Momentous Development in Integrated Reporting: Turkey Case
Who We Are?

**Establishment of ERTA**

Under the leadership of Professor Mervyn E. King, the International Integrated Reporting Council (IIRC) has been established and the spreading integrated thinking and reporting format began to be closely followed in Türkiye as is the case with the rest of the world. Corporate Governance Association of Turkey (TKYD) and SKD Türkiye (Sustainable Development Society Turkey) created a working group in 2011 and studies were initiated to raise awareness on integrated reporting in Turkey. In 2013, a project was submitted to the Coordination Board for the Improvement of the Investment Environment (YOIKK) through the Turkish Industry and Business Association (TÜSİAD) working committee by Professor Guler Aras. Upon its acceptance of this project, the first concrete step was taken about integrated reporting in Turkey. “New Era in Corporate Reporting: Integrated Reporting”, which is proposed by the project and prepared under the YOIKK 2014-2015 Action Plan, was published by TÜSİAD in 2015 was the first guide to integrated reporting in Turkish. Further, in the framework of the proposed project, the decision of the Integrated Reporting Network Türkiye -ERTA’s establishment has been given.

Aiming to raise awareness and to become widespread of integrated thinking and reporting in Türkiye, Integrated Reporting Network Türkiye - ERTA’s founding members are Prof. Guler Aras (Independent Founding Member), Borsa İstanbul, TÜSİAD, Global Compact Turkey, TKYD, SKD Türkiye, IIRC Turkey Ambassador, Arguden Governance Academy and the first implementation companies Garanti BBVA and Çimsa. Integrated Reporting Network Türkiye met with the business world and its stakeholders at the bell- ringing ceremony held at Borsa Istanbul at the beginning of 2017.

**Time for Gaining Momentum**

As a network operating with a small team, it is critical that we leverage strategic partners who can strengthen our message, advocate change, produce credible research, and manage market-driven networks that bring businesses, investors and regulators together. This inclusive partnership approach will continue to be the cornerstone of our strategy and augment the resources available for our purpose while delivering our commitment to lead the market.

**Developing with Domino Effect**

For the purpose of raising awareness for integrated thinking and integrated reporting and supporting development of integrated reporting in Turkey, ERTA continues to develop with the domino effect it has created through strategic partnerships and collaborations since the day it was founded. As ERTA, being aware of the fact that collaboration is one of the most important focuses in reaching the SDGs within the framework of the 2030 Sustainable Development Agenda, we carry out studies with widespread impact in close collaboration with the public, regulatory institutions, private sector and Non-Governmental Organizations.
As a result of these studies, integrated reporting has been ensured to be included in the 11th Development Plan and YOIKK 2020 Action Plan and followed up at the Presidency level.

Integrated Reporting Network Türkiye

- ERTA has become the International Integrated Reporting Council
- IIRC’s official partner with the protocol signed in London on September 19, 2018.

ERTA supports and gives high level overview with strong collaboration to the studies regarding the revision of integrated reporting framework and future of corporate reporting.

A step towards integrated thinking in Turkey

The Role Model for Capital Markets Institutions: Borsa Istanbul Case

Although being at its initial stages, 2017 was a fruitful year for ERTA. Committees and working groups were established within the network and pilot training programs were designed. Being one of the founding members of this network, Borsa Istanbul diligently contributed to the activities in an endeavor to adopt the integrated reporting practice and promote it in Turkey.

We were glad to witness Borsa Istanbul’s various steps in its sustainability journey such as cooperation with non-governmental organizations, encouraging traded companies and improving its own processes. In 2016, Borsa Istanbul had declared its medium and long-term plans and priority areas in its sustainability roadmap; two of the said actions were regarding the encouragement of not only the companies in Turkish capital markets but also Borsa Istanbul itself to adopt integrated reporting.

In November 2017, Borsa Istanbul’s bell rang for companies that had prepared integrated reports and experience sharing panels were conducted with the IIRC, Capital Markets Board of Turkey, ERTA and leading academics as panelists, talking to an audience of investors and listed companies. On the same day, Borsa Istanbul signed a collaboration agreement with the IIRC and ERTA to seek ways to encourage stronger dialogue between companies and investors through events and training or orientation programs, disseminating leading practices, research, and developments in integrated reporting in Turkey.

