

Needs and Transparency for Corporate Financial Information in Mongolia

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Abstract

Corporate financial reporting has long been evolving internationally to meet the growing needs of transparency for investors and the public, well beyond purely financial information. Modern reporting trends such as integrated reporting introduced by the International Integrated Reporting Council has enabled companies around the world to better communicate their financial and non-financial performance to the various stakeholders with due consideration to the interconnectedness of the financial, social and environmental factors concerning a business. Whilst integrated reporting still is an emerging concept and practice in the country, numerous listed companies and state-owned enterprises in Mongolia have been making efforts to advance their reporting in tandem with the international trends. The paper intends to review the existing regulatory framework for corporate reporting in Mongolia, in particular the aspects of transparency, and examine the current practices of reporting of selected companies against the key content elements and guiding principles of integrated reporting using publicly available financial information and data with a view to drawing conclusions and relevant policy recommendations.

Keywords: corporate reporting, transparency, integrated reporting, Mongolia.

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Part I. Needs and requirements for corporate financial information: transitions and trends

Driven largely by the information needs of the capital markets, accounting and financial reporting systems and practices started evolving globally in the 20th century (De Villiers, C. & Maroun, W. 2017). In particular, while social changes in the 1960-70s called for companies to report on their social and environmental responsibilities, requiring often non-financial disclosures, in 2015 member countries of the United National adopted the 2030 Agenda for Sustainable Development and the associated 17 Sustainable Development Goals in 2015, which started influencing the strategies, business models, and the value creation processes for companies. Such changes in the information needs by shareholders, broader stakeholders, and the public led companies to transition their reporting to include a variety of financial and non-financial information on their businesses.

Accordingly, various forms and terminologies around non-financial reporting emerged in practice including social and environmental reporting; corporate social responsibility reporting; environmental, social, and governance reporting; sustainability reporting; and more recently integrated reporting (De Villiers, C. & Maroun, W. 2017). A common feature among the different forms of reporting is that these entail coverage of non-financial metrics in the reporting including elements of their employee engagement, customer satisfaction, corporate social responsibility (CSR), and where applicable also Key Performance Indicators (KPIs).

Furthermore, considering the needs and demands for such information often lie within those outside the reporting entities, associated with these modern forms of reporting seems the need for greater transparency and public disclosure and, more recently, incorporation of digital technology advances for a more interactive and engaging way of reporting. The latter involves the use of infographics and other visual elements that would make the reporting more user friendly and easily understandable for those interested in the company's performance.

One of the most commonly adopted and used form of modern reporting is sustainability reporting. According to the Global Reporting Initiative (GRI), now a global standard-setting body, sustainability reporting in an organization's practice of publishing information on its economic, environmental, and social impacts. This type of reporting typically includes information on a company's carbon emissions, water usage, waste management, and other sustainability-related metrics.

Another, more recent and comprehensive trend of reporting is Integrated Reporting. While it is a relatively new approach to financial reporting that seeks to provide a more comprehensive picture of a company's financial performance and its impact on society and the environment. The concept was first introduced in 2010 by the International Integrated Reporting Council (IIRC), which is a global coalition of regulators, investors, companies, standard-setters, and NGOs that aims to promote integrated reporting as a means of improving corporate reporting and accountability. The IIRC defines integrated reporting as 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." The IIRC's concept of integrated reporting is based on the principle of connectivity, which recognizes the interdependencies between financial and non-financial factors and the need to communicate these interdependencies in a clear and transparent way.

The framework developed by the IIRC includes concepts of six categories of capital (financial, manufactured, intellectual, human, social & relationship, and natural) companies to report on and suggest integrated reporting to cover several content elements including: Organizational overview and external environment; Governance; Business model; Risks and opportunities; Strategy and resource allocation; Performance; Outlook; and Basis of preparation and presentation. There are also guiding principles put forward by the IIRC that are to be ensured for integrated reporting:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

A number of analytical studies have been found that critically reviewed the pros and cons associated with adopting integrated reporting. Based on a review of 61 articles published on integrated reporting during the period between 2011-2018, Vitolla et. al. (2017) found that earlier literature published during 2011-2013 mostly expressed appreciation for the emerging reporting framework and focused on determinant for integrated reporting quality and successes. Since then, the literature turned more diverse bringing in also the critical angle to integrated reporting and the focus increased on the determinants as well as shifted to effects of this modern trend of reporting.

There appears to be a number of determinants to the willingness, success, and quality of integrated reporting associated with the preparer's internal factors of preparers (e.g. company size, market orientation, board characteristics etc.) as well as external factors such as legal and external information requirements and pressures, industry characteristics, as well as the country's overall development level and culture (Filippo, V. et. al., 2019).

