However, sustainability reports are still often produced in a 'silo' alongside other reports, such as financial statements (FS). While individual reports still provide critical information to stakeholders, in isolation they are not sufficient to gain a comprehensive understanding of the full impacts and performance of a company. The establishment of the International Integrated Reporting Council (henceforth, IIRC) had the objective to help organizations provide a more comprehensive picture of how they are performing to create value over time across all relevant capitals. Integrated reporting (IR), which is founded on "integrated thinking" within the business, explains the interrelationships between financial and other capitals that the business depends on. The integrated report may link to more in-depth financial or sustainability information that different stakeholders require. A growing number of companies are already adopting this approach and are experimenting with ways to successfully implement this cycle of integrated thinking and reporting, enabling them to embed sustainability issues into their business strategy and communicate about it.

Integrated Reporting (IR) is making a great impact. In a relatively short timeframe, it has significantly changed the corporate reporting landscape. And because <IR> requires companies and their stakeholders to get a better insight into value creation, its impact is not just limited to the reporting landscape. Integrated thinking is defined in the <IR> Framework as: "The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated Thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term." This translates into more Integrated Thinking creating more sustainable value. Likewise, when writing an integrated report, Integrated Thinking is a crucial if not the most important section. That said, any company that wants to start the Integrated Thinking process will need insight into a broader set of information compared with traditional financial analysis. And this information should be more interconnected and more forward-looking (CGMA, 2014). Or, as summed up in the SAICA (2015) survey: "Integrated Thinking promotes a more holistic assessment to grow better businesses and better societies". It is a way of breaking down internal silos, reducing duplication and driving positive behavior focused on long-term success. Firms start with Integrated Thinking to cope with changing business circumstances that often require a disruptive change in strategy. But Integrated Thinking can also help to see the big picture of an organization. According to a Deloitte survey (2015a) in the UK, an integrated report is the output of Integrated Thinking. Several of the companies we spoke to, like DSM, Heineken and Delta Lloyd, also suggest a stronger link between Integrated Thinking and business performance than <IR> and business performance.

Marleen Janssen Groesbeek argues: “An integrated report guides organizations towards Integrated Thinking. It is a good idea to start with Integrated Reporting as people from all departments are necessary to fully develop Integrated Thinking.” Both processes clearly try to give a better insight into an organization’s process of value creation. Churet et al, (2014) describes this with the metaphor of an iceberg, with the report being the top and thinking representing everything below the surface.

PERSPECTIVES OF INTEGRATED REPORTING

The recognition that material non-financial information is equally important to investors and analysts gave rise to the concept of integrated reporting (IR), which is reporting on both financial and nonfinancial information in one report. In their book ‘One Report’, Eccles and Krzus (2010) defined an integrated report as “a single report that combines the financial and narrative information found in a company’s annual report with the nonfinancial (such as, environmental, social, and governance issues) and narrative information found in a company’s ‘Corporate Social Responsibility’ or ‘Sustainability’ report.” Over the last few years, the focus of IR has been on the importance of organizational value creation through the so-called “capitals” or “six capitals.” While information is traditionally provided on the “financial” and “manufactured” capitals, IR also recognizes four more capitals intrinsic to value creation over the short, medium and long run: intellectual, human, social/relationship and natural (see **Figure-2**). IR is about more than a static document. It also entails providing performance information in a more ‘integrated’ way on the company’s website, along with providing more detailed information of particular interest to shareholders and other stakeholders. “Analytical tools for exploring the relationship between financial and non-financial performance using data from the company and other sources and comparing the company’s performance to its competitors can also be provided. Finally, the company’s website can also be used to improve its dialogue and engagement with all stakeholders,” says Bhasin (2016a). IR is as much about listening as it is talking.

Figure-2: A Bird’s Eye View of IR

IR is a process that concisely communicates how an organization’s strategy, governance, performance and opportunities lead to the creation of value over time. This enables a more informed decision-making processes and advances a more sustainable global economy. Integrated reporting, in fact, aims to:

- Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital.
- Promote a more consistent and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.

- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

The concept of IR was first of all introduced in the South Africa in 2009 through King III, the code of corporate governance. The Johannesburg Stock Exchange adopted King III, and all listed companies are now required to "apply or explain" the King III principles, of which integrated reporting is one. Regulatory requirements around the world and some listing requirements in different parts of the world are heading in the same direction. Requirements are emerging to increasingly disclose non-financial performance. Some of the leading examples are given below. For example, in Germany, the German Accounting Standard 15 includes disclosure requirements with respect to context, KPIs, risks and opportunities, forward-looking statements and corporate governance; in France, Grenelle II stipulates the inclusion of externally assured non-financial information in annual reports; in Spain, a regulator's taskforce is working on proposals for a new management report format; in Brazil, the Sao Paulo Stock Exchange requires listed companies to report non-financial KPIs on a "comply or explain" basis; and in the UK, the Companies Act 2006 (strategic report and director's report) extends the scope of mandatory non-financial reporting obligations for listed companies.

- An integrated report <IR> is a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long-term. (IIRC framework, "What is integrated reporting?")
- An integrated report <IR> is a holistic and integrated representation of the organization's performance in terms of its finance and its sustainability." (Institute of Directors Southern Africa, "King Code of governance for South Africa 2009," 2009)
- Integrated reporting <IR> builds on the practice of financial reporting, and environmental, social and governance (or ESG) reporting, and equips organizations to strategically manage their operations, brand, and reputation to stakeholders and be better prepared to manage any risk that may compromise the long-term sustainability of the business." (Professor Mervyn King, Press Release "Formation of the International Integrated Reporting Committee (IIRC)," 2 August 2010).

BRIEF HISTORY OF IR

Formally and informally, improved company reporting has been mooted for more than half a century. But only in the 1990s in South Africa did it really take hold. In 1993, South Africa's Institute of Directors asked Mervyn King, a former judge of the Supreme Court of South Africa, to chair a committee on corporate governance. The committee's first report (King I) was produced in 1994, and a revised edition (King II) was released in 2002. A third edition (King III) was released in 2009. From March 2010, the Johannesburg Stock Exchange required listed companies to adopt the King III principles. Known as 'integrated' reports, South African annual reports are required to demonstrate a company's leadership, sustainability, and good corporate citizenship (Solomon and Maroun, 2014). In King III, integrated reporting is referred to as a 'key challenge for leadership' in which 'sustainability issues' are 'mainstream'. It notes that 'strategy, risk, performance and sustainability have become inseparable'. Hence, the best company reports are 'integrated'. While reporting on none of these attributes is legally enforceable, they are mandated through regulation. King is director of the Global Reporting Initiative (GRI), which lobbies worldwide for the introduction of integrated reporting.

Earlier on in 2009, the Prince of Wales convened a meeting of investors, companies, accounting bodies and United Nations representatives, which included GRI representatives, to form the International Integrated Reporting Committee (IIRC). In 2012, it was renamed the International Integrated Reporting Council (Downes, 2015). Chaired by Mervyn King, it describes itself as a global coalition of regulators, investors, companies, standard-setters and NGOs that leads the way in steering the world's business entities towards reporting more broadly on their activities. As early as 1999, PricewaterhouseCoopers created a 'value reporting' framework, now known as the Corporate Reporting Framework, which identified information common to all industries and businesses: market overview, strategy and structure, managing for value, and performance. In 2002, Novozymes, a Danish manufacturer of industrial enzymes, produced what is thought by many to be the first 'integrated' report. Its annual reports remain models of the style. And over the past decade, major accountancy firms and consultants have contributed to refining the idea of integrated reporting. The IIRC makes the pace, though. In 2011, it set up an integrated reporting pilot program involving scores of companies worldwide; four are Australian. And last year it released an International Integrated Reporting Framework, which details 'principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process …' In other words, it helps businesses decide how to go about integrated reporting. The document is to be used to 'accelerate' the adoption of integrated reporting worldwide, it says. The IIRC's definition of integrated reporting, for instance, is: 'A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation'. Jargon and rhetoric, in short. The organization's overarching aim, however, is admirable: it would like to see capital better targeted and more productive.

