

## Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

Name:

Email:

Stakeholder group:

If replying on behalf of an Organization please complete the following:

Organization name:

Industry sector:

Geographical region:

### Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

## Chapter 1: Overview

### ***Principles-based requirements***

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

It is written on paragraph 1.12 that it should be indicated what information has been omitted, explain the reason why the information has been omitted, and in the case of unavailability to obtain the data and the expected time frame for doing so. We think that it should also be explained that if the reason of why the information has been omitted is acceptable in accordance with the international practices or not.

### ***Interaction with other reports and communications***

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. *Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?*

We agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications. (Please note that GRI reporting is very common in Turkey. Turkish companies might prefer to give more reference to the GRI principles and indicators)

3. *If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?*

If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, we believe that the below mentioned reporting and measurement standards should be included;

- GRI
- IASB
- GHG
- Corporate governance index
- CDP (Carbon Disclosure Project)

## **Other**

### *4. Please provide any other comments you have about Chapter 1.*

The reporting framework should support companies with categorization and sectoral supplements as GRI and the IFC Corporate Governance Methodology (State-Owned Enterprises, Family Businesses, Listed Companies, Financial Institutions and Privatized transition economies) Worldbank, a partner of the IIRC has already made such a categorization which is available in [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/corporate+governance/investments/tools/cg\\_tools](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/investments/tools/cg_tools). Rather than creating more duplicates, we think it would be more useful to use the existing framework and categorization.

## **Chapter 2: Fundamental concepts**

### ***The capitals (Section 2B)***

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

### *5. Do you agree with this approach to the capitals? Why/why not?*

We agree with this approach to the capital. The capitals which are categorized as financial, manufactured, intellectual, human, social&relationship and finally natural capital have different level of significance to the companies that have activities in different sectors. The readers of the integrated report would most probably be interested in having information about the usage of the “key capitals” to create value for over the short, medium and long term. Therefore, we believe only the essential capitals of the company should be used as benchmarks at integrated reports. Just to give an example; there is no doubt that human capital would be more important to a financial sector stakeholder to read rather than natural capital.

### *6. Please provide any other comments you have about Section 2B?*

For every sector, the social and relationship capital seems to be given more importance than other capital items, hence should be emphasized more thoroughly. Each investment group has different standing based on the sector; however the social and relationship capital seems to be the common denominator for each sector and we believe the Report should recognize its apparent importance.

### ***Business model (Section 2C)***

A business model is defined as an organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).

### *7. Do you agree with this definition? Why/why not?*

We agree with this definition. Inputs are the first steps of the strategy to implement the business model such as employees, knowledge, social&relationship capital and manufactured capital and as the conversion of inputs into outputs through business activities would have a direct effect on outputs, a sensitive balance should be struck among inputs-business activities and outputs. In addition to this, we also know that outputs are the determining factors for outcomes such as net increase/decrease of financial capital, reputation and other internal&external benefits.

### ***Business model (Section 2C) continued***

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs (paragraphs 2.35-2.36).

8. *Do you agree with this definition? Why/why not?*

The Report should primarily include the company's own activities, in other words the circumstances that it can control directly. Yet, the company's indirect effects and other chain of values that it indirectly shapes are all very important and should be included in the Reporting process in time.

We agree with this definition. There are always internal and external consequences of the outputs of the company. Creditors, shareholders, potential investors and suppliers account for external consequences while employees, management and reputation account for internal consequences. If the company pays a large amount for a new technology to increase the productivity, the first negative effect would be seen on the financial capital.

9. *Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (see Section 4E)?*

### ***Other***

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

## **Chapter 3: Guiding Principles**

### ***Materiality and conciseness (Section 3D)***

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

11. *Do you agree with this approach to materiality? If not, how would you change it?*

We do agree on the materiality concept. Additionally we would like to express that the providers of financial capital should make their decisions on materiality by assessing the expectations of all stakeholders.

12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

It would be most useful to define and clarify this concept using the risk management approach. Risk management explains the materiality as the events that have a positive or negative impact on the company's operations. According to this definition, every subject that affects the existence of a company should be evaluated as material and should be reported with enough information. The quality and depth of the material should be consistent with its strategic importance and its confidentiality. COSO methodology or ISO 31000 methodology can be useful to define materiality for a company.