According to Filippo, V. et. al. (2019), appreciation towards integrated reporting had been reported to foster a sense of integrated thinking and long-term sustainability-oriented culture for managers and to bring information to stakeholders that are more aligned with their needs to better understand the value creation process for companies. Critical views on the framework appear to be largely on the practical side associated with challenges around adopting the framework in practice, assessing the meaning of the capitals, and the complexities around providing assurance on the comprehensive form of reporting. The latter could also be associated with concerns around the reporting to "window dress" company's actual position.

Despite the varying factors and challenges, preparation of integrated reporting had been reported widely in the literature to impact company financial position and performance. Interestingly, on the question of how integrated reporting affects company's financial position, the literature review conducted by Filippo, V. et. al. (2019) noted both perspectives of absence of any linkage in the short term as well as positive effects of integrated reporting on business performance e.g. company's value, stock liquidity and cash flow, as well as long term

investments. It is also said to have an effect on company's corporate governance, control system, and even management quality. Moreover, the impact is extended to the information quality and transparency of companies that also contribute to precision in external expert's forecasts on the business.

The Chartered Institute of Management Accountants (CIMA) had indicated while initially developed more for corporate users, given the concept of integrated reporting extends to company value in much broader terms than profit only, there would be benefits for preparing integrated reporting for public sector organisations. Good practices in this regard emerged in some countries, with the New Zealand Post Group as an example of a state-owned enterprise (SOE) preparing integrated reports. The company's primary stakeholder is its shareholder, the Crown, and it requires the SOE to operate on a commercial basis, so to issue dividends and be a good employer while duly considering interests of the community. The integrated reporting framework apparently provides the company commitment and delivery against these objectives. (CIMA, 2016).

While efforts to comply with these modern reporting trends have largely been undertaken by companies around the world on a voluntary basis, some jurisdictions formalized the requirements and arrangement e.g. the European Union requires certain social and environmental disclosures for larger companies with more than 500 employees and South Africa, since 2010, mandates Integrated Reporting for listed companies at the Johannesburg Stock Exchange (Howitt, R., 2017).

Part II. Assessment of integrated reporting quality internationally

In tandem with the global trends in corporate reporting discussed in the previous section, companies around the world have been preparing integrated reporting with some countries more advanced than others in their associated practices. The general state of the integrated reporting practices and specific contents of the reports were naturally of interest to many, so a number of studies have been found that attempted at evaluating the reporting quality. Considering the variations in the coverage and methodology, selected cases of assessment and survey on integrated reporting quality have been considered in this paper.

Survey of Integrated Reporting in Japan (KPMG, 2020)

The KPMG Japan Corporate Governance Center of Excellence's Task Force on Integrated Reporting has been conducting an annual survey of the integrated reporting practices in Japan since 2014. The survey includes the following key features:

- *Coverage*: All 225 companies that make up the Nikkei 225 Index.
- *Reports/contents considered*: Both securities reports and integrated reports
- *Evaluation criteria*: Selected content elements and guiding principles (bolded below in Table 1) that most commonly appear in integrated reports and are significant for investors, who are the primary users of the report.

Table 1. Principles of integrated reporting framework covered by the survey

Content elements	Guiding principles
<ul style="list-style-type: none"> Organizational overview and external environment Governance Business model Risks and opportunities Strategy and resource allocation Performance Outlook Basis of preparation and presentation 	<ul style="list-style-type: none"> Strategic focus and future orientation Connectivity of information Stakeholder relationships Materiality Conciseness Reliability and completeness Consistency and comparability

- *Period covered:* Survey year (2020) plus previous two-year comparisons where applicable.
- *Methodology:* For each specific survey question (defined around the criteria based on selected content elements and guiding principles of the IIRC's framework), multi-option responses had been developed, against which survey results were reported in percentages corresponding to each response. For instance, for assessment of Materiality, survey results were reported in percentages of integrated reports that discussed vs. not described materiality; and for assessment of Risk, percentage of companies that reported the selected five risks as significant in the CEO's Outlook, etc. There was no numerical scoring involved in this survey.
- *Assessment process:* Report evaluation criteria were defined collectively by the members of the survey team and then a single researcher was assigned to each company to thoroughly read the reports to confirm the content according to the criteria/questions.
- *Key observations:* Given the practical approach taken by KPMG to the survey, the survey report provides key recommendations and words of encouragement to companies with a view to enhancing their integrated reporting quality and practices. It was done so through a dedicated Recommendations section in the report plus Spotlights and Good Practice inserts throughout the report that would help guide preparers with specific elements of the reporting in the future. The statistical (basic) information provided toward the end of the report on the key features of the companies covered as well as the reports e.g. title, page numbers, language, timing of issuance was also of interest to readers to obtain further background.

