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Integrated Reporting: A Jurisdictional Review on the Progress of Implementation

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Abstract:
Integrated reporting has evolved over time, being a coagulation of various corporate reporting regimes that have been integrated to form a single concise report. Different jurisdictions have accepted integrated reporting, albeit to varying degrees of implementation. In South Africa, integrated reporting is mandatory for companies listed on the Johannesburg Stock Exchange. In other jurisdictions, integrated reporting is voluntary. This article traces the historical development of corporate reporting culminating in integrated reporting. The progress of implementation in different countries and regions is reviewed, showing challenges and recommendations to improve the implementation statuses.

Objectives: The main objective of this study was to give a historical perspective on the development of integrated reporting over the years and in different jurisdictions, examining challenges of integrated reporting implementation and suggestions for improvement are offered.

Methods: The study used a literature review approach to gather the history of corporate reporting and integrated reporting implementation progress

Results: Integrated reporting is still a developing corporate reporting phenomenon that is at various stages of implementation in various jurisdictions across the world.

Conclusions: The study shows that actions are required to bring the implementation of integrated reporting to similar levels for countries that have accepted it.

Keywords: *integrated reporting, corporate reporting, sustainability reporting, corporate governance.*

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1. INTRODUCTION

This article examines the existing body of knowledge on integrated reporting (IR), tracing its evolution from earlier management reporting frameworks to its current state (EY, 2014). The influence of corporate governance on IR through statutes and codes such as the Companies Act and the King Reports is explained (Government Gazzette, 2009; IoDSA, 2016; Cliffe Dekker Hofmeyr, 2020). The philosophy of sustainability reporting is reviewed as an important precursor to the propagation of IR (Rumyana and Bergkamp, 2018). The adoption of IR in different jurisdictions is exposed by reviewing the extent to which IR is utilised, showing the challenges faced and recommendations for improvement.

2. THE ERA OF INTEGRATED REPORTING 2010 AND BEYOND

Corporate reporting has been on an evolving path for decades. The reporting process became entangled in numerous standalone reports, which became burdensome for users to understand the desired disclosures, hence integrated reporting gained prominence (Havlová, 2015). The foundations of integrated reporting in South Africa can be traced to the King reports from King I to King IV (IIRC, 2021). Figure 1 shows the development of integrated reporting through the various milestones, from the publication of King I in 1994 to King IV in 2016 (EY, 2022). However, it was through King III in 2009 that JSE-listed companies were mandatorily required to publish integrated reports. The timeline depicted in Figure 1 shows other important points other than the King's reports. In 2005, South Africa adopted IFRS for JSE-listed companies, harmonising with global financial reporting regulations. In 2013, the IIRC released the IR framework, which provided principles and guidelines for integrated reporting. Integrated reporting was strengthened with the publication, in 2016, of King IV, which made IR an 'apply and explain' report. This was an improvement from the 'apply or explain' era of King III.