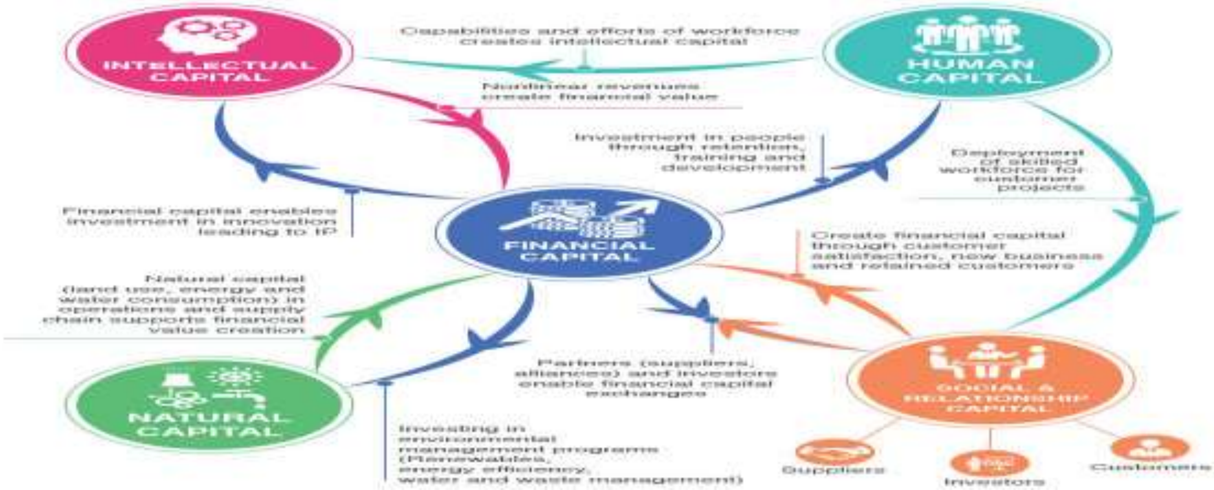
FORGING A PATH TO INTEGRATED REPORTING: THE IIRC

The 2007–2009 global financial crisis was a catalyst for establishing the International Integrated Reporting Council (IIRC), and developing Integrated Reporting (termed as <IR>) as a means of enhancing financial stability and rebuilding trust in capital markets and their ability to serve the real economy. The IIRC is a coalition drawn from broad global communities representing all those with an interest in the evolution of corporate reporting. This coalition promotes communication about value creation, over the short, medium and long-term, as the next step in the evolution of corporate reporting. The IIRC is the global authority on <IR> and steward of the International <IR> Framework. The IIRC, set up at the end of 2010, aims to "create the globally accepted integrated reporting <IR> framework. Ultimately, an integrated report <IR> should explain the reporting entity's interrelated financial, environmental, social and corporate governance information. It should be presented in a clear, concise, consistent and comparable manner. And disclosure should be retrospective and prospective to better match investors' needs. By doing so, organizations could improve their ability to access capital." Integrated reporting <IR> is a management and communication tool for understanding and measuring how organizations create value now and in the future. The goal is not to provide more information, but better information. It is the information that investors are increasingly looking for.

THE <IR>FRAMEWORK

The IIRC Framework is built around, what we call "capitals" (financial, manufactured, human, intellectual, natural and social & relationship). The idea is based on a company gaining insight into these capitals. It will give them a better 'holistic' understanding of their company, as summarized in **Figure 3**. A company specifically needs to know: (a) How to use the capitals?, (b) How to depend on the capitals?, (c) How to have access to the capitals?, and finally, (d) How to impact the capitals? This is in no way straightforward, as the capitals can influence each other, as well. For example, more employees training may increase the number of competent employees and, hence, improve customer satisfaction. However, it increases costs in the short-term. Thinking about how capitals influence each other is, in fact, what "Integrated Thinking" is all about. <IR> collects crucial information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. This may be perceived as being complex, which is why the Guiding Principles and Content Elements of the IIRC have been designed to help you implement <IR>. We strongly recommend using the IIRC Framework, especially when the integrated report is the primary reporting vehicle. In those cases it is essential for the report to include all relevant and required information on all material capitals, so all relevant stakeholders will be informed about them. Using the Framework means you can do exactly that.

Figure 3: Integration of Capitals used in the IR



The seven "Guiding Principles" underpin the preparation of the <IR>, giving guidance on what content should be included in the report and how information is presented, as shown in **Figure-4.** These elements are of a more technical nature and form the boundary condition to which an integrated report should comply. The eight "Content Elements" all link to each other and affect each other. They stimulate the company to implement integrated performance management based on the integrated thinking of the entire framework.

GUIDING PRINCIPLES

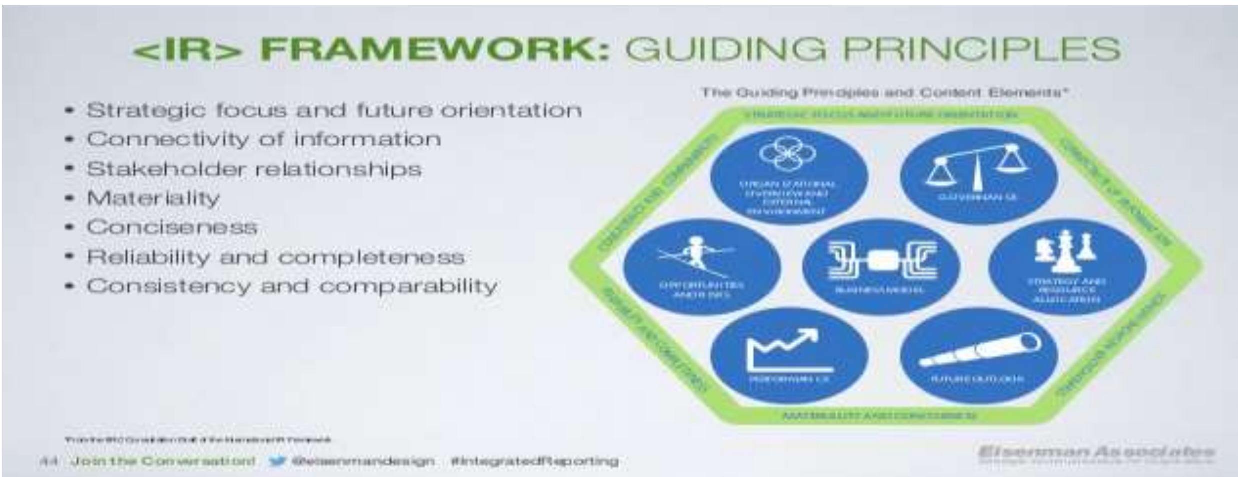
- **Strategic focus and future orientation:** Description of the strategy of the company and its relation to value creation and capitals.
- **Connectivity of information:** Relates to the inter-relatedness of the factors that affect the organization's ability to create value over time.
- **Stakeholder relationships:** Description of the key stakeholders, including how the stakeholder's interests are taken into account.
- **Materiality:** Relates to the number of disclosures about matters that affect the organization's ability to create value.
- **Conciseness:** Relates to the concise format of the report.
- **Reliability and completeness:** Relates to the balanced, complete character of the report, which should not include any material errors.
- **Consistency and comparability:** Relates to the consistency and comparability of the information within the report.

CONTENT ELEMENTS

- **Organizational overview and external environment:** Description of the organization and the external environment (e.g., competition).
- **Governance:** Description of the governance structure and its relation to value creation.
- **Business model:** Description of the business model with input, output and capitals included.
- **Risks and opportunities:** Description of the risks and opportunities and the risk mitigation system.