A Comparative Analysis of Integrated Reporting in Ten Countries (Eccles, R., et. al., 2019)

The authors attempted to explore the extent companies around the world are using the IIRC framework to prepare integrated reports and whether there are variations in the country practices in terms of the content and quality of integrated reports.

- *Coverage:* Fifty (50) integrated reports including five (5) publicly traded companies from each of the following countries were selected for the exercise: Brazil, France, Germany,

Italy, Japan, the Netherlands, South Africa, South Korea, United Kingdom, and the United States.

- *Reports/contents considered*: Integrated reports
- *Evaluation criteria*: Selected content elements and guiding principles (bolded in Table 2 below) were covered under the assessment.

Table 2. Principles of integrated reporting framework covered by the assessment

Content elements	Guiding principles
<ul style="list-style-type: none"> • Organizational overview and external environment • Governance • Business model • Risks and opportunities • Strategy and resource allocation • Performance • Outlook • Basis of preparation and presentation 	<ul style="list-style-type: none"> • Strategic focus and future orientation • Connectivity of information • Stakeholder relationships • Materiality • Conciseness • Reliability and completeness • Consistency and comparability

- *Period covered*: Published during the period of December 31, 2017, and fiscal years ending in up to September 2018.
- *Methodology*: 23 factors were developed under the general criteria around the selected content elements and guiding principle of the IIRC framework. The maximum score per report across all factors is 69 points, that is, 23 factors scored at 3 points each as per the below:

0 = No relevant disclosures

1 = Boilerplate or cursory discussion

2 = Discussion of topics is focused primarily on current period performance

3 = Topics are discussed in the context of short, medium, and long term

- *Assessment process*: Report evaluation criteria were defined collectively by the members of the survey team and then a single researcher was assigned to each company to thoroughly read the reports to confirm the content according to the criteria/questions. Authors claimed that “reasonable effort was made to ensure that scoring was as objective as possible; however, some degree of subjectivity was inevitable”. Though in an attempt to ensure consistency, the co-authors Krzus and Solano selected and scored the same five reports to compare their scores for each factor and found that the scores were consistent with only minor variations.
- *Key observations*: The assessment appeared to be more focused on content and thus suggested mixed results within each topic and range of country scores with the following general level of report quality: High (Germany, the Netherlands, and South Africa), Medium (France, Italy, South Korea, and the United Kingdom), and Low (Brazil, Japan, and the United States). It was concluded that the reporting quality had not significantly improved between 2015 and 2019. Considering the variability, the report provided policy recommendations targeted to the IIRC and global actors calling for a global task force on

good practices to be created and for the IIRC to compile good practice databases and encourage more flexible modern-day reporting vs. reports only.

Integrated Reporting Quality: An Empirical Analysis (Pistoni, A., et. al., 2017)

The authors developed a scoring model, an IR Scoreboard (IRS), which was applied to analyze sample integrated reports to explore their quality.

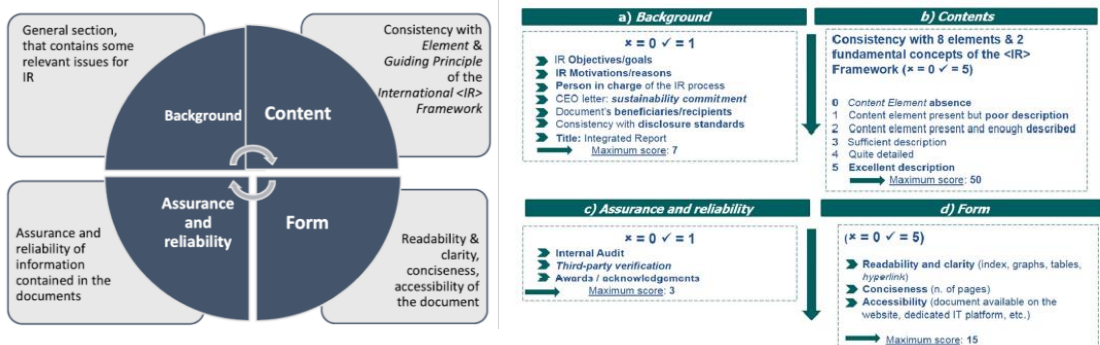
- **Coverage:** 116 integrated reports of 58 sample companies representative of various regions and industries.
- **Reports/contents considered:** Integrated reports (sometimes Annual Reports).
- **Evaluation criteria:** Selected content elements, guiding principles, capitals (bolded in Table 3 below) were covered under the assessment.