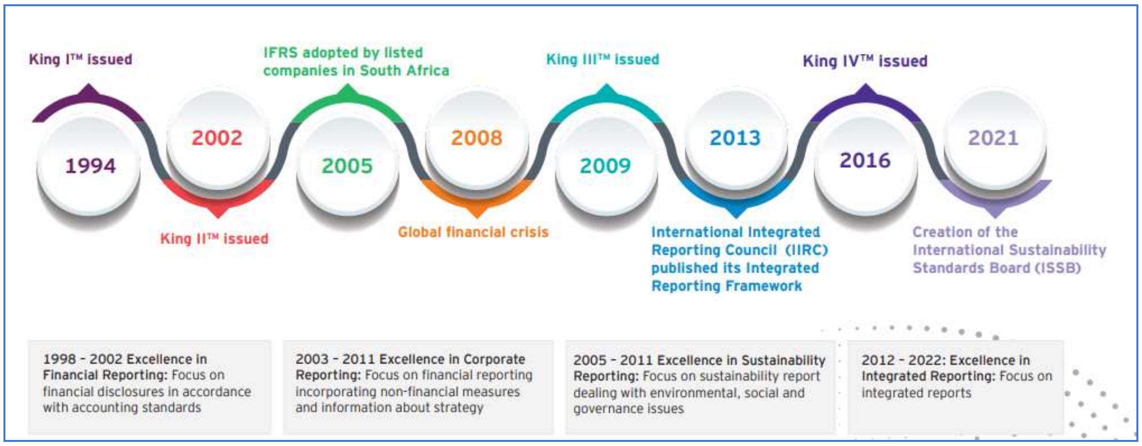

Figure 1: Development of integrated reporting
Source: *EY (2022)*

Globally, IR was spearheaded by the International Integrated Reporting Committee, which later became the International Integrated Reporting Council (IIRC) (IIRC, 2021; Deloitte, 2022). The IIRC was formed in 2010 with a mandate to develop a framework that would assist organisations in providing holistic corporate reporting after the world had experienced the financial crisis of 2008 to 2009 (IIRC, 2020). The IIRC came as a worldwide coalition of various organisations, which include regulators, investors, companies, standards setters, the accounting profession and Non-Governmental Organisations (NGOs) (IIRC, 2021). The IIRC launched the IR Framework in 2013 as a guide to companies to produce a singular integrated report that covers how an organisation utilised its various forms of capital to create value. The ultimate report became the present-day IR report. In June 2021, the IIRC was revamped through its merger with the Sustainability Accounting Standards Board (SASB), resulting in the formation of the Value Reporting Foundation (VRF) to continue with the work of the IIRC (IIRC, 2022).

South Africa had an early lead with IR as the principles of this reporting concept had been included in the King Reports (IoDSA, 2016; Cliffe Dekker Hofmeyr, 2020). While the series of King Reports I and II advocated for including non-financial information in corporate reports, King III came with a clear recommendation for companies to produce integrated reports (Roberts, van Zijl and Cerbone, 2020). Due to companies being unclear on how to implement the recommendations of King III, the Integrated Reporting Committee of South Africa (IRCSA) was formed in 2010 to provide guidelines. These guidelines were presented in the IRCSA discussion paper of 2011 which provided vital inputs into the development of the IR Framework released by the IIRC in 2013 (Roberts, 2017; Roberts, van Zijl and Cerbone, 2020).

IR has gained traction in recent years, covering major world markets (du Toit, 2017). Although integrated reporting is voluntary in other markets, in South Africa, it is mandatory through regulations of the JSE (Loprevite, Ricca and Rupo, 2018). Corporations worldwide are beginning to open up to the importance of integrated reporting, and there is a fundamental shift from concentrating on financial reporting, which focuses on financial capital, that consideration of economic, social and environmental factors is also important (PwC, 2019). IR pulls all these factors into a more holistic view of the value-creation (and erosion) process. Organisations pursuing IR do so to benefit from the opportunity to address issues on sustainability and value creation (Chersan, 2017). In the next section, IR implementation in different geographical regions and countries is examined.

2.1 Integrated Reporting in the European Union (EU)

IR's focus on non-financial capitals got support from the European Union (EU), United Nations (UN Global Compact), Global Reporting Initiative (GRI) and Sustainability Accountability Standards Board (SASB) (Sofian and Dumitru, 2017). In October 2014, the EU passed the non-financial reporting directive (NFRD), intending to regulate non-financial reporting by major corporations (with 500 or more employees) (Bochenek, 2020). Although the EU did not specifically mention IR in the directive, the focus points in the document align with IR. The IR framework mentions that any report addressing the issues listed below will be considered an IR (IIRC, 2021). The directive requires the target organisations to report on the following (Bochenek, 2020):

- The reporting entity should give an overview of its business model.
- An outline of the policies pursued by the business in fulfilling its mandate. These policies are around environmental preservation, corporate governance, societal and worker topics, upholding human rights and avoidance of corruption and bribery.

- A report that shows the successes or otherwise of those policies.
- A disclosure of matters concerning the business' operations, showing its interactions with various stakeholders.
- The risks faced by the business and how management mitigates the risks.
- The reporting entity should outline its non-financial key performance indicators.

The reportable items cited above are consistent with the guiding principles and content elements of the IR framework (IIRC, 2021).

- **The extent of Integrated Reporting implementation in the EU**

Countries and organisations in the EU are at varying stages of implementing IR. The companies that published IR reports before the 2013 IR framework used the 'One Report' principle (Eccles and Krzus, 2010). Under this principle, any report combines an organisation's main financial and nonfinancial information into a single document (Eccles and Krzus, 2010). At an organisational level, the first company to issue what is considered the first IR report is Novozymes, the Danish enzymes manufacturer that published its report in 2002 (de Villiers, Venter and Hsiao, 2017). Also, a Danish company, Novo Nordisk, followed in 2004, while The Crown Estate of the UK and SAP of Germany and the Port of Rotterdam Authority in the Netherlands all followed suit (de Villiers, Venter and Hsiao, 2017). These companies started issuing IR reports before the official release of the IR framework in 2013.