- **Strategy and resource allocation:** Description of the concrete strategy of the company, both short-term and long-term focused.
- **Performance:** Description of the results, compared with targets, previous years and capitals.
- **Outlook:** Description of the future challenges in relation to the company.
- **Basis of preparation and presentation:** Description of the materiality determination process, reporting boundaries and frameworks used.

Figure-4: Guiding Principles followed under the IR Framework



The Global Reporting Initiative (GRI 2013) conducted a survey of pioneers to assess current practices in relation to integrated reporting and concluded that:

- Large private multinationals are driving the year-on-year rise in the publication of self-declared integrated reports around the world.
- Countries leading the integrated reporting trend include South Africa, the Netherlands, Brazil, Australia and Finland.
- Globally, the financial sector self-declares more integrated reports than any other sector, followed by the utilities, energy and mining sectors.
- Integrated reporting is still a minority practice. Only one out of five of the survey reports is self-declared as an integrated report.
- About one-third of these reports combine sustainability and financial information together. About half of all self-declared integrated reports are two separate publications—an annual report and sustainability report—published together under one cover, with minimal cross-connection.
- The rest of the reports are sustainability reports but self-declared as an integrated report without showing a clear link between sustainability and financial performance.
- Over 70% of the reports surveyed exceed 100 pages.

To date, broad acceptance of IR has been hindered. The delay in universal progress is caused by a lack of consensus among companies, industries and even countries as to: what an integrated report should contain? Also, a debate is ongoing as to whether it should replace existing corporate reports. The IIRC Framework could provide greater clarity and align the concept of an integrated report for the vast majority.

KEY BENEFITS AND CHALLENGES OF IR

Internationally, numerous corporations are considering the adoption of IR. Yet, what benefits can they expect? The benefits of IR—the holistic way of looking at a business that goes beyond the financials to include intellectual, human, social and natural capitals—have been loudly chorused and in some jurisdictions widely embraced. Experts expected that if IRs can be prepared effectively, organizations will be able to look at their business model in a more efficient way and will be able to identify the opportunities in relation to their products and services, markets and operations and thus go for innovative ideas (Steyn, 2014). There is strong evidence that superior ESG management does indeed contribute to superior financial performance over time**.** Adopting <IR> result in several improvements that are indirectly linked to performance, like relations with external stakeholders, improvements in decision making and management information, improving what is measured and connecting departments (Black Sun - IIRC, 2014). Recently, Shepherd (2017) reported that "while much of the focus on IR has been on the needs of external stakeholders, the needs for better internal decision making can be significantly improved through utilizing the six capitals approach" **(see Figure-5).** According to literature, benefits of IR for companies are indicated in general as follows:

- **A focus on the process, rather than the end-product:** by embracing the principles of 'reporting', companies become less focused on the 'report' itself but on the internal workings of their business.
- **Better understanding of value creation:** Integrated Reporting requires changes to systems and processes; this will enable companies to better understand how they create and sustain value.
- **Breakdown of silos:** Integrated Reporting leads to integrated thinking, which helps to break down silos and create more connected teams across an organization.
- **A more complete company picture (internal):** by engaging with issues relating to the long-term sustainability of their companies, senior management are encouraged to abandon short-termism and acquire a more complete and holistic view of their company.
- **A more complete company picture (external):** an integrated report will help investors look beyond the short-term viability of a company and understand its longer-term potential.
- **Sustainability embedded within the business model:** through the process of integration, companies can show that sustainable development is at the heart of their business model and their business.
- **Increased investor confidence:** demonstrating a sound strategic approach and responsible business practices can help to attract and build confidence among investors.
- **Wider appreciation of 'capital':** by focusing on the creation of 'value' in its widest sense, not just financial, companies can focus on the multiple 'capitals' linked to their business activities – i.e. human capital, intellectual capital, social and natural capital.
- **Strong company narrative:** integration enables companies to tell a more joined-up story; to create a more cohesive and compelling company narrative.

Figure 5: Arguments for the implementation of integrated reporting from a company perspective

	INTERNAL BENEFITS	EXTERNAL BENEFITS
MANAGEMENT LEVEL	▪ Improved risk management & decision-making ▪ Detailed understanding of value creation ▪ Holistic understanding & management of the organization	▪ Holistic & transparent company presentation ▪ Competitive advantage as a first mover ▪ Improved stakeholder communication
REPORTING LEVEL	▪ Enhanced efficiency of reporting process (esp. due to material issues) ▪ Strengthened internal dialogues ▪ Simplified operational decision-making	▪ Report as a new communication instrument ▪ Investor satisfaction from a company perspective ▪ Improved sell-side prognosis

Though a beneficial concept, IR has many challenges associated with it. Improving the accuracy and reliability of non-financial information is a key success factor for the credibility of IR, therefore, it is important to also embed non-financial KPIs in the planning & control cycle. IR requires an integrated 'assurance' process. The financial auditors will play an increasingly important role. Integrated assurance creates synergy and results in embedding and better steering on non-financial capitals. However, there are indications that due to the benefits of IR & Integrated Thinking, there is an indirect connection. The main reasons are a better understanding of the process of value creation and a better overall quality of management of the company. Some of the challenges are as under:

- **Establishing Standards:** Currently, there does not exist any internationally accepted standard/framework for integrated reporting. IIRC undertook a plan to release a discussion paper on integrated reporting in mid-2011 for public consultation but it is yet to be released.
- **Audit & Assurance:** The biggest challenge facing integrated reporting is the question of providing audit and assurance for the reported data. There are multitudes of well- established agencies that provide assurance for financial reporting. However, the search is still on for third party agencies which will provide assurance for sustainability/nonfinancial reporting.
- **Complexity:** Measuring and quantifying non-financial metrics and then integrating them with financial performance are complex and daunting tasks. Financial reporting is much more mature and comparatively easier to capture but data sources for sustainability reporting are diverse, inconsistent and systems for consolidation and reporting are less automated. Moreover, trained personnel are needed for preparation of report.
- **Diverse beneficiaries:** Both financial and sustainability reporting serve multiple and diverse stakeholders such as investor, employee, government, community etc. Though some of these stakeholders overlap, integrated reporting may not appeal to all stakeholders.
- **Materiality:** All disclosure indicators may not be equally material to all entities. Materiality will differ depending on the industry the company operates in.
- **Overstretched:** In the midst of economic turbulence the Chief Executive Officers (CFO) are already well stretched. Integrated Reporting is expected to overburden their task. Moreover, an integrated reporting approach presupposes the firm has an integrated strategy but integrated strategy for sustainability is still rare for all except a few leaders.

To date, broad acceptance of IR has been hindered. The delay in universal progress is caused by a lack of consensus among companies, industries and even countries as to what an integrated report should contain. Also, a debate is ongoing as to whether it should replace existing corporate reports. The IIRC Framework could provide greater clarity and align the concept of an integrated report for the vast majority (EY 2014).

GLOBAL UPTAKE OF IR

According to the IIRC, the global adoption of the IIRC framework is in the 'breakthrough' phase. Also, organizations like the WBCSD and GRI describe that <IR> is evolving and more and more companies around the world are adopting the ideas of Integrated Reporting. At the moment, South Africa is the only country in which <IR> is mandatory by law. The government of South Africa made <IR> mandatory for all companies listed on the Johannesburg Stock Exchange3. According to the GRI, the leading countries in the field of <IR> are South Africa followed by the Netherlands, Brazil, and Australia (Black Sun, 2015). When it comes to leading regions that show increased attention to <IR>, after Africa are: the US, Latin America, and Oceania.