Table 3. Principles of integrated reporting framework covered by the assessment

Content elements	Guiding principles
<ul style="list-style-type: none"> • Organizational overview and external environment • Governance • Business model • Risks and opportunities • Strategy and resource allocation • Performance • Outlook • Basis of preparation and presentation 	<ul style="list-style-type: none"> • Strategic focus and future orientation • Connectivity of information • Stakeholder relationships • Materiality • Conciseness • Reliability and completeness • Consistency and comparability
Capitals	
Financial, Manufactured, Intellectual, Human, Social & Relationship, and Natural	

- **Period covered:** Reports issued in 2013 and 2014.
- **Methodology:** Four areas including Background, Assurance and Reliability, Content, and Form that are informed by the IIRC Framework were defined for the assessment. Each area then had several dimensions to be scored either from 0-1 or 1-5 as per Figure 1 below.

Figure 1. The integrated reporting scoreboard concept and scoring (Pistoni, A., et. al. 2017)



- **Assessment process:** The data were collected and codified using visual content analysis and two researchers, trained in the methodology, read through all 116 integrated reports and autonomously scored them. It was noted that for the areas Background, Form, and Assurance and reliability, only few discrepancies emerged, which were discussed and resolved. As for the Content area more judgement was exercised by the two analysts, so the autonomously assigned scores by the two analysts were averaged.
- **Key observations:** The main findings show that the quality of analyzed integrated reports is low and more attentions is given to form than substance. Further they noted “firms follow the IR framework, but scarce information is disclosed on relevant aspects such as capital, the business model, strategic priorities, and the value creation process.” Furthermore, the authors suggested that the cost and benefit of preparing integrated reporting calls for more research and evidence.

Main takeaways

Upon reviewing the selected methodologies and experiences described above, the authors concluded on the following key observations:

Table 4. Summary of the assessment approaches considered

	KPMG (2020)	Eccles, R., et. al. (2019)	Pistoni A., et. al. (2017)
Coverage	Large sample of 225 companies' reports across multiple years (results for 3-year rolling period) and single country focus	Sample of 50 reports from 10 countries with a single year focus	Sample of 116 reports across two years from 58 companies across different regions
Evaluation criteria	Based on selected content elements and guiding principles of the IIRC	Based on selected content elements and guiding principles of the IIRC	Based on all content elements and selected guiding principles of the IIRC plus the capitals
Methodology	Multiple response survey questions were asked and reported against with no numerical scoring involved	23 factors with scored with 3 points each (maximum possible score of 69 points) depending on the focus of the relevant discussion in terms of focus on the current period vs. the future	4 comprehensive areas of the integrated reporting framework and associated 23 elements are scored either with 0-1 (existent or not existent) or 0-5 (quality-based criteria)

Considering the comprehensive coverage of the methodology in terms of both form and substance of integrated reporting and potential ease in the replicability of the proposed scoring system, the authors attempted at adopting the IR Scoreboard developed by Pistoni A., et. al. (2017) to conduct a pilot review of the current level of development and state of corporate reporting in Mongolia in terms of its compliance with the integrated reporting framework. The main findings from the pilot review exercise in the Mongolian context and the associated country background are discussed in the next section.

Part III. Current status of corporate reporting and transparency in Mongolia

1. Legal and regulatory requirements for corporate reporting

Corporate financial reporting requirements in Mongolia are largely regulated by the Accounting Law approved by the Parliament in 1993 (and subsequently revised in 2015). The law requires all entities to prepare their financial reports in accordance with the International Accounting Standards (IFRS). According to the IFRS Foundation, however, implementation efforts started only in late 2000 targeting listed companies at the Mongolian Stock Exchange (IFRS, 2016). As for the rest of the companies, the revised law of 2015 largely mandated IFRS for Small and Medium Enterprises or the International Public Sector Accounting Standards (IPSAS) as deemed appropriate. As per the requirements of the Financial Regulatory Commission (FRC), listed companies are required to release audited annual financial reports by April 1 of the following year through the company website and the Mongolian Stock Exchange (MSE) website in addition to filing those with the FRC.

In addition to the financial reports, the Company Law and the Securities Law mandate companies to prepare annual reports on their operations to be presented to the shareholders, relevant stakeholders, and the public. The various reporting requirements are further stipulated in the regulations of the FRC for publicly listed companies as well as the Corporate Governance Code, and among such requirements, annual report is to be made available to the FRC and the public by April 1 of each year. As for the content for the annual reports, the FRC mandates information to be included regarding the company's business operations, board & management, financial position, shareholders, and dividends.

