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PAGE 2: Multiple capitals

Q7: Q1(a) What is your experience with the multiple capitals approach in integrated reports?

Integrated reporting is a quite new aspect in Turkey. There are only 4 (TSKB, Çimsa, Aslan Çimento, Argüden) companies published an integrated report. Two of them operate in cement industry and one of them is a bank. Integrated reporting's multiple capital approach is a useful tool to explain which resources are important (material) for organization's operations and value creation. This approach allows organizations to focus on the resources they need for long term success and value creation. Critical resources have been identified and strategy of the organization has been built on these resources by using capitals approach.

One of the companies cited that there is still ambiguity on the definition of capitals, and what should and should not count as one specific type of capital. This leads to confusion for reporting institutions. IIRC might consider offering a guideline with more tangible examples for capitals for the ease of reporting.

Q8: Q1(b) What, if anything, should be done and by whom to improve this aspect of implementation?

In terms of multiple capital approach, we would recommend to emphasize more the risk management issues. Relation between capitals and materiality, strategy and risk management have to be emphasized by IIRC team and their local partners in their future efforts. These efforts could be training programs, documents, expert opinions, experience sharing documents and sessions. We believe that these efforts would help organizations to internalize multiple capital approach.

PAGE 3: Connectivity and integrated thinking

Q9: Q2(a) What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?

Integrated thinking approach could be the most important and difficult tool to implement. Preparing an integrated report is impossible without implementing integrated thinking processes in an institution. We therefore believe there is a very strong connection between the two concepts that defines the quality of the report.

Integrated thinking is an indispensable element of integrated reporting. Although it may sound difficult to comply with at first glance, it is for sure a fundamental aspect. Companies should reorganize the information structure between its departments, and stakeholders, to facilitate this collective information flow. And also, they need to consider the relationships between their various operating and functional units and the capitals that they use or affect.

In addition to that one company report that, with regard to identification process of integrated corporate values, financial and non-financial related departments found out that there are considerable number of cross-cutting issues containing both risks and opportunities. In addition, it has been observed that while working together with representatives of quite different departments, colleagues tend to change their conventional approach towards forward way of thinking. They have had the opportunity to clearly see how the daily routine implementations and operation steps create value for different capital issues and contribute to the big picture of Company vision.

Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Institutions should develop processes to implement integrated thinking in their decision processes. Top-down approach could be used. To enable the penetration of connected thinking to the doing business of related units, acceptance of the Board would be a crucial enabler and facilitator. Boards and top management teams need to support, disseminate and encourage integrated thinking approach in the organizations. This could be done by forming groups by the participation of multiple departments or taskforces for specific issues. Boards could use integrated report framework as their board reporting approach. This approach could help adoption of integrated thinking because board needs concise, connected and good quality information for their decision making practices.

PAGE 4: Key stakeholders’ legitimate needs and interests

Q11: Q3(a) What is your experience with the identification, in integrated reports, of key stakeholders’ legitimate needs and interests and how those needs and interests are considered and addressed?

Integrated reporting expands companies’ responsibilities to the stakeholders. For non-financial reporting as well as for main pillars of “corporate governance”, stakeholders and how the strategies collide or connect stands out as an important element. This is also related to the design of corporate strategies. Trough related departments, identification of stakeholders for each company and designation of a stakeholder management plan is important. From supply and procurement channels to civil society and business networks, a company should design a fully-fledged corporate stakeholder relationship/management structure. This also helps to draw a map of value creation.

As is the case in sustainability reports, identification of stakeholder’s needs and interests and how they are addressed depend on the institution’s willingness and capability. Institutions that are already active in this area keep doing the same practices for integrated reports as well.

In addition, one of the companies reports that during the preparation of the integrated report, they had the opportunity to observe all of their processes for each capital. Evaluating key issues and processes from their stakeholders' point of view also contributed to the determination of our long-term map and strengthened teamwork.

Q12: Q3(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Company secretaries, related corporate units and the Board itself could improve the implementation. Information flow from stakeholders to the board and vice versa should be made through open communication channels. Boards need to follow the responses to stakeholders’ expectations by the organization. Specific to the integrated reporting, stakeholder interests and needs should become a part of the decision making process for an institution.

PAGE 5: Materiality and value creation

Q13: Q4(a) What is your experience with the Framework’s definition of materiality, in particular: • Application of the value creation lens? • Use of different time periods to identify material matters?

Materiality is important for understanding the issues effecting organization’s strategy and assigning priorities for dealing with them. Materiality from the value creation lens can be a new challenge for reporters, since the concept of value creation of IR is a novel concept. It challenges reporters to think from an alternative perspective and bring the issue of materiality into the evaluation process.