Nevertheless, it seems that <IR> is gaining traction more quickly in certain areas of the world. For instance, we see developments in countries, such as Japan, Singapore, and Korea. In these regions, the dialog among policy makers, preparers, investors, and other market participants is developing constructively. Broadly speaking, the uptake of <IR> continues to accelerate moderately around the world with certain areas of Europe and Asia gaining traction more quickly. Currently, numerous European countries have legislation on sustainability reporting. Many European countries that are leading or developing in <IR> have legislation in place that stimulate or force disclosure of sustainable non-financial information (GRI, n.d.) It is interesting to see that apparently many companies chose <IR> as a means to comply with this legislation. In fact, the legislation in Norway with regards to non-financial information mimics the goals of <IR> best: Following the regulation, large companies are required to provide information on how they integrate social responsibility into their business strategy. Research into the legislation in Denmark shows that the reporting practices of companies had improved significantly due to the nonfinancial reporting legislation. In addition, companies reported on more topics than before and used more international standards as the basis for their CSR reports. The requirement turned out to be encouraging companies to report on CSR (GRI, n.d.). Finland for example has no formal legislation, however the government adopted a resolution requiring non-listed state-owned companies to report on sustainability performance (GRI, 2013). The UK also has a robust reporting regime.

Current reporting regulations require companies to prepare a strategic report along with a director's report. The requirements of the strategic report align closely with the principles of the <IR> Framework. If having sustainability regulation would indeed mean that <IR> could get a boost, as the results above suggest, this could mean we are in for exciting times, because in Dec. 2014, the EU issued Directive 2014/95/EU. This Directive will require greater transparency from large companies5. The Directive must be transposed into national legislation and is applicable for financial years starting during calendar year 2017. More specifically, the Directive requires companies with over 500 employees to disclose information about policies, risks and outcomes of environmental matters, social and employee aspects, human rights, anticorruption and diversity in their management report6 Approximately 6,000 companies throughout Europe and 100 companies in the Netherlands are affected by this Directive (MVO Nederland, n.d.). Though legislation can certainly play an important role in the uptake of <IR>, it is far from the only driver of the global differences we see. Many interviewees suggest that cultural values (such as transparency and a reporting history) and the role of shareholders and stakeholders are possible drivers for the strong attention for <IR> within Europe. Marleen Janssen Groesbeek argues that <IR> is well adopted in the Netherlands due to the Dutch culture where people steer on consensus. In the Netherlands as well as in Scandinavian countries, <IR> is increasingly gaining attention from companies. This is partly due to the active role of other stakeholders then just shareholders. Furthermore, She expects that an increase in attention from the US concerning <IR> as the development of

SASB (Sustainability Accounting Standards Board) will result in an increasing amount of attention to <IR> and sustainability within the accountancy profession. “We also see developments in India as there is much attention in India for philanthropy by companies. The non-financial reporting in annual reports benefits from this attention which can lead to more reporting on <IR> elements,” stated Bhasin (2015).

In July, an <IR> working group of the International Auditing and Assurance Standards Board (IAASB) said there was a growing awareness among organizations of all sizes that they must broaden the base of the information they give to stakeholders (Director Notes, 2011**)**. In a brief report, ‘Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting’, the group said that relevant non-financial information that might be included in corporate reports should be called ‘external reporting’. It was monitoring the developing demand for assurance engagements designed to enhance the credibility of integrated reporting. Businesses of all types and sizes need to recognize the ‘interdependence’ of factors that made up their ‘non-financial’ performance. The working group was investigating the demand for professional services and activities that would be needed to enhance the credibility of external reporting and how assurance practitioners were addressing it.

PricewaterhouseCoopers defines ‘assurance’ in the widest sense as the ‘process of establishing the integrity and validity of disclosures—including statements and reports’. How integrated reports might be comprehensively ‘assured’ is probably the most complex and worrisome aspect of integrated reporting’s adoption. For all that, there clearly appears to be growing acceptance that, in future, entities of all types will have to ‘assure’ not just their financials. The IAASB’s report coincides with an IIRC overview of feedback and call to action. It noted that internal systems for handling <IR> were ‘far less matures’ than counterparts for ‘financial’ information. The 26-page report, which concentrated on the role of assurance in <IR>, stated that “innovation and experimentation (were) necessary if comprehensive assurance of integrated reports was to succeed.” It summarized the feedback from roundtables on <IR> that had been held around the world. In a CPA Australia report released in December last year, Higgins and Stubbs argued that while stakeholders believed reports needed to change there was less agreement that <IR> was ‘necessarily the best way forward …’. How new types of reports, including <IR>, should address ‘established principles of accounting’ was uncertain? However, Higgins, Stubbs and Love (2014) wrote: “The next steps in the development of (<IR>) should be to consider the main problem it is seeking to address, and the audience for corporate reports.” Addressing these problems would help to make sense of ‘new materiality protocols and comparability challenges’. <IR> has been a huge hit among 66 organizations that took part in an IIRC pilot program. After having published at least one ‘integrated’ report, 87 per cent of them believed investors better understood how they went about their businesses; 79 per cent of them reported improvements in decision-making, and 78 per cent thought their boards were thinking better about goals and targets. They also thought they better understood risks and opportunities. PwC, one of the firms taking part in the pilot program, found that 80 per cent of investors thought that the quality of a company’s reporting affected their opinions of its management. Sixty-three per cent believed that how companies reported affected the cost of their capital.

LITERATURE REVIEW

Integrated reporting, as a relatively recent development in corporate reporting, has been the subject of limited historical research. Owing to the subject’s contemporary nature and emergence, an increasing number of papers, primarily from practice and from academic perspectives have been published, and calls for more research in this area continue to emerge. This literature review comprises three key areas. Firstly, it briefly examines the prior research into the value relevance of non-financial disclosure to capital market participants. Secondly, we summarize the practice-based publications on the emergence of IR, potential advantages to such users, and the challenges <IR> faces. Finally, the current, more critical academic literature in this area, although relatively limited at this stage, is discussed.

Narrative Reporting and Decision-Usefulness

Of initial importance to this research is the value relevance and hence, decision usefulness of corporate information and non-financial information to providers of finance. In an early study, Flamholtz et al. (2002) noted the putative importance of both hard (financial) and soft (non-financial) information in gaining a holistic appreciation of a company. Similarly, Breton and Taffler (2001) and Abdolmohammadi et al. (2006) report on analysts' reports, highlighting the confirmatory relevance of narrative information, for instance in relation to company strategy, the business model and forward-looking information. However, Barth et al. (2001) showed a positive correlation between the increase in and/or improvement of the quality of information disclosed by companies and the increased coverage by financial analysts, which is consistent with the later study by Sakakibara, et al. (2010) highlighting that, where an information gap is evident in reporting, this negatively influences the evaluation process by analysts. Beyer et al. (2010), in their review of the relevant literature, conclude that disclosures serve to enhance analysts' understanding of company prospects. Cascino et al. (2013) find that capital providers are highly varied in their information use. While fund managers and sell-side analysts use annual report information, this is primarily financially orientated for estimating future cash flows and modeling value.

Holm and Rikhardsson (2008) provided evidence that investors are influenced by environmental disclosures, a finding consistent with that reported by deVilliers and Van Staden (2010) in their study examined individual shareholders (not institutional investors), but this is at variance with other research in this area. The relevance of ESG-related disclosure to investors was also shown by Cohen et al. (2011), albeit with a bias in the research towards socially responsible investors (SRI). Solomon and Solomon (2006) report that institutional investors value additional private ESG information owing to the perceived inadequacy of publicly available disclosure, for instance in annual reports. In contrast, Adams (2015) argued that "the integration of sustainability considerations into mainstream decision making, reporting and performance management has arguably been limited or at best slow and patchy". Furthermore, they find clear evidence that the narrative sections of annual reports are generally not used and are viewed as immaterial by capital market users in making decisions. As Serafeim (2015) reports that, "surveys of institutional investors have reported that 73% of the respondents disagree that sustainability reporting is linked to business strategy and risk, and 93% disagree that sufficient information is provided to assess financial materiality" and thus there is a failure to provide value-relevant information to investors.