As for the public sector, SOEs are subject to similar reporting requirements as per the IFRSs and are required to file their annual financial reports with the Ministry of Finance and the Government Agency for Policy Coordination on State Property. Those companies with majority state shareholding are also consolidated into the Consolidated Financial Statements of the Government. There is growing familiarity with the OECD Guidelines for SOE corporate governance and the elements of good practice.

2. Compliance with corporate reporting requirements and voluntary reporting efforts

The MSE and the FRC, as the key regulatory bodies in Mongolia, are mandated to review compliance of the public interest entities with the associated reporting requirements. Accordingly, as per the compliance review summary of the MSE for the reporting period ending December 31, 2022, 111 of the total of 182 listed companies (61%) had filed the 2021 annual report on their operations (whereas some 120 companies had filed their audited financial statements) and only 58 (32%) had submitted their 2022 semi-annual reports. Interestingly, only about half (90 out of 182) of the companies had reported to have a website, which is one of the main characteristics of company transparency. Furthermore, the review had noted about 44% (80 out of 182) of the listed companies submitted their corporate governance reports as per their agreements with the MSE. The following summarizes the overall compliance levels achieved by the listed companies.

Table 5. MSE & FRC corporate reporting compliance summary as of December 2022

Criteria	#
Total number of listed companies	182
Satisfactory /above 80% compliance/	61
Incomplete /50%-79% compliance/	65
Unsatisfactory /below 49% compliance/	56
Average compliance percentage	62.61

Source: https://www.mse.mn/mn/company_other_news/1/284

Besides the financial, annual, and governance reports prepared by companies in Mongolia in compliance with the statutory corporate reporting requirements i.e., Choigunsen, Ch. (2020) reported that there exist other voluntary initiatives among Mongolian companies of preparing sustainability reporting, corporate social responsibility reporting, reporting for the purposes of complying with the requirements of the Extractive Industries Transparency Initiative. Further, a review conducted by the author on the structure and content included in these various reports of public interested entities (particularly on the specific elements of their annual operations reports including company overview & external environment, governance, business model, risks & opportunities, resource allocation and strategy, performance, and outlook) revealed that implementation of the integrated reporting framework in Mongolia would need concerted efforts including at the policy level to establish a more profound regulatory and governance structure and arrangements including establishment of a possible Integrated Reporting Council (Choigunsen, Ch., 2020).

More recently, in August 2022, to support the country's commitments to the Sustainable Development Goals and the Nationally Determined Contribution commitments as part of the climate change agenda, the FRC together with the other financial sector authorities as well as the development partners, including UNDP, issued a guidance for listed companies, prospective issuers and other interested companies titled "The ESG and Sustainability Reporting Guidance for Mongolian Companies".

3. State of corporate reporting as per a pilot review of publicly available information

As indicated previously, the authors intended to adopt and apply the scoring methodology developed and tested by Pistoni, A., et. al. (2017), through which to attempt to evaluate the quality of the contents of annual reports of selected Mongolian companies against the main principles and content elements of the integrated reporting framework. More specifically, the methodology covers four areas: Background (7 elements with 0-1 point each), Assurance & Reliability (3 elements with 0-1 point each), Content (10 elements with 0-5 points each), and Form (3 elements with 0-5 points each) with the maximum total score possible of 75 points.

When selecting companies for the pilot review, given the available literature indicating that the integrated reporting practices in the country were only emerging, focus was intended at those companies that have better corporate governance arrangements to be able to identify some of the good practices already in the country as well as to recognize the potential for further developing integrated reporting practices in the country. For this reason, the companies that make up the Top-20 index of the MSE (2022) were selected for the pilot review. Considering the significant role the public sector plays in the Mongolian economy, particularly in key sectors

such as mining and energy, for comparability in the exercise, the SOEs included in the Top-100 companies identified in 2021 by the Mongolian National Chamber of Commerce (MNCC) were also covered by the pilot review (note should be taken that several of these SOEs were also listed at the MSE but only 3 had made it to the Top-20 list). Detailed lists of companies covered by the pilot review are included in Annex 1.

Moreover, considering both the significant efforts Mongolia has been undertaking towards improving transparency in the public and private sectors as well as the nature of the scoring criteria in the Form area (related to public disclosure of reports), for the pilot review the latest available annual reports of the selected companies were considered. This has meant largely reports for 2022 of the selected companies were covered by the review with the exception in some cases where only the 2021 reports were available. Also, the reports reviewed were largely titled Annual Report, whereas in a handful of cases they were titled Annual Operational Report. In one isolated case, where a company had produced a Sustainability Report in addition to their Annual Report, both were reviewed considering the elements covered by the review were split between the two reports.