One of companies submits that in the course of reviewing the value creation elements, they have seen that the real value of the Company has emerged, especially when the non-financial items have come to the forefront. With their annual financial reports, their investors can keep a preliminary view of profitability, but with integrated reporting, they have shown how their company is worthy of many different issues. Value creation lens has taken a leading role in this point. The company also added that it is needed to conduct materiality and value creation analyses in different time periods. Since the characteristic of each stakeholder may differ, tailor made tools/analyses would be lead to more effective results. And, they have had the opportunity to analyze all of the data their company has gained over the past 5 years on issues related to different capital goods during integrated reporting. The comparison of the data of different time periods was the guide for determining the plans for the future and the decision-making stage.

Q14: Q4(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Use of different time periods to identify material matters can be a learning process for institutions. Therefore, a mechanism that enables reporters to do this in the consecutive reports (i.e. constantly improving the IR standards) would be useful for implementation. IIRC could emphasize the importance of materiality through trainings, publications, expert opinions and experience sharing. All related parties of an organization should be part of this process. CEO and board need to monitor and interfere in the process if needed.

It would be beneficial to add verbal achievement and developmental notes to the materiality analysis instead of just numeric data.

PAGE 6: Conciseness

Q15: Q5(a) What is your experience with the conciseness of integrated reports?

Conciseness in reports is very important, yet it is tough to achieve. Telling the most comprehensive story about a company in a concise manner is one of the most difficult aspects of preparing integrated reports. On the other hand, zeitgeist of our time is digital and concise information. On the other hand, integrated reporting includes certain aspects that may lead companies to add detailed information. For effectiveness, concise IR is highly recommended, unless mandatory legislations foresee the other way around. But it can be a challenge, as explaining the business operations and value creation process of an IR can be difficult for reporting institutions. Especially since it is a new concept and first few reports of institutions, reporters tend to explain their processes and capitals in detail.

A company stated that the language and terminology of an integrated report need to be simple for all readers and stakeholders to understand in the same clarity. Therefore, an ideal integrated report would be easily followed and constructed in a well-organized manner in terms of content and text flow. Additionally, it should be prepared with a viewpoint that the financing and the non-financial data complement each another.

Q16: Q5(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Best practices should be announced globally to help companies to prepare concise reports. IIRC and its local partners are more than welcomed to be a guide on this. And also, the new framework can address this issue with providing more concrete guidance on how a business model is formed, what value creation model should entail, what constitutes as capitals and how they should be reported in the IR.

A company recommended that surveys would be conducted for different target groups, in order to measure the conciseness of the report. Appropriate media can be set up for the views of the parties involved in the report, and interpretations can be obtained through written channels.

PAGE 7: Business model – outputs and outcomes

Q17: Q6(a) What is your experience with the reporting of business model information, particularly outputs and outcomes?

Differentiating between outputs and outcomes can be a bit difficult for reporters. It encourages the institutions to think and analyze their business models, and the impacts of their activities.

Q18: Q6(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Inclusion of executive management with the integrated report is an indispensable part of the process. It ensures that the institution owns up the process and this in return helps improve the quality of the reports. Those, who are charged with governance, should be involved. For IR to reach its goal, governance information and how they perceive and practice this value creation, their guidance for future and strategies to achieve the goals are important messages. Otherwise, the expected outcome would blur and target audience of the Report would not perceive the main motivation behind the IR as fully accepted by the governance structure.

According to one company's statements, in their understanding, those charged with governance describes the role of persons entrusted with the supervision, control and direction of the company. In the context of that, representatives of the company's Headquarters as a principal shareholder of the company has been member of the steering committee of the integrated reporting process. Furthermore, process has been initiated and facilitated by chairman of the board. All departments from the organization scheme and affiliated company's Cement Senior Management have played an active role in the preparation of information and the formation of data. The affiliated company's Sustainability Directorate has also provided great support for the establishment and coordination of overall picture. While preparing the report, all roles and responsibilities were clearly defined.

PAGE 8: Those charged with governance / Framework identification

Q19: Q7(a) What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

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Q20: Q7(b) What, if anything, should be done and by whom to improve these aspects of implementation?

The Framework can offer some more concrete examples or requirements for this.

PAGE 9: Other Guiding Principles

Q21: Q8(a) What is your experience with the application of these remaining three Guiding Principles in integrated reports?

Guiding principles not only help IR to state a message from the company; in following periods, it facilitates to follow the progress and improve the practice. It helps to bridge the gap between past practices and future expectation. This increases transparency, supports consistency and sustainability.