Practitioner Perspectives on Integrated Reporting

In an ACCA (2013) survey based on 300 UK and Irish investors, 90% of these respondents agreed that, "it would be valuable for companies to combine financial and non-financial information into an IR model." Commenting on the lack of reporting standards in <IR>, a GRI (2013**)** report cautions that: "no globally accepted standards or practices exist with regard to what an integrated report should cover and how it should be constructed to meet the needs of its users. Neither is there clarity on who exactly integrated reports' users are, or how such reports should ultimately be appraised for quality and substance."

An earlier survey by Radley Yeldar (2011) was conducted with 34 investors and 35 analysts, researching their use of non-financial information and the potential usefulness of <IR>. Over 80% of the respondents claimed that <IR> would add benefits to their analysis of companies and their assessments, and 84% said that <IR> was either very important or important to them as corporate report users. In its review of <IR>, KPMG (2012) refers directly to the challenge for value-relevant reporting. PricewaterhouseCoopers (PwC 2010) comments that what is missing from reporting is an understanding of the interrelationships between all the critical elements of reporting, such as those from the business strategy, business model and key reporting areas. Earlier, Thomas

(2004), writing from a practitioner perspective, notes that the quality of reporting information, including narrative based reporting, resulted in more confident equity forecasts and hence, generates rewards in the capital markets. Most of these commentaries, and the IIRC itself, are, in general, critical of backward and historical reporting models. It is these weaknesses that <IR> is intended to remediate. A report on <IR> by UBS (2012) sets out the case for it as a 'new approach': "Integrated reporting is a new approach to corporate reporting, designed to allow investors to make insightful connections between key pieces of information, thereby smoothing the investment process." An EY report (2014) predicts that one benefit of <IR>, as a conduit for material market sensitive information, will be a reduction in over or under valuation of companies. From the foregoing practice based publications it is evident that there is a high level of support for <IR> as a way forward in corporate reporting and the connectivity of financial and non-financial information is of relevance to users and a move away from the criticisms of compartmentalization in reporting.

Academic Perspectives on Integrated Reporting

A number of themes can be identified emerging from the current <IR> literature. Firstly, some studies have examined the emergence of <IR>, the role of the IIRC and the interrelationships forged in its development. Owen (2013) addresses changes to accounting curricula occasioned by the importance of <IR>, noting that the IIRC has been widely supported by accounting bodies and corporates. However, Humphrey et al. (2015) provides a critical examination of the institutionalization of <IR> and the bold claims that "it is representing a new and striking feature of corporate reporting...with regard to the future relevance and value of such reporting and towards the long-term sustainability of business." Moreover, Serafeim (2015) shows that "Companies that practice <IR> attract a long-term shareholder base and adopt a long-term orientation in decision-making for investors." Such a long-term orientation attracting business value investors encompassing sustainability was supported by Chew (2015**),** who asserted that, "these are the kinds of investors, who are likely to place higher values on companies that commit to making ESG investments and, by so doing, to provide managements with the confidence to carry them out." Recently, Rowbottom and Locke (2016) critically trace the emergence of <IR>, highlighting the "complex and fragile relationships between the parties to the manifestation of the <IR> Framework. Despite this, they argue that uncertainty still prevails as to <IR>'s positioning in corporate reporting."

Secondly, a number of studies have raised serious concerns about the claims of <IR> positioning as an information conveyance vehicle for a range of stakeholders. For instance, Flower (2015), opines that <IR> has, "abandoned sustainability accounting because of claims that it primarily focuses on being of value to investors as opposed to being of value to society, leading him to conclude that in effect, the IIRC has been the victim of regulatory capture." Van Bommel (2014), similarly, reflects on business capture of <IR> rather than a reconciliation of issues and stakeholders as a result of which, <IR> may become a more legitimate practice. Abeysekera (2013) describes this as "the story of reaching the organization's vision, underpinned by its values, enacted by management, monitored by governance, and using facets of resources relating to financial capital, intellectual capital, social capital, and environmental capital." Likewise, Adams (2015) sets out the case for <IR> and discusses "it's potential to change the thinking of corporate actors leading to the further integration of sustainability actions and impacts into corporate strategic planning and decision making." Thus, Eccles et al. (2015) remarked that <IR> is "a means to influence both companies and investors in such a way that they consider the consequences of the positive and negative externalities associated with corporate investment and operating decisions particularly those that concern the social and environmental issues that generally come under the rubric of sustainability."

A third strand of literature has examined the impact of <IR> on reporting and whether it has led to a significant change in reporting mechanisms or the reporting environment. Stubbs and Higgins (2014) examined whether <IR> stimulates innovative reporting practices; they focused on early adopters in Australia. They contend that

<IR> is more an incremental than a 'radical, transformative change' owing to a lack of comprehensive standards; hence, there is a barrier to more widespread adoption. Haller and van Staden (2014) argue that a value-added statement would complement <IR> and the capitals framework, providing a structured presentational format filling the current void in <IR> reporting tools. Stubbs et al. (2015) provide reason to be reticent about IR's demand by capital market users. While the pilot study was limited to four participants (fund managers and advisers) from the Australian IR investor network, they highlight the lack of understanding of <IR>, and the capitals model, among mainstream providers of capital and claim that the benefits of <IR> to such users are 'anticipated rather than actually being realized.'

Finally, from a demand perspective few studies provide some initial insights into <IR>. In their study examining IR in a South African context, Zhou et al. (2016) find that analysts forecast error and dispersion reduces as the level of alignment with the <IR> Framework increases. They suggest that "IR is providing incrementally useful information over existing reporting mechanisms to the capital market. This is due to increase in the quality of information provided in areas such as, corporate strategy, the business model, and more future-orientated disclosures. However, Hurks, Langendijk and Nandram (2016) in their paper examined empirically the current practice with regard to integrated reporting, according to the <IR> Framework, among the 104 original participants (companies) of the IIRC Pilot program. In general, the authors conclude that "the 38 companies in our sample are well ahead on the journey of integrated reporting, they complied to a certain extent with the requirements with respect to the fundamental concepts, guiding principles and content elements of the <IR> Framework, and majority of the annual integrated reports have an assurance opinion." Similarly, Haji and Hossain (2016) examined various organizational reports, including integrated reports, standalone sustainability reports, websites and other online materials of highly regarded, award-winning, integrated reporters in South Africa over a four-year period (2011-2014), following the introduction of IR requirement. The authors find that "companies are increasingly conforming to reporting language espoused in existing IR guidelines and multiple capital frameworks over time." Morros (2016) paper provide insights into issues and aspects of integrated reporting that need further development and need robust evidence to help inform improvements in policy and practice.

METHODOLOGY USED

We have used, as part of our research strategy, all the companies included in the IIRC examples database as at 7 Feb. 2013 – giving us a sample of 58 companies. The purpose of the database is to provide an online resource for organizations that are developing, or planning to develop, an Integrated Report. It contains examples of emerging practice in Integrated Reporting that illustrate how organizations are currently reporting material information about their strategy, governance, performance and prospects in a clear, concise and comparable format (IIRC, 2013). The database is expanded with new examples as practices develop. The examples have been selected from publicly available reports published in English, including those produced by participants in the "Integrated Reporting Pilot Program". At the date we took our sample, there were 58 companies with their published reports available in the database. The database includes companies demonstrating the guiding principles and content measures as presented in the IIRC "Discussion Paper". We analyzed information on the companies to give some background to the companies included in our sample. We then analyzed their reporting to establish information about the reports and also to investigate the detail of the reports in relation to the IIRC guiding principles, content measures and multiple capitals. The paper provide insights into issues and aspects of IR that need further development and need robust evidence to help inform improvements in policy and practice.