At a country level, the lead adopters of IR in the EU are the UK (before Brexit), Germany, Spain, France and the Netherlands (Eccles, Krzus and Solano, 2019). The level of IR adoption has also been analysed by the date a country joined the EU. Countries that had joined the EU by 1994 showed a greater number of IR reports than countries that joined after 1994, and wealthier countries also showed the same pattern (Bochenek, 2020).

IR in the UK is further strengthened by organisations promoting the usage of IR guiding principles and content elements. The Financial Reporting Council (FRC), responsible for setting accounting, auditing, and actuarial standards in the UK, has released a report on the quality of reporting by insurance companies following the UK Stewardship Code (FRC, 2020). The Stewardship Code's principles, although not mentioning IR, are in line with the IR framework (FRC, 2020). The FRC defined stewardship as the process by which management allocates resources and maintains oversight of the organisation's capital to create long-term value for stakeholders (FRC, 2020). Reference to 'create long-term value' is a critical component in the IR framework. Progress in the implementation of the Stewardship code may then be construed as an indication of progress in the adoption of IR. While IR in the EU has the backing of the NRFD legislation, the application of IR by member states is fragmented and not harmonized (Monciardini, Mähönen and Tsagas, 2020). The reasons for the lower-than-expected offtake in IR vary from the diverse economic and historical perspectives to multiple country-specific legislations. For example, France has the Grenelle II Law (2010), which puts more emphasis on environmental protection than on IR (Le Roux, 2010). In the UK, the Modern Slavery Act (2015) where the country is prioritising fair labour practices and combating human trafficking ahead of IR (Monciardini, Mähönen and Tsagas, 2020). In both countries, there is no legislative support for IR as it remains voluntary.

2.2 Integrated Reporting in the United States of America (USA)

The USA's uptake of IR is considered slow because, as of 2017, only 16 companies have submitted IR in the form of the IIRC's framework (Dumay *et al.*, 2017). Apart from the slow uptake of IR, there is an issue with the quality of IR reports published by those USA companies that have adopted IR. In a comparative study of 10 countries, the USA was ranked the lowest in terms of overall IR report quality and disclosure requirements (Eccles, Krzus and Solano, 2019). In the study, the researchers analysed integrated reports from 10 countries based on a sample of 50 companies. The IR reports were published for the year ending December 31, 2017, or reporting years ending on 30 September 2018. The researchers then scored IR quality based on how well a country covered the following IR content elements; risks and opportunities, strategy and resource allocation, performance, and outlook (Eccles, Krzus and Solano, 2019). The study uncovered that the USA only scored higher than South Korea, Japan, and Brazil on materiality disclosure. On the rest of the comparative scores, the USA had the lowest.

2.2.1 Challenges of IR implementation in the USA

As the largest economy in the world, the USA is an important country for implementing IR. Smaller markets tend to take clues from the larger markets. However, the implementation of IR in the USA has been negatively affected by the following challenges:

Regulated reporting

In the USA, having experienced some of the world's worst corporate scandals, the reporting environment of the country is highly regulated. While IR is voluntary, organisations tend to comply with the minimum of legal reporting (Eccles, Krzus and Solano, 2019). The 10-K report includes a detailed overview of a business's operations, identification of and approach to risks and mitigation, and financial performance (Adams, 2018). The 10-K report is a legal requirement promulgated by the USA Securities Exchange Act (1934) as amended. Looking at the similarities between IR and 10-K reporting requirements, the details contained in the 10-K report could be an offset of the requirements of the IR framework, meaning that organisations may find it easier to adapt to IR. However, there is a risk that companies may consider IR as double reporting and would rather continue with the legally required 10-K report (Eccles, Krzus & Solano, 2019).

- **Parallel frameworks**

The USA reporting environment is dominated by other reporting frameworks such as Generally Accepted Accounting Practice (GAAP), Green House Gas (GHG), Sustainability Accounting Standards Board (SASB), and UN Global Goals. Companies are expected to report on these frameworks, and adding IR as yet another framework may result in reporting fatigue and 'reporting capture' (Flower, 2015).