Finally, a note should be made that considering limitations on the available time and resources, the review is to be considered as done on a piloting basis as the authors could not record detailed notes as score justifications for an audit trail while utmost efforts were made to remain evidence-based for objectivity. Similarly noted in the case of the original authors of the methodology i.e. Pistoni A., et. al. (2017), while reasonable confidence was achieved for scoring objectively the Background, Assurance and Reliability, and Form areas, it was challenging to do so for the Content area.

Upon searching thoroughly, the websites of the selected companies for the pilot review, three of the Top-20 listed companies' neither 2021 nor 2022 annual/operational reports were publicly available, so could not be covered by the pilot review. The same was true for a larger number of SOEs, 8 out of the 17, in the 2021 Top-100 list of the MNCC. So, a total of 26 reports were covered under the pilot review, of which 17 were of listed companies and 9 of SOEs.

Of the total possible 75 points, overall, listed companies' average came out at 35.47 points (47%) whereas the average total score for the selected SOEs was 26.89 (35.9%) indicating a slightly higher quality of reporting for the listed companies' group (Table 6). The top three total scores for the listed companies were obtained by those in food production, manufacturing and financial services while it was noted that largely those companies in financial services and insurance scored higher than the average of the group (Figure 2).

Table 6. Scoring summary of the pilot review

	Score range	Min		Max		Mean		Median		Standard deviation	
		Listed	SOE	Listed	SOE	Listed	SOE	Listed	SOE	Listed	SOE
Total Background score	0-7	0	0	5	5	3.44	3.78	5	5	2.36	2.17
Total Assurance & Reliability Score	0-3	0	0	1	0	0.29	0.00	0	0	0.47	0
Total Content score	0-50	7	6	41	26	21.41	14.00	20	14.00	11.45	7.40
Total Form score	0-15	8	8	13	11	10.53	9.11	10	9	1.28	1.27
Total score	75	15	14	56	42	35.47	26.89	36.00	28.00	14.10	9.92

Figure 2. Overall state of corporate reporting as per the pilot review



When comparing the results of the pilot review with the corporate governance and reporting compliance reporting of the MSE as of December 31, 2022, it was noted that all listed companies in the Top-20 list had a compliance score in the range of 95.45%-100% (with the exception of three companies that got initially listed during the reporting year), well above the average of 62.61% indicated in Table 5 above. In particular, top 3 companies in the pilot review had all achieved a compliance rate of 100% as per the MSE. Similarly, 7 SOEs among those reviewed were also listed and their compliance rates as per the MSE were also noted to be above the average.

Table 7. Detailed scoring in the Background area

Background	Score	Average	
		Listed	SOEs
Reasons	0-1	0.65	0.78
Goals	0-1	0.65	0.78
Recipients	0-1	0.53	0.78
Responsible	0-1	0.06	0.00
Commitment	0-1	0.65	0.78
IR in title	0-1	0.00	0.00
Framework standards	0-1	0.71	0.67
Total Background score	0-7	3.44	3.78

As for the area of Background, the total average score for the listed company and the SOE groups were 3.44 and 3.78 indicating similar status and quality of reporting in this area among the two groups (these results were comparable to those of the authors' Pistoni A., et.al at 3.17 and 3.00 in 2013 and 2014). In this section it was widely observed, for both groups, that the title of the reports across the board were not specifically named as Integrated Report. Also, in all cases, except for one, the manager responsible for the reporting was not indicated in the report.

In the area of Assurance and Reliability, the average score for the listed companies' group was 0.2 out of the total possible 3 points indicating that so far assurance efforts, particularly independent third-party assurance for integrated reporting has been non-existent in the country while for a small number of the listed companies' internal audit functions had indicated to have covered the annual/operational reports. Note should be taken that financial reports were indeed audited for the reviewed companies but no practice of external assurance over the integrated reporting i.e. annual/operational reports in our case was observed from the pilot reviewed. The results of the assessment conducted by Pistoni, A., et. al. (2017) had suggested slightly better practices (score of 1.72-1.74) in this area among the integrated reports reviewed by the authors.