ANALYSIS AND DISCUSSION OF RESULTS

Details of various descriptive statistics for the 58 companies selected in our sample are summarized in **Table 1.** Panel A lists the companies selected from the different regions. Regional analysis of the data shows that 44.83%

of sampled companies are located in the European Union, while 24.14% of the companies belong to Africa. However, the three regions Australasia, North and South America have 10.34% each of the companies in the sampled database. Similarly, country analysis of Panel B data shows that the UK has 27.58% companies in the database, which is followed by 24.14% and 6.91% of the companies belonging to South Africa (SA) and USA, respectively. It is a well-known fact that companies in South Africa (SA), Integrated Reporting is required by the JSE listing requirements. Therefore, it is not surprising that there are many SA companies in the sample. Furthermore, the proximity of the IIRC to European Union and specifically England, could explain the proliferation of European and UK companies in the database.

Keeping in view Panel C, a large majority (93.11%) of the companies are public companies and mostly they are big in size. However, in terms of industry analysis, as per Panel D, we find that 20.69% of companies belong to Financial Services sector (21%), which is closely followed by 18.97% each for Basic Materials and Consumer Goods sector, respectively. Thus, our sampled reports are drawn from wide variety of industries and it is not dominated by any one industry. Furthermore, the reports selected in our study are not dominated by high environmental impact industries. This is quite a different trend from that observed in the literature where companies with a high impact on the environment and society tend to do most of the non-financial (social and environmental) reporting. In terms of size, as shown in Panel E, 51.73% of the companies have total assets of UK Pound Ten thousand millions and more. In terms of number of employees, 64.28% of the companies have more than 10,000 employees. Finally, on the basis of Panel F, we can conclude that 10(14.24%) of the companies in the database submitted a comment on the IIRC discussion paper. Of those submitting a comment, all were supportive of developing an IR Framework. Further, 80% companies extended their support on an average level (meaning that they are supportive, but had some issues that they were not happy about), while 20% were highly supportive.

Table 1: Summary of Company Details

PANEL A	Regions	Europe	Africa	Australasia	North America	South America			Total
	Number	26	14	6	6	6			58
	Percentage	44.83	24.14	10.34	10.34	10.34			100
PANEL B	Country	UK	South Africa	Brazil	Netherlands	USA	Other		Total
	Number	16	14	5	4	4	15		58
	Percentage	27.58	24.14	8.62	6.91	6.91	25.85		100
PANEL C	Organization Type	Public Co.	Private Co.	Other					Total
	Number	54	2	2					58
	Percentage	93.11	3.45	3.44					100
PANEL D	Industry	Financial Services	Basic Materials	Consumer Goods	Industrial	Health Care	Other		Total
	Number	12	11	11	8	5	11		58
	Percentage	20.69	18.97	18.97	13.79	8.62	18.97		100
PANEL E		Size Assets	More than:	£100,000 m	10,000 m	5,000 m	1,000 m	50 m	Total
	Number			7	23	11	13	4	58
	Percentage			12.07	39.66	18.97	22.41	6.89	100
		Size Employees	More than:	100,000	50,000	10,000	1,000	400	Total
	Number			5	10	21	18	2	56
	Percentage			8.92	17.86	37.50	32.14	3.58	100
PANEL F		Support for IIRC Discussion Paper							
		No Submission	Submission	High Support	Avg. Support	No Support			Total
	Number	48	10	2	8	0			58
	Percentage	82.76	14.24	20	80	0			100

Details about the companies providing <IR> statements/reports during the three years period from 2010 to 2012 are depicted in **Table 2**. As per **Panel A**, an overwhelming majority 45(77.59%) of the reporting companies uses 2011 data, while there are some 10(17.24%) companies using 2012 data and a few 3(5.17%) use 2010 data. In terms of page length (see Panel B), the bulk 40(69%) of the <IR> are between 100 and 250 pages long, with 48.28(48%) reports in the range 100 to 200 pages. Shockingly, 6(10.34%) reports have more than 250 pages, the longest being 462 pages in length. We feel that reports of this magnitude (100 to 250 pages,) could possibly lead to information overload and may in fact be quite difficult to digest. Combining all reporting (financial and non-financial) in one (integrated) report is going to have the unintended side-effects of making the reports longer, and by implication, more difficult to read. For example, Li (2008) indicates that "Because the information-processing cost of longer documents is presumed to be higher, assuming everything else to be equal, longer documents seem to be more deterring and more difficult to read." This was also confirmed by Richards and Van Staden (2011).

With regards to auditing, Panel C shows that the big four audit firms audited 23(83%) of the financial reports of the companies in our sample in almost equal numbers, except that Deloitte audited 7(12.07%), which amounts to about half the number of companies compared to the other three. In terms of assurance (Panel D), a large proportion of <IR> reports 29(50%) were not assured. The non-financial information, including the information required for <IR>, was therefore only assured for 50% of the companies in the sample. Of these, the big four accounting firms again assures the majority and Deloitte again lags behind the other three. To what extent, big four accounting firms, were able to influence their clients to expand their financial reporting to include the <IR> principles and measures is not clear. In terms of the GRI ratings (see Panel E) most of the companies achieved a GRI rating of A+ 19(32.76%) followed by B+ 13(22.41%). In terms of breaking it down by grade, 36.21% of the companies report are rated A+ and A, 27.58% are rated B+ and B, while only 3.45% are rated as C+ and C. It is, therefore, very much clear that the <IR> in the database are of very high quality, with about 65% being rated as A and B. Unfortunately, 32.76% of the reports were not rated at all. Of those that were rated, 95% were A or B, and only a very low percentage (5%) were rated on level C.

Table 2: Report Details

PANEL A	Year	2010	2011	2012				Total
	Number	3	45	10				58
	Percentage	5.17	77.59	17.24				100
PANEL B	Page Length	Under 50	51-100	101-150	151-200	201-250	Over 250	Total
	Number	4	8	14	14	12	6	58
	Percentage	6.9	13.79	24.14	24.14	20.69	10.34	100
PANEL C	Audit	EY	PWC	KPMG	Deloitte	Others		Total
	Number	14	14	13	7	10		58
	Percentage	24.14	24.14	22.41	12.07	17.24		100
PANEL D	Assurance	EY	PWC	KPMG	Deloitte	Others	None	Total
	Number	5	8	7	3	6	29	58
	Percentage	8.62	13.79	12.07	5.17	10.34	**50**	100
PANEL E	GRI Rating	A+	A	B+	B	C+&C	None	Total
	Number	19	2	13	3	2	19	58
	Percentage	32.76	3.45	22.41	5.17	3.45	32.76	100

In **Table 3**, we analyze the <IR> Guiding Principles that were covered in the reports in our sample. The five principles were defined earlier in the paper. Panel A shows that 44(75.86%) of the companies covered the Strategic Focus and 36(62.07%) of the reports covered Connectivity of Information principles. Conciseness and Reliability of Information was achieved by 32(55.17%) of the companies. Only 19(32.76%) of the sampled companies achieved the Responsiveness to Stakeholder Inclusiveness principle, while 25(43.10%) achieved Future Orientation principle. Apparently, these numbers seems to be high; in fact, it is very disappointing that they are not higher as these are the fundamental principles, as per IIRC Framework for preparing the IR. Every company in the sample database has followed at least one principle (see Panel B), but only 5(8.62%) companies achieved all five principles and 8(13.79%) applied four principles in their <IR>. The majority of companies achieved three or two principles (25.86% and 41.38%, respectively), while 6(10.34%) companies achieved merely one principle. The companies in the sample database are still at the beginning phase of adapting the reporting principles, with most 39(67.24%) achieving either 2 or 3 principles and 22.41% achieved 4 or 5 principles. Although this reporting scenario seems to be disappointing and very poor, it could be on account of the introductory phase of the <IR> Framework development, with some confusions and limitations. It is a matter of great satisfaction that 39(67.24%) companies followed 2 or 3 <IR> principles from our sampled 58 companies from the IIRC database, as highlighted in the IIRC 2013 discussion document.