2.2.2 Addressing challenges of IR implementation in the USA

The challenges of IR implementation in the USA may be addressed through the following:

Regulatory appeal

IR is voluntary in the USA as companies that are using the IR framework are doing so voluntarily, and some, such as ArcelorMittal and Coca-Cola, are global entities that take IR as an international reporting tool (Adams, 2018). To improve IR reporting coverage, regulatory support may be necessary, however, the authorities and businesses, in general, must be convinced that the future of reporting lies with IR (Adams, 2018). This means that there should be a way of ensuring that the single concise IR report covers both regulatory and practice expectations (Eccles, Krzus and Solano, 2019).

Rhetorical appeal

A rhetorical appeal is a strategy to promote one's idea through repeated messages and emotional influence (Dumay *et al.*, 2017). In the current IR environment, the philosophy is considered persuasive but not convincing enough for regulators and practitioners to back it up as a proper replacement for existing reporting and accounting standards. It could be of benefit to demonstrate an improvement in performance by companies that are using the IR framework (Beck, Dumay and Frost, 2017; Dumay and Dai, 2017).

2.3 Integrated Reporting in emerging economies

Emerging markets are those markets whose characteristics are in between those of developed economies and developing economies (Techo, 2018). Emerging economies are characterised by sustained Gross Domestic Product (GDP), growing manufacturing and technology sectors and influence on the global economy through trade. Some emerging economies are sorted into blocks such as BRICS, comprising Brazil, Russia, India, China and South Africa, MIST (Mexico, India, South Korea and Turkey) and IBSA (India, Brazil and South Africa) (Oguz Gok and Gok, 2016). For this section on IR in emerging economies, India, Malaysia, Brazil, and South Africa are considered.

2.3.1 IR in India

IR in India is in its initial stages of gaining prominence over the existing reporting processes ((PwC, 2017)). A circular issued by the Securities and Exchange Board of India (SEBI) in February 2017 advised the country's top 500 listed companies that in preparing Business Responsibility Reports (BRR), businesses can voluntarily include IR reports. Although Sustainability Reports (SR) have been used in Indian company reports, covering matters such as environmental issues (conservation and pollution) and human rights, IR is expected to profoundly change the face of reporting. IR will broaden reporting to emphasise the link between the capitals of the business, risks and decisions that influence company value over time. Business Responsibility Reports (BRR) have become a crucial part of reporting on issues such as governance, economic, social and environmental matters (Kundu, 2017). Even if some organisations may give different names to non-financial reporting, it is believed that the reports are essentially integrated (Kundu, 2017).

The adoption of IR in India started slowly, with no IR reports in 2010, with about 4% of the country's 135 top companies submitting IR reports in 2016, around five (5) companies (Ghosh, 2019). After the issuance of the SEBI circular of February 2017 that encouraged India's top 500 companies to prepare IR reports, albeit voluntarily, by 2018, the number of companies with IR reports increased to 33 (Mishra, 2020). This is roughly 6.6% of the 500 top companies in India, as listed by the *Economic Times*. One may consider this a low rate of IR adoption (Mishra, 2020).

Of the companies that have adopted IR, a check of their compliance with the framework concerning content analysis and guiding principles revealed a low score level (Mishra, 2020). Out of the 33 companies studied by Mishra (2020), eight showed compliance with the content elements as required by the IR framework. Out of the seven guiding principles, six were examined, and the reporting companies showed a high quality of implementation on reliability and completeness. This is attributed to the high regard given to the external audit of annual reports (Mishra, 2020).

As shown above, there is a slow pace in the uptake of IR in India, and below are some of the reasons for this state of affairs (Abhishek and Divyashree, 2019).

- **Absence of a regulatory framework**

SEBI has encouraged top companies to prepare IR reports voluntarily. Companies consider the preparation of IR as an additional burden to the already existing legal and IFRS reporting requirements. The presence of a myriad grouping of regulators makes it unattractive for reporters to add yet another framework. Without regulatory backing, IR will rely on proven effectiveness to be appreciated as the new tool for corporate reporting. IR implementation can improve if regulators are convinced with IR and issue mandatory instructions for companies to comply (Abhishek and Divyashree, 2019).

- **Reporting complexity with changes in technology**

Major companies in India have accepted technology as an important way to reach the market. This is done through digitising retail channels, artificial intelligence, and big data utilisation. It is difficult for IR to gather transparent and enough reporting capability to cover all these complex aspects (Abhishek and Divyashree, 2019).