Table 8. Detailed scoring in the Assurance & Reliability area

Assurance & Reliability	Score	Average	
		Listed	SOEs
Internal audit	0-1	0.29	0.00
External audit	0-1	0.00	0.00
Awards/acknowledgements	0-1	0.00	0.00
Total Assurance & Reliability score	0-3	0.29	0.00

In terms of the Content area, the total average scores for the two groups were 21.41 and 14.00 with the listed companies' group slightly in the lead. These results, although somewhat expected by the authors, compared much lower than the average indicated in the study by Pistoni, A., et. al. (2017), which was around 29.08 and 25.44 out of the possible 50 points for the two years covered by their review. In this area, for both groups, the lowest scores were noted in terms of discussions on the content elements of Strategy and Resource Allocation and Outlook as well as on the Value creation processes. It was indeed a common observation that most of the annual/operational reports under the pilot review were focused around the past. Also, in many cases, the report content was dominated by overly descriptive information on product lines and business operations much like company information leaflets and profiles.

Table 9. Detailed scoring in the Content area

Content	Score	Average	
		Listed	SOEs
Overview/Environment	0-5	3.41	2.33
Business model	0-5	2.18	1.78
Risks/Opportunities	0-5	2.71	1.22
Strategy/Resource allocation	0-5	1.41	0.89
Governance	0-5	3.47	2.00
Performance	0-5	2.76	2.11
Outlook	0-5	1.35	0.67
Basis of presentation	0-5	0.00	0.00
The capitals	0-5	2.24	1.67
Value creation process	0-5	1.88	1.33
Total Content score	0-50	21.41	14.00

For the last area of Form, the average scores for the two groups were very comparable at 10.53 (listed companies) and 9.11 (SOEs). These scores also leveled to the results of Pistoni, A., et. al. (2017) at 10.43 and 9.40 for the years 2013-14 covered by their analysis. As indicated

earlier, it was worthwhile to note that all listed companies covered by the pilot review maintained a functioning website and largely had their annual reports available online. Also, across the board the reports had well utilized and incorporated infographics and elements of other modern communication means.

Table 10. Detailed scoring in the Form area

	Score	Average	
		Listed	SOEs
Readability & Clarity	0-5	3.65	2.78
Conciseness	0-5	4.53	4.33
Accessibility	0-5	2.35	2.00
Total Form score	0-15	10.53	9.11

Conclusions and Recommendations

The objective of this paper has been to assess the quality of corporate reporting in Mongolia against the international integrated reporting framework. The methodology for the pilot review of selected Mongolian companies -- two groups namely the 2022 Top-20 of the MSE and the 2021 SOEs in the Top -100 of the MNCC -- has been adopted from the earlier assessment framework used by Pistoni A., et. al. (2017).

The results of our pilot review presented evidence that the overall quality of corporate reporting in Mongolia is very limited particularly in terms the Background and Content areas and the practice as well as arrangements in the area of Audit & Assurance need to be significantly built up from the current practice that is almost non-existent. In terms of the two groups of companies reviewed, with the exception in the Background area, in all other areas of the average scores of the listed companies' group were consistently higher than those of the SOEs.

The general review findings in the Background and Content areas were consistent with the work of Pistoni A., et. al. (2017) who had concluded that companies prioritize form over substance for their reporting on. Further they had noted from their assessment that the most innovative and distinctive elements of integrated reporting presented with less quality, while the more traditional elements e.g. performance, governance and risks had received higher scores. In the case Mongolia, the pilot review results enabled the same to be said for view/external environment, governance, performance, and risks considering the slightly higher average scores for these elements, whereas significant improvements are called for to improve the value creation, strategy & resource allocation, and outlook aspects of the reporting.

Contrary to the findings of Pistoni A., et. al. (2017) who noted lower scores in terms of the guiding principle of conciseness, hence concluded companies had lacked understanding of the principle, Mongolian companies' reports were generally concise and were shorter in terms of number of pages. However, in many cases of the pilot review, the length was not associated with the required contents presented in an efficient way, but rather due to missing content elements.

To summarize, our pilot review revealed that some critical elements of integrated reporting are present in the current corporate reporting practices in Mongolia but there could be serious concerns related to the quality and full application of the integrated reporting framework. Our review conducted on a piloting basis had limitations, similar to those encountered by Pistoni A., et. al. (2017) and others in qualitative studies, due to subjectivity and there could also be issues with regards to generalizing the results obtained by the pilot review to the rest of Mongolian companies, particularly because those selected are top performers in terms of the corporate governance practices in the market. Therefore, naturally, the pilot review could be extended in future research covering a more representative sample of local companies and also attempting to review reports across multiple reporting periods to observe if any improvements/changes prevail. Moreover, future research opportunities lie in terms of determinants of the reporting quality in the local context.

Based on the pilot review of the selected Mongolian companies, the following *three* key recommendations emerge for companies in Mongolia to make further progress in their corporate reporting practices in tandem with the latest global trends that are in line with the IIRC's integrated reporting framework.