### **Reliability and completeness (Section 3E)**

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

13. How should the reliability of an integrated report be demonstrated?

The best way to assure the reliability of the report will be submitting an Independence Assurance Report, but giving detailed information on the internal audit function and internal control structure may also help. The information on future strategies and other data on how the company is creating value should be transparent and comparable with the previous years.

14. Please provide any other comments you have about Section 3E.

The information declared in the Report should be carefully monitored and verified. To control issues such as financial information and carbon reporting that have clear standards would have positive effects on the credibility of the Report. However, the Report should have a more detailed approach when it comes to social operations and strategies. Since the Report requires to declare some expectations and reflections about the future of the company, when these expectations become a reality we can have a clear idea about the company and have voluntary auditing mechanisms.

First of all, all kind of information disclosed to public via reports should be easily sourced by certain data providers such as exchanges. Second of all, omitted information should not be acceptable. In addition to this, the reasons of the positive and negative performance/developments should be disclosed to stakeholders. The reported information must be prepared as comparable and simple. Mostly, complicated information can not be defined as reliable by stakeholders and finally, the activities which are appropriate to company policies are generally perceived as reliable. The management of the company makes the final decision on what to disclose; however there is a major concern surrounding the level of transparency and information to be disclosed. We would then suggest that the companies report the reasons behind their decisions and why they chose to disclose some information and why they chose not to.

Regulations may limit the information-sharing for future strategies. It would be useful to collaborate with regulators to eliminate these restrictive problems for companies. According to the Turkish Competition Regulation and Capital Markets Board regulations, to share that kind of information can create some risks.

### **Other**

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.

Assumptions which are the basis of the information declared in the reports should be comparable with each other. The basic assumptions should be obtained from a limited number of resources; for instance, any assumptions about oil prices can be different in different institutions, but if everybody use different assumptions the resulted information may not be comparable and reliable.

## Chapter 4: Content Elements

16. Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).

The evaluation and explanations that are part of the Reporting are expected to create a monetary effect. To monetarize the social and environmental effects of the existing and planned policies of the company will lead to an effective evaluation of the company's future, risk profile and existence. This is particularly important considering the Reporting is primarily aimed at investors and the main aim is to create long term financing. PUMA has made a test run about this issue. However it may take time to designate the standards for its application. In this regard, it is important to disclose any information that will ease the transition period.

## Chapter 5: Preparation and presentation

### ***Involvement of those charged with governance (Section 5D)***

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?

Yes, there should be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report. Since the report informs the stakeholders about the operations and financial performance, market shares, strategies, expectations, new business lines or any regulation that has an important effect, governance and etc. stakeholders would like to find the called statement at the report. The assumptions, estimations and future scenarios are under the responsibility of the Senior Management and those charged with governance, we believe that such representation can be stated in IR.

18. Please provide any other comments you have about involvement of those charged with governance (Section 5D).

**Credibility (Section 5E)**

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

*19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?*

Assurance for full report seems rather difficult. Assurance on financial information and carbon data are common based on certain reporting / auditing standards. However the assurance for social issues, future projections related assumptions, models can not be easily assured. Appropriate auditing standards can be developed, over the integrated report as a whole, or only over specific parts of the report.

*20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.*

**Other**

*21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).*

## Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

We believe that the content of the Framework is very useful for the report users to know the main indicators, business model and strategy of the company and there is no doubt that an integrated report would be the best source for a user to very well understand the organization ability to create value in the short, medium and long term.

All information in the report should be approved by the Board of Directors since the report mainly deals with projections about the company's future and its business strategies.

## Development of <IR>

23. *If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?*

The IIRC does not regulate the issue of how the disclosed information is gauged. Yet the comparison and sectorial

## Other

24. *Please provide any other comments not already addressed by your responses to Questions 1-23.*

We would suggest to the companies following the IR framework to establish a committee on the Board level in order to get information from other Board committees, management and consultants. The issue of cooperation among different departments within the company have been the main concern in many Turkish companies, financial institutions and regulation agencies. It would be very useful to help companies reach their potential for further cooperation among committees and departments and guide them through this process in the long run.

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)