- **Different non-financial reporting requirements in the states**

India comprises different federal states, and reporting requirements are not the same. This is mostly concerning non-financial reporting on issues such as emissions and the environment (Abhishek and Divyashree, 2019).

2.3.1 IR in Malaysia

Malaysia is considered part of the outperforming emerging economies in Asia (CNA, 2018). IR has received acceptance in Malaysia through the involvement of key stakeholders in corporate reporting in the country. Organisations that have demonstrated keen enthusiasm for IR include the Malaysian Institute of Accountants (MIA), Securities Commission Malaysia (SCM), and the Malaysia Association of Certified Public Accountants (MACPA) (Mohammed *et al.*, 2020). The MIA, one year after the IIRC released the first IR framework in 2013, formed the Integrated Reporting Steering Committee (IRSC) to actively promote the roll-out of IR in Malaysia. Business in Malaysia has embraced IR as a way of enhancing integrated communication, promoting more holistic accountability and increasing corporate reputation (Amirrudin *et al.*, 2019). This section reviews the literature on the level of IR awareness in Malaysia, a comparison of voluntary disclosure before and after the introduction of IR, the challenges in adopting IR and suggested solutions to overcome the challenges.

a) The level of IR awareness in Malaysia

IR is voluntary in Malaysia. In 2017, the SCM issued the Malaysian Code on Corporate Governance (MCCG). The code comprises best practices aimed at improving corporate accountability and transparency. Through the MCCG, listed companies on Bursa Malaysia with a market capitalisation of RM2 billion or more are encouraged to prepare integrated reports as part of their annual reporting. Bursa is Malaysia's stock exchange. Since the issuance of the MCCG, there has been an improvement in the level of IR among Malaysian-listed companies (Hamad *et al.*, 2022).

b) Voluntary disclosure before and after the introduction of IR

As mentioned in the sections above, IR is on a voluntary disclosure basis in Malaysia. A comparison of voluntary disclosure before and after the release of the 2013 IR framework can be used as a measure to determine if IR has had an impact on Malaysian voluntary disclosure.

In a study by Jaffar, Nor and Selamat (2018), IR showed improvement in voluntary disclosure in three content elements, governance, strategy and resource allocation, and outlook. The rest of the content elements regressed compared to the levels before the release of the 2013 IR framework. The results indicate that there is more work required in the promotion of the adoption of IR in Malaysia, with more collaboration between the reporting regulatory bodies, government and professionals (Jaffar, Nor and Selamat, 2018).

c) Challenges in the adoption of IR in Malaysia

Since companies and professionals in Malaysia recognise the benefits of implementing IR, there are challenges affecting the effective adoption of IR (Balasingam, Arumugam and Hui, 2019). The challenges bedevilling IR are discussed below:

(i) Cost of implementation

IR is still a growing phenomenon in Malaysia, and for an organisation to implement it, there are investment requirements which ensure adequate resources for information measurement and gathering.

(ii) Information availability

There is a problem with information availability, especially concerning benchmarking and best practices. Organisations have not been gathering information on IR content elements or guiding principles, and this creates a reporting problem due to a lack of trends and references.

(iii) Lack of knowledge and expertise

As a developing field, IR is not yet embedded in the training curriculum of those in the corporate reporting environment. The training required comes at a cost to hiring the experts.

d) Suggested solutions to overcome the challenges

To overcome the challenges of IR implementation, there is a need for a paradigm shift in how regulators and practitioners view IR. The following are suggestions for how IR adoption and implementation can be accelerated in Malaysia (PwC, 2018).

(i) Correct mindset and clear communication throughout the business

Organisations should create awareness throughout their structures if IR is to be successfully implemented. The benefits of IR must be explained, removing the conception that it is yet another reporting burden being brought. Promoting the background principle of integrated thinking will assist members of the organisation to appreciate that it is not only the duty of reporters to uphold IR but also everyone who has a role in value creation.

(ii) Top management commitment

One of the content elements of IR is corporate governance. This aspect requires a demonstration by the BoD and top management that they are committed to the requirements of IR. Commitment by the BoD assists in clearing obstacles such as resistance to change.

(iii) Breaking down of organisational silos

IR can only succeed if all the units of the business are coordinated and synchronised towards a common goal. This is the essence of integrated thinking and IR that the business model of the company should be structured in an integrated manner that guarantees value creation over the short, medium, and long term.