A company stated that its integrated reports are prepared following the International Integrated Reporting Council (IIRC) framework and by referring to the GRI G4 Guidelines published by the Global Reporting Initiative and the World Business Council Sustainability Development Cement Sustainability Initiative (WBCSD-CSI). Issues included in the report are based on the results of the Companies' materiality analysis undertaken in the reporting period.

Q22: Q8(b) What, if anything, should be done and by whom to improve these aspects of implementation?

At certain sectors, due to sector based or cyclical economic concerns, guiding principles might be considered at minimum. To increase awareness, as we recommended before, best practices should be at companies' access, so that guidance principles are not hesitated to comply with.

Also another company states that using different type of guiding principles fits the integrated reporting approach. More precisely defined indicators type of guiding would not provide enough room for sector/company specific cross cutting evaluations.

PAGE 10: Other Content Elements

Q23: Q9(a) What is your experience with how these remaining Content Elements are reported in integrated reports?

These elements are again important to reflect the real picture. Performance criteria and outlook might be two of the elements that are most difficult to objectively put. Top management should be brave enough to state whether they could achieve their goals and how this affected their future. In general, the lack of detailed examples in the frameworks can pose a problem for first time reporters.

Q24: Q9(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Framework can offer more concrete guidance with specific examples.

PAGE 11: Other quality issues

Q25: Q10(a) Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports?

As the number of reports that are published increases, the awareness about the concept of “quality” in IR will increase. Companies will increase their ability and agility in addressing integrated thinking, which we believe would contribute the production of better reports. IR is a learning progress and it is our understanding that institutions continuously improve the quality of their reports. In this sense, it is up to the reporting institutions to embrace this improvement process as well.

Q26: Q10(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Best practice tools should be more widely accessible. Seminars, trainings and awareness efforts should continue. Having an approval process for integrated reports (such as GRI) can be useful to ensure all self-claimed integrated reports are up to a certain standard and fulfill minimum IR Framework expectations.

PAGE 12: Other enablers, incentive and barriers

Q27: Q11(a) What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to: • Specific jurisdictions? • Large or small organizations? • Private, public or non-profit sectors? • Different stages of Framework implementation?

In our country experience, reporting is more important listed company issue. One reason is the increasing number of companies which are SME sized and does not produce non-financial reporting and let alone proper annual reports. It might be more difficult to apply IR principles in smaller organizations. Preparing an IR and implementing integrated thinking process require significant human resources. This can cause an issue for small enterprises. In general, reporting institutions are used to a more conventional reporting approach and thus expect the same when they enter the integrated reporting. However, principles and components of IR differ from those of conventional reports.

And the investor community is not pushing the idea of responsible investments enough yet. There are a few pioneers in the market. The local legislation does not foresee such reporting but does not stand as a barrier. However, those encouraging integrated reporting could help companies to be familiar with IR practices in a short span of time.

There is a thin line between an incentive and a barrier, an enabler for one sector could be a barrier for another. That is why; the improving practice of IR is highly related to the evolution of integrated thinking in a certain region or an area that one would like to develop IR. The acceptance should be from all the society. As the investors look for integrated reporting, as companies are more willing to talk about their value creation for the society, as the regulators become facilitators, the integrated reports will be more widely accepted.
***One of the best development in Turkey, we have already started to work with regulatory authority to deisgn our road map.

Q28: Q11(b) What, if anything, should be done and by whom to improve these aspects of implementation?

As the pioneers in the market become more vocal to explain what they have attained from integrated reporting and the idea of integrated thinking, the idea will be widely accepted and best practices will increase. And also, a simplified version of IR Framework for SMEs can be useful.
In Turkey, We established Integrated Reporting Network. The aim of ERTA (Integrated Reporting Network Turkey) is to raise awareness on integrated reporting and integrated thinking throughout Turkey, to enhance the capacity of businesses and to ensure that good practices are shared. Towards this purpose, ERTA aims to have integrated thinking and integrated reporting adopted by all institutions and companies through cooperating with the public and private sectors, civil society and academic circles on a national and international level.
Integrated Reporting Turkey Network - ERTA founded three committees in 2016.
The Awareness Committee aims at increasing awareness on integrated thinking and integrated reporting. The Committee carries out studies to include integrated reporting in the legal framework, monitors national and international developments and provides information to the relevant stakeholders.
The Training Committee prepares trainings on integrated thinking, integrated reports and integrated reporting designed for Turkey. The Training Committee works in cooperation with the International Integrated Reporting Council (IIRC) on all training related matters, determines nominees for trainers.
The Implementation Committee, carries out studies aimed at the implementation of integrated reporting and increasing the number of good implementation examples. The Committee analyses the needs and expectations of the business world, and leads the establishment of a communication network among the companies.