Firstly, companies should strive to define a clear purpose of preparing annual reporting more in line with the integrated reporting framework. This derives from the rather low scores in the Background area of the reports covered by the pilot review as described above. In many cases, it was unclear who the reports were targeted, which should be a key driver of the desired content and information to be included. It is a good and common practice internationally for integrated reports to target stakeholder to enhance their understanding, demonstrating long-term value creation, or addressing sustainability challenges. However, in numerous cases of the reports reviewed, the materials and information included had a much more promotional value to them and lacked understanding of materiality and longer-term future perspective.

Secondly, in order to substantially enhance the content of the reports on the back of the low scores in the Content area as per the pilot review, companies could familiarize themselves better with the IIRC's Integrated Reporting Framework and build their capacity for better data collection and measurement. A few means to consider in this regard would include improving the collection and measurement of relevant data to support the reporting; establishing clear metrics and targets to track performance over time; and leveraging technology and data management systems to streamline data collection, improve accuracy, and enhance reporting efficiency. Clearly articulating roles and responsibilities within the organization for the reporting may also help in this regard e.g. identifying the manager responsible for the annual reporting.

Thirdly, continue building on the progress achieved so far, particularly in the area of Form where good visual and infographic elements are already incorporated in many of the annual/operational reports reviewed and the well advanced transparency of the reporting through their web communication including some interactive features. Momentum could also be built further on the back of the recently issued guidance "The ESG and Sustainability Reporting Guidance for Mongolian Companies" as the guidance be supported in practical rollout as many of the Content elements recommended by the guidance are in line with the integrated reporting framework, so would naturally help enhance the quality and content of the companies' reports.

Furthermore, considering the lower scores for the SOE group covered by the review, the need for improvements in their corporate reporting practices appears more significant for the SOEs, so the ongoing government reforms targeted at enhancing corporate governance and transparency of SOEs could be informed by the results presented in this paper.

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Annex 1. Listed companies and SOEs covered by the review

MSE Top-20 Index companies (2022)

#	Company name	Business line*	Website
1	APU Company	Food production	www.apu.mn
2	Golomt Bank	Other financial services	www.golomtbank.com
3	Ard Financial Group	Other financial services	www.ardholdings.com
4	Erdene Resource Development	Mining	www.erdene.com
5	InvesCore Financial Group	Other financial services	www.invescore.mn
6	State Bank	Other financial services	www.statebank.mn
7	Central Express CVS	Food production	www.cumongol.mn
8	Gobi	Knitwear production	www.gobi.mn
9	State Department Store	Retail	www.uid.mn
10	Tavan Tolgoi JSC	Mining	www.tavantolgoi.mn
11	Tumen Shuvuut	Food production	www.tumenshuvuut.mn
12	Monos Khuns	Food production	www.monosfoods.mn
13	Mandal Daatgal	Other insurance services	www.mandal.mn
14	Suu	Food production	www.suu.mn
15	Bogd Bank	Other financial services	www.bogdbank.com
16	Ard Credit	Other financial services	www.ardcredit.com
17	Ard Insurance	Other insurance services	www.arddaatgal.mn
18	MongolPost	Postal services	www.mongolpost.mn
19	Sendly	Other financial services	www.sendly.mn
20	Bodi Insurance	Other insurance services	www.bodi-insurance.com

* MSE's classifications.

SOEs among the Top-100 by MNCC (2021)

#	Company name	Business line	Website
1	Erdenet	Mining	www.erdenetmc.mn
2	Erdenes Tavan Tolgoi	Mining	www.ett.mn
3	UB railway	Railway	www.ubtz.mn
4	State Bank	Banking	www.statebank.mn
5	Mongolrosvetmet	Mining	www.mongolros.mn
6	Power plant no. 4	Energy	www.tpp4.mn
7	Darkhan metallurgical company	Steel production	www.dmp.mn
8	Erdenes Mongol	Mining	www.erdnesmongol.mn
9	Net Com Mongolia	Communication	www.icn.mn
10	Baganuur	Mining	www.baganuurmine.mn
11	Power plant no. 3	Energy	www.tes3.energy.mn
12	MIAT	Aviation	www.miat.com
13	Cement Shohoi	Cement production	https://www.khutulcement.mn
14	MongolPost	Postal services	www.mongolpost.mn
15	Tavan Tolgoi JSC	Mining	www.tavantolgoi.mn
16	Telecom Mongolia	Communication	www.telecommongolia.mn
17	Shivee Ovoo	Mining	www.shivee-ovoo.mn