2.3.2 IR in Brazil

Brazil has become one of the jurisdictions that have made IR mandatory. In December 2020, the Brazilian Securities Commission (CVM) published Resolution 14, which made it compulsory for listed companies to publish integrated reports from January 2021 (Saboya, 2022).

The adoption of IR in Brazil is mostly because of companies adhering to the listing guideline of the B3 Stock Exchange (the stock market in Sao Paulo). Over 100 companies have successfully adopted IR (Eccles, Krzus and Solano, 2019). Before IR became mandatory in 2021, the guideline encouraged IR through the 'report or explain' principle. The Comissão Brasileira de Acompanhamento do Relato Integrado (in English: Integrated Reporting Network in Brazil) (CBARI) actively promotes IR through the efforts of its constituent members such as the Brazilian Institute of Corporate Governance, the Brazilian Association of Listed Companies, the Brazilian Institute of Investor Relations, the Brazilian Federation of Banks, and the Association of Brazilian Executives (Homero, 2017). The membership of CBARI is around 500 and is closely sponsored by the Brazilian Development Bank.

Trend analysis showed an increase in companies that were preparing IR or were 'explaining' why they did not submit IR. The number of companies with no IR reduced significantly between 2012 and 2013 ((Favaretto, 2016). In 2013, the IIRC launched a pilot programme in the quest to encourage IR adoption and implementation in Brazil. An analysis of the disclosure levels on non-financial capitals in the IR of participating organisations showed that companies were adopting IR but were not fulfilling the disclosure requirements as per the IR framework. The study found that Brazilian companies participating in the pilot programme showed an overall unsatisfactory disclosure level in non-financial capitals. A study to check the trend after the 2021 mandatory IR in Brazil could be necessary.

2.3.3 IR in South Africa

South Africa has been considered one of the early adopters of IR, with the IoDSA being at the forefront through its issuance of the King Reports (IoDSA, 2016). IR became topical when the King III report was released, and enshrined in it was the requirement for JSE-listed companies to prepare IR reports (Roberts, 2017). Under this reporting requirement was leeway for non-compliance as an 'apply or explain' window was available. The King IV report, released in November 2016 as a successor to King III, came with a stronger approach and enforced compliance through the 'apply and explain' basis, a significant change from the previous 'apply or explain' approach in King III (IoDSA, 2016). This resulted in increased uptake of IR in South Africa, as the review of available literature indicates (Dube, 2017; Moolman, Oberholzer and Steyn, 2019; Moloi and Iredele, 2020). This section covers the extent of IR in South Africa, a sectoral review of IR implementation, the challenges of IR implementation and the way forward.

(a) The extent of IR implementation in South Africa

South Africa is considered a pioneer of IR in the world. This notion is supported by the JSE mandatory requirement that listed companies should submit IR reports annually. NGOs, municipalities, SOEs and private equity enterprises have adopted IR as the best corporate governance tool (Roberts, 2017). Of the leading countries that have adopted IR, South Africa has the best quality IR reports (Eccles, Krzus and Solano, 2019). The World Economic Forum's Global Competitiveness Report for 2016 to 2017 awarded South Africa number one for the seventh consecutive year (Roberts, 2017). The scoring method indicates the characteristics of a quality report and the best South African companies excelling in those aspects. Good quality reports are expected to have a positive relationship with the sustainability and financial performance of organisations (Moloi and Iredele, 2020).

Empirical studies indicate that of the top 100 JSE companies that use the IR framework, IR quality is closely linked to better sustainability outlook, higher EPS and DPS (Mans-Kemp and van der Lugt, 2020). (Moloi and Iredele, 2020) studied the impact of IR quality on company value, using TobinQ as a company value proxy, and found that companies with higher-quality IR had superior company values compared with those with lower-quality IR. While the improved financial performance was noted, some organisations showed an initial reduction in profitability due to implementation costs of the IR framework. This was considered a short-term impact resulting in a higher value creation focus in the medium to long term (Matemane and Wentzel, 2019; Mans-Kemp and van der Lugt, 2020).

The challenge remaining in these studies is proof that the improved financial performance was a direct result of IR and not a result of long-term strategies already in motion.
The achievement of quality IR reports is expected to increase firm values as investors and stakeholders become more confident about future value creation, as disclosed in quality reports (Moloi and Iredele, 2020).