Table 3 Integrated Reporting Guiding Principles

PANEL A	PRINCIPLES ADDRESSED				
	Strategic Focus	Connectivity of Information	Future Orientation	Responsiveness of Stakeholder Inclusiveness	Conciseness, reliability, materiality
No. of Companies	44	36	25	19	32
% of Companies	75.86	62.07	43.1	32.76	55.17
PANEL B	NUMBER OF PRINCIPLES ADDRESSED				
	5	**4**	**3**	**2**	**1**
No. of Companies	5	8	15	24	6
% of Companies	8.62	13.79	25.86	41.38	10.34

In **Table 4,** we analyze the <IR> Content Elements that were covered in the reports in our sample. The six Content Elements were defined earlier in the paper. Compared to how the companies addressed the Guiding Principles unfortunately the Content Elements was very poorly achieved, as shown in Panel A. The two elements that received the top-most coverage were Organizational Overview 25(43.1%) and Strategic Objectives 26(44.83%) of the companies, respectively. Operating Context and Performance were achieved by 19(32.76%) and 12(20.69%) of the companies, while the remaining two elements (viz., Governance & Remuneration and Future Outlook) were poorly achieved by 3(5.17%) of the companies. From the point of view of number of elements addressed, we can conclude that "no company addressed all the six elements while preparing their <IR>, as reported in Panel B and one company addressed all the five elements. Most companies 23(56.90%) addressed only one of the elements, while 19(32.76%) addressed the two elements."

Table 4 Integrated Reporting Content Elements

Panel A	ELEMENTS ADDRESSED					
	Organizational Overview	Operating Context	Strategic objectives	Governance & Remuneration	Performance	Future Outlook
No. of Companies	25	19	26	3	12	3
%-age of Companies	43.1	32.76	44.83	5.17	20.69	5.17
Panel B	NUMBER OF ELEMENTS ADDRESSED					
	6	**5**	**4**	**3**	**2**	**1**
No. of Companies	0	1	0	4	19	23
%-age of Companies	0	1.72	0	6.9	32.76	56.9

It is well known that the IIRC Framework (2013) suggests that all companies should make their efforts while preparing <IR> to cover all (or as many as possible) of the Guiding Principles for each Content Element. However, we also noticed that the 6 Content Elements covered are highly correlated with the 5 Guiding Principles. We, therefore, analyze the Guiding Principles by Content Element in **Table 5.** The Guiding Principles are horizontally shown in the five columns, while the Content Elements are shown vertically in the six rows of the above said Table. For each Content Element, the table shows which Guiding Principles were achieved. For 3 content elements (viz., Strategic Objectives, Operating Context and Organizational overview) the highest level (ranging from 68 to 57) of Guiding Principles were achieved. For the remaining two content elements (viz., Governance and Remuneration and Future outlook) the least (6 and 5) of the Guiding Principles were achieved. On the contrary, Strategic Focus (30.53%), Connectivity of Information (24.34%) and Conciseness, Reliability and Materiality (21.68%), were the Guiding Principles that were mostly achieved for the Content Elements covered, while Responsiveness to Stakeholders (10.62%) and Future Orientation (12.83%) were the least achieved principles by the sampled companies.

Keeping in view the above analysis, the results confirmed what the previous two tables revealed, i.e. that the Guiding principles of Future Orientation (12.83%) and Responsiveness to Stakeholder Inclusiveness (10.62%) were the principles that were poorly adhered to, while the Future Outlook (5) and Governance and Remuneration (6) elements were covered the least. Performance (30) was also covered at only a very basic level. This suggests that companies at this stage give most focus on ‘Strategy’ (Strategic overview and Strategic objectives) ‘Organizational overview’ and ‘Operating context’ (with principles such as connectivity of information and conciseness, reliability and materiality being emphasized).

Table 5: Integrated Reporting Guiding Principles by Content Elements

	GUIDING PRINCIPLES					
	Strategic Focus	Connectivity of Information	Future Orientation	Responsiveness of Stakeholder Inclusiveness	Conciseness, reliability, materiality	Total
CONTENT ELEMENTS						
Organizational Overview	21	16	4	7	9	57
Operating Context	14	13	8	10	15	60
Strategic objectives	22	17	10	4	15	68
Governance & Remuneration	2	2	1	0	1	6
Performance	9	6	4	3	8	30
Future Outlook	1	1	2	-	1	5
Total	69	55	29	24	49	226
Percentage	30.53	24.34	12.83	10.62	21.68	100

After having a careful look at both the 5 guiding principles and 6 content elements results, as summarized in **Table 5**, we feel that very less attention is given to Future Outlook (Future Orientation), Performance (Responsiveness to Stakeholder Inclusiveness), Governance & Remuneration (Responsiveness to Stakeholder Inclusiveness), respectively. However, we are of the opinion that "at this stage it appears that the focus given by the sampled companies is more on 'Soft' measures like Strategic objectives (68), Operating Context (60) and Organizational Overview (57), respectively. Shockingly, Hard (specific) measures like Performance (30), Future Outlook (5) and Governance (5) still need to be developed." Surprisingly, the low-level of responsiveness to Stakeholder Inclusiveness (24) suggests that sampled reports are focused primarily on the shareholder group's needs by neglecting other stakeholders.

Table-6: Types of Capitals Used

Panel A	Type of Capitals Addressed					
	Financial	Manufactured	Human	Intellectual	Natural	Social
No. of Companies	51	23	52	25	50	52
%-age of Companies	87.93	39.66	89.66	43.11	86.21	89.66
Panel B	No. of Capitals addressed					
	6	5	4	3	2	1
No. of Companies	11	12	23	11	1	Nil
%-age of Companies	18.97	20.69	39.66	18.97	1.72	Nil

Keeping in view the type of capitals used, an overwhelming large number (ranging from 86.21 to 89.66%) of our sampled companies addressed Financial, Human, Natural and Social capitals in their <IR>, as shown in **Table 6** (Panel A). Contrary to this scenario, Manufactured (39.66%) and Intellectual capital (43.11%) were least addressed. However, most (39.66%) companies in the sample addressed four of the capitals, as highlighted by Panel B. Moreover, 79.32% of the companies in the sample covered four and more of the capitals, while 20.62% of the companies covered less than four of the capitals in their <IR> reports. In nutshell, we can conclude that "as far as the concept of multiple capitals go, the progression to covering multiple capitals (rather than only financial) has been very successful." According to Yaismir et al., (2017), **"**Our results point out that the disclosure level of the IR´s published by IIRC´s pilot program members reach medium levels of disclosure. According to our index, the level of disclosure is significantly associated with the specific environment of organizations (i.e., region and industry), assurance of the report and publication in the IIRC website.

In general, we can conclude that majority of companies in our sample are well ahead on the journey of IR. They comply, to a certain extent, with the requirements with respect to the fundamental concepts, guiding principles and content elements of the <IR> Framework. Also the majority of the annual IRs has an assurance opinion. The main fields of improvements are the connection of the content elements with the capitals and the value creation process. Furthermore, companies should pay more attention to the content element ‘opportunities’ and not only display their ‘risks’. Also, companies should treat the content element ‘governance’ as a means to create value and have this element connected with the capitals. Currently the governance information is rather traditional and in line with the legal requirements. Moreover there is room for improvement with respect to the content element ‘strategy in relation with resource allocation’ (use of capitals). The content element ‘basis of preparation and presentation’ is often not present in the annual integrated report.

