



**BORSA
İSTANBUL**

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The International Integrated Reporting Council

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We would like to thank IIRC for the opportunity to comment on the draft for the International <IR> Framework. We strongly believe corporate reporting standards should elevate beyond its traditional approach, which mainly puts forward the financial aspects of a company, thus limiting the scope for investors in their decision making process. The 2008 Global financial crisis in particular has made it clear that current reporting standards, although indispensable, do not possess the supporting analyses required to showcase a company's value creation process. Hence, IIRC's diligent efforts to introduce a more holistic approach to reporting should not only be considered affirmative, but also crucial in terms of establishing a constructive guidance to transform corporate reporting in the 21st century.

A reporting approach which features the business model, strategic decision making process and the value creation cycle of a company have the potential of offering more pertinent information for investors.

Within this context,

- We believe IIRC's strong emphasis on disclosing elements of future expectations in periodic corporate reports is a step forward in extending the capabilities of current reporting platforms; allowing companies to assist investors mitigate their risks during the asset allocation process.
- We think in today's rapidly changing and highly integrated global economical environment, providing an inclusive framework, which enables comparability and standardization in corporate reporting is a better formula in creating a translucent, rather investor-friendly global business landscape.
- We also recognize the efforts of IIRC to shift the focus of corporate reporting to investors. In order to meet such demand we believe defining materiality in a concise manner is highly critical, hence we support IIRC's ongoing studies in addressing key issues that have an effect on materiality.



In order to achieve the above objectives and more, we recommend IIRC to effectively communicate with all stakeholders including, but not limited to investor groups, NGOs, governmental institutions and companies. Our comments and responses on some of the concepts and issues presented in the draft paper could be examined in the appendix attached to this letter.

At this juncture, we would like to articulate that Borsa Istanbul will continue endorsing IIRC's efforts in establishing a state of the art corporate reporting standard with the Integrated Reporting initiative, and look forward to receiving updates regarding its development. Should you require further information or would like to direct additional questions, please do not hesitate to correspond us via the contact information provided in the appendix.

Sincerely yours,

Dr. Mustafa Kemal YILMAZ
Executive Vice President



APPENDIX

COMMENTS ON THE DRAFT INTERNATIONAL <IR> FRAMEWORK

- We fully support the development of an Integrated Reporting Framework on a global scale. In order to create an internationally comparable reporting framework, stringent standards have to be employed with detailed guidance attached to each and every standard.
- We believe that the integrated reporting should initially be promoted among the large-scale companies. As they utilize integrated reporting and demonstrate their content in their respective economic coverage area, small and medium scale companies will be more eager to follow them. Nevertheless, we view integrated reporting a suitable tool for any organization (e.g. NGOs, international institutions, stock exchanges etc.) to effectively convey their value creation process to all stakeholders.
- Understanding a company's business model is very important for investors in determining the value creation process. Hence, Integrated Reporting Framework should clearly define the key performance indicators (KPIs) to create a consistent report. These KPIs should be measurable and standardized across all comparable organizations. For instance, a set of KPIs for each economic sector could be cumulated to preserve comparability among companies within a specific industry. Also, these KPIs should be constantly evaluated by designated subject matter experts within an organization.
- We believe the utilization and, ultimately the success, of the Integrated Reporting Framework among investors and other related-parties is positively correlated with how much of a disclosure it will include from the companies' internal reporting, allowing stakeholders to assess a given company from their executives' viewpoint. In order to achieve this objective, Integrated Reporting Framework should characteristically include more qualitative information about a company than the average annual report.



- The six capitals, namely; financial, manufactured, intellectual, human, social and natural capitals described in the consultation draft and their respective impact on an organization's value creation process should be clearly stated in an integrated report. Since different capitals may have relatively different influence in every organization, relevant guidance should be provided by the Framework to the companies utilizing Integrated Reporting, in order to assist them in their reporting cycle. Since, the impact allocation of the above capital definitions will be judged by the company executives, relevant benchmarks should be introduced by the Framework to facilitate a sound reporting process.
- The concept of "future orientation" in the Integrated Reporting Framework Draft should be carefully weighted. Even though we agree the future outlook and projections pertaining to it will provide a better overall picture of a company, precedent data reflecting past performance should still remain in the core of the corporate reporting. This is necessary to ensure comparability of the information provided in the future outlook. We believe, in order to achieve a balance between the past and future outlook, detailed guidelines should be introduced by IIRC on what not to ignore disclosing. In addition, Integrated Reports should enclose a section in each consecutive report, where companies provide an assessment of how much of their future expectations included in the previous reports were achieved. In this manner, we believe Integrated Reporting will not only be more coherent, but also sustainable.
- The Draft discusses the importance of implementation of sound internal mechanisms to reassure that reliable information is included in the integrated reports. We support this notion aggressively, nevertheless we would like to also stress the fact that external actors have to be involved (e.g. auditor companies, regulators) to ensure the credibility of the Framework. Involvement of outside parties to assess and control the reliability of the information provided in an integrated report will eventually create more advocacy in favor of the utilization of the Framework, thus securing transparency. While a voluntary approach to integrated reporting is appreciated, eventually a shift to a more controlled approach is needed to generate a reporting standard, which is both comparable and comprehensive.
- We believe IIRC should clarify the fact that the Integrated Reporting is not intended to add a burden on companies' reporting workload, but has the potential of simplifying it by introducing a new focus. However, processes and controls ensuring its reliability should be introduced, in order to maintain the informative character of corporate reporting.



- Success of the Integrated Reporting Framework will be linked to how well it is understood by investors, preparers and regulators. Once the draft is finalized, we recommend IIRC to launch a global training program to materialize the concepts included in the Framework. The IIRC should instruct on its methodology in developing the metrics and KPIs and teach implementers how to define and use them. Also, illustrating how an Integrated Report looks like by showcasing real-life examples may assist interested parties in developing a more relevant sense of what is expected to be achieved by utilizing this reporting standard.
- As discussed above, the success of Integrated Reporting is directly linked to how well it is conferred to its stakeholders. Since auditors play a crucial role in today's corporate reporting and already have a relation with companies in the preparation of their financial reports, it is of utmost importance to receive their support. Hence, IIRC should train auditors as experts on Integrated Reporting, approve them for preparing integrated reports on behalf of companies and periodically examine their competitiveness. As a result, the time required for IIRC to deploy Integrated Reporting as the global standard will be shortened, and uniformity of the reporting process will be achieved.

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