(b) Challenges of IR implementation in South Africa and possible solutions

Although South Africa has emerged as a leading player in IR implementation globally, the country is still on a journey towards IR excellence, and challenges are still there to be overcome.
Sectoral research was conducted on listed South African companies covering mining, construction, oil and gas and general industries ((du Toit, Van Zyl and Schütte, 2017). The research aimed to establish whether IR changed the amount of reporting on CSR topics. The study concluded that there was a general reduction in the number of information corporates included in their IR reports. Du Toit et al. (2017) opined that the reduction of information on social, environmental, and ethical topics had both a positive and negative inference. Positively, it could mean that the reporters were improving their report content and becoming more precise. On the other hand, the reduction in the content may construe that reporters were gradually avoiding the demanding requirements of the given IR guidelines and limiting their reporting to a minimum level just to comply (du Toit, Van Zyl and Schütte, 2017).
Taking a similar approach to du Toit et al. (2017), (Haji and Hossain, 2016) analysed the implication of IR on organisational reporting practices in South Africa. The study covered award-winning reporting entities in the mining, financial, oil and gas and consumer services sectors. Haji et al. (2016) found that IR has not significantly improved organisational reporting practices but rather that company reports show an enriched usage of IR rhetoric and language without tangible, substantive reporting on the six capitals as required in the IR framework.
Some of the challenges harming the quality of IR and potential remedies are discussed below (Atkins, 2020).

(c) Lack of gratifying appeal to reporters

Some reporters view IR as a compliance perspective that they must perform to satisfy the legal and regulatory dictates of the various reporting frameworks. The report preparers arguably do not see the real benefit behind IR, and this notion interrupts the opportunities available to organisations to table high-quality reports.
This challenge may be managed through training and more exposure to report preparers for them to see the underlying value of IR as an effective tool in directing the value creation and preservation of an organisation in the short, medium, and long term.

(d) Continued focus on financial capital

Where IR advocates for reporters to focus on financial and non-financial capital, it appears financial capital continues to take centre stage as financial corporate KPIs dominate the measurement of market success. KPIs of non-financial capitals remain auxiliary topics in the reporting discourse.
Financial capital thrives over other capitals because of its measurability. Non-financial capitals' quantification and valuation are not fully developed, hence KPI reporting on them is difficult. There is a need to develop models that will assist in measuring non-financial capitals so that reporting on them can be easy to interpret for stakeholders.

(e) Lack of proven IR influence on institutional investors

The advantages of IR have been expounded, however, there is still a lack of empirical evidence to prove that institutional investors give a balanced focus to financial and non-financial capital in deciding on investment targets. With more emphasis on sustainability reporting, which comes as one of the benefits of IR, institutional investors should be more forward-looking and focus less on the short-term financial status of investment targets. As already mentioned, studies have shown that clear reporting on social responsibility and environmental management has resulted in higher profitability and long-term sustainability of the organisation.

(f) Fear of reporting 'capture'

Reporters could be of the view that more reporting requirements open organisations to more scrutiny. Organisations may consider their strengths in non-financial capitals as strategic competitive advantage tools which should not be overly disclosed for fear of being copied by competitors and potential entrants. The requirements for more transparent reporting may result in reporting fatigue by both reporters and assurers.
There is a need to show that IR is not there to inflate reporting requirements but to integrate reporting into a single, more concise report.

(g) Stakeholder activism not so pronounced

IR is being promoted as a reporting platform that needs to satisfy the reporting needs of multi-stakeholder groupings. There is no evidence currently which shows that IR matters to other stakeholders who are not holders of financial capital. The demand for quality IR by stakeholders is not demonstrated through forms of activism where the delivery of such reports is insisted upon.
Stakeholder awareness of IR is crucial to allow them to play a pivotal oversight role that will push organisations into more transparency on financial and non-financial capitals.

(h) Lack of IR expertise in organisations

The reliance on consultants in preparing IR reports leads to reporting practitioners in organisations considering IR as an outsider's report and not part of their regular duty. Organisations have not adequately invested in IR training

to allow their employees the capabilities to prepare their quality IR reports.
Companies are required to invest in IR training of their reporting practitioners to create 'local' ownership and responsibility for IR and the management of its associated KPIs. When the KPIs are established, this creates the opportunity for comparing and contrasting different organisations, sectors, or countries. These comparisons will enable organisations to benchmark and identify areas of improvement.

3. CONCLUSION

IR continues to develop, indicating its potential to become the world's leading corporate reporting framework. The countries that have been reviewed have made strides in IR implementation and can be used as learning cases by those jurisdictions that are to still adopt IR.

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