Conclusion

Integrated Reporting (IR) is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. An IR is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long-term (IIRC). IR is doubtless one of the most-debated topics in the corporate reporting community. Internationally, numerous corporations are considering the adoption of integrated reporting. Yet what benefits can they expect? According to Eccles and Armbrester (2011), “The benefits to companies of IR include: (a) A better understanding of the relationship between financial and nonfinancial performance, (b) Improved internal measurement and control systems for producing reliable and timely nonfinancial information, (c) Lower reputational risk, (d) Greater employee engagement, (e) More committed customers who care about sustainability, (f) More long-term investors who value sustainable strategies, and (g) Improved relationships with other stakeholders.” Interest in integrated reporting continues to grow as its proponents cite a number of significant benefits to both companies and investors. But given the still-early stages of development of this new management practice and the relative paucity of data, establishing empirical confirmation of these claims is difficult (Churet and Eccles, 2014).

Since no universally accepted global framework for IR exists and it is still largely a voluntary practice, an “integrated report” is not well-defined. You need to know that IR is gaining ground. The IIRC’s Framework will support an organization in addressing, in a clear and concise manner, the material issues affecting its ability to create and sustain value in the short, medium and longer term. At base, it is a relatively new but powerful idea: ‘integrated’ reporting (either in annual or periodic reports) aims to give a complete picture of a firm’s activities and, based on these, reasonable projections about the firm’s future. In other words, integrated reporting aims to provide investors, shareholders and those interested in a business entity with a comprehensive picture of it. Its aim is to increase investment in better companies. An ‘integrated’ report aims for simplicity, stating clearly and in well-written prose (that is easily understood by even non-specialists) where a firm fits in society—especially its management methods, and how it reacts to environmental and social responsibilities. Usually accompanying a firm’s financial statements, this inclusive style of reporting also nominates goals in short, medium and long-terms. Recently, the International Federation of Accountants (IFA, 2017) has released a paper stating that “Integrated Reporting is the way to achieve a more coherent corporate reporting system, fulfilling the need for a single report that provides a fuller picture of organizations’ ability to create value over time”.

“Ensuring the universal adoption of IR by all listed companies within the next 5-10 years will require a combination of market and regulatory forces. One important market force is voluntary adoption by companies. Because no universally accepted global framework for IR currently exists, voluntary adoption by companies will play an important role in helping to create one,” observed Bhasin (2015a). Experimentation and innovation by companies, which, after all, bear the ultimate responsibility for IR, are essential to giving meaning to the very concept of IR. The efforts of early adopters will help build knowledge regarding the essential elements of an integrated report, the barriers and challenges to producing one, and how those hurdles can be overcome. Pressure from large institutional investors active in both the public and private equity markets is another market force that can encourage voluntary adoption of IR. There are three ways that regulation can speed the adoption of IR. First, there is legislation, such as the anticipated EU legislation regarding mandatory ESG reporting referred to above. Multilateral organizations, such as the Group of Twenty Finance Ministers and Central Bank Governors (G20), can help coordinate this at a global level so that country-based legislation is largely similar (Reuter and Messner, 2015). Second, there is regulatory action by a national securities regulator, such as the U.S. Securities and Exchange Commission or the Chinese Securities Regulatory Commission, with a coordination and homogenization function played by the International Organization of Securities Commission (IOSCO). Third, there are stock exchange listing requirements, such as in South Africa. As pointed out by Eccles and King (2010), "As a first step, a stock exchange might want to start with a "voluntary filing program" for companies that wish to file integrated reports; in doing so, the exchange can gather useful knowledge about "best practices" and develop the procedures and systems necessary to eventually make it mandatory." In the stock exchange world, the World Federation of Exchanges could play a role similar to that of the G20 and IOSCO. Finally, market intermediaries, such as accounting firms, sell-side analyst firms, rating agencies, and boards of directors, also have an important role to play to enable companies to implement IR and investors to use the information. Accounting firms can contribute to the development of measurement and reporting standards, as well as the development of methodologies for providing assurance on them. Integrated reports will be most credible when accompanied by an integrated assurance statement. Sell-side analysts can incorporate ESG information into their analysis and recommendations. Rating agencies should also take ESG factors into account in their ratings since they are an increasingly important risk component. Finally, boards of directors, who have a fiduciary duty to shareholders and other stakeholders, need integrated reports to properly fulfill their duties. They can also encourage or even require management to make them available externally. The most effective mix of market and regulatory forces will vary according to a country's particular circumstance.

According to Stephen Downes (2015), "One of the biggest challenges facing IR is the degree to which stakeholders can rely on what they will read. IR's major goal is to improve the quality of information available to providers of financial capital." Its supporters know that if this information is to be 'investment grade' it must be reliable. Assurance is key to achieving that level of trust (Daniel, et al., 2017). Part of 'assuring' an IR is expected to be an independent conclusion on whether the report represents an organization's strategies, governance, performance and prospects according to the IR framework. Therein lies the rub. At this stage, the framework contains several components that pose difficulties for the assurance provider. Some critical issues are: (a) IR is future-oriented. Will an assurance practitioner be able to gather appropriate audit evidence?; (b) Many aspects of IR deal with management aspirations and/or strategies rather than historic facts; (c) The IR framework might not be able to demonstrate 'suitable criteria', which is an essential element of assurance; (d) There is a potential shortage of skilled and experienced assurance practitioners to conduct the work; (e) Will the cost of gathering sufficient appropriate audit evidence outweigh the benefits?; and (f) If 'limited' assurance is the only practical result, will that satisfy those who use integrated reports? (Cheng et al., 2014). The IIRC is acutely aware of these and many other assurance issues and have responded with two papers: 'Assurance on <IR>: An Introduction to the Discussion' and 'Assurance on <IR>: An Exploration of Issues'. Key stakeholders—including government, investors, non-government organizations (NGOs) and the public–-are interested in a company's future performance and its impact and contribution to environmental and social issues. A single 'integrated' report might be pressed to fulfill all stakeholders' information needs. It can reduce, however, complexity in reporting and improve communication. Long-term strategies and past and future performances will also be exposed.

Ideally, a good integrated report is not simply a combination of figures and a demonstration of corporate social responsibility. It will focus on key strategies and communicate them in a timely and effective way. Encouraging companies to report on their environmental performances does not necessarily mean that they should satisfy investors' moral or ethical interests in a firm. Rather, a comprehensive integrated report will reveal the risks and opportunities a company faces and how they will be managed. Recently, Bhasin (2017) stressed, "So, why is there a temptation to over-complicate integrated reporting? Why are most of the firms slow to take it up? An integrated report bares a company's soul… It's an honest effort to come clean. And for some firms, this can be threatening and time-consuming. The less they reveal about their activities the better."

It has only been in the past few years that Integrated Reporting has begun to be embraced by companies, with multinationals like Novo Nordisk, SAP, Tata Steel and more recently General Electric as early adopters. Comprising a financial and non-financial report on business performance for internal application and external publication, this new approach brings together not just the financial capital coming in and out of organizations but also the social and natural capital it affects and depends upon in order to illustrate with complete transparency the level of success of a company's strategy. Legislation is starting to come into place to make this practice a more formal obligation, most notably in South Africa under the King IV report. Statistics indicate that about 10 per cent of corporate reports published in 2015 by large firms provided some form of integration in their external reporting. However, some firms engaging in Integrated Reporting are yet to make the very most of what it offers in-house. The phenomenon of Integrated Reporting is slowly but surely making its mark as not only an external communications tool but above all a genuine agent for internal change within firms. However, academics and business practitioners need to keep working in tandem to ensure that this new approach to financial and non-financial corporate reporting continues to have an impact on in-house strategy and processes and not run the risk of becoming a mere PR stunt.

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