As a stock exchange operating multiple asset classes and providing post-trade services, Borsa Istanbul is subject to a complex array of interaction with external stakeholders. Before the reporting period, setting out to prepare an overall strategy with the participation of all the business units, senior management, and the board allowed Borsa Istanbul to reach a collective mind. As there is no one-size-fits-all in integrated reporting, Borsa Istanbul decided to put its strategic plan as a starting point in preparing the report. The strategy enabled them to refine future targets and identify material issues to be reported.

The integrated reporting process is not a magic box that solves the problems, rather it enables the organization to understand what is missing. The process of moving from standard corporate reporting to an integrated report may take time but in the end increased transparency and high-quality reporting will facilitate the company’s access to finance by increasing investor confidence in the company. Investors are beginning to embrace integrated reports as they emerge as a clear and concise presentation of an organization’s fundamentals, strategy and business model.
Along with the development of and the growing interest for integrated reporting in Turkey, an international conference had been initiated by the Integrated Reporting Network Turkey (ERTA) for exploring corporate reporting and investor expectations. The conference, which was organized in collaboration with and held in Borsa Istanbul (BIST), began with the bell ceremony of June 18th, 2019. Followed by the opening remarks, the bell was rung together by BIST CEO and Deputy Chairman Murat Çetinkaya; Chairman of Capital Markets Board of Turkey Ali Fuat Taşkesenlioğlu; International Integrated Reporting Council (IIRC) Chair Emeritus Professor Judge Mervyn King; Chairman, World Benchmarking Alliance and Former CEO of IIRC Paul Druckman and on behalf of ERTA, Prof. Dr. Güler Aras in the name of all the companies preparing integrated reports.

In his opening remarks, Mr. Ali Fuat Taşkesenlioğlu stated that we were living through times in which companies were expected to be responsible and transparent to their employees, shareholders, the society, and the entire ecosystem. Integrated reporting, enabling financial and non-financial information to be presented as a whole and in relation to each other, has emerged to meet this need. Through integrated reporting, it is stated that investors see the non-financial risks as well as financial risks of companies while making decisions, and understand how they manage these risks and create value in the short, medium and long term.

Finally, he emphasized that the widespread use of integrated reporting in Turkey would contribute positively to Turkish capital markets. Mr. Murat Cetinkaya expressed that together with regulatory authorities, BIST had worked towards directing at least 10 percent of the asset allocation of certain funds in the private pension system particularly to companies listed in the BIST Sustainability Index and BIST Corporate Governance Index. Additionally, he highlighted that developments in integrated reporting and the future of reporting were closely following and BIST would continue to support such efforts as a competent institution in both regulation and implementation in Turkey.

Borsa İstanbul signed a collaboration agreement with the IIRC and ERTA 13 November 2017, Borsa İstanbul

Corporate Reporting and Investor Expectations Conference and the Bell Ceremony

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Professor Judge Mervyn E. King has emphasized that humans were still learning the lessons from a financial crisis that had shaken capitalism to its core; and that we had to strengthen our model for the future collectively. Good corporate reporting has a significant role to play in helping to restore the trust that has been lost. Corporations need to communicate more clearly, openly and effectively with investors and other stakeholders. They also need to report in concise and comprehensible language for their long term strategic plans. Professor King also stated that senior executives of the companies had to increase the awareness of integrated thinking and implement integrated thinking into corporations’ value creation process. He also highlighted that the key point was that the information in an integrated report should be fundamental to the creation of value. By this way, such kind of information could allocate capital more efficiently, decreasing the short-termism and increasing long-termism in corporations. Furthermore, he stated that the board had to spend more time understanding that which was material and put it in clear, concise and understandable language in its report and had to inform stakeholders about the true state of play in a company and its outlook. Additionally, he stated that corporate reporting as we had known it for decades was not fit for purpose for the 21st century. We need robust strategies for a radical transparency and for satisfying stakeholders’ higher-than-ever expectations. In regard to future corporate reporting, framework providers should be collaborative rather than competitive. The outcome of such collaboration in each cluster of framework providers will be the ability of stakeholders to make a more informed and comparable assessment of the company as to its present state and its outlook.

Paul Druckman first highlighted some of the misconceptions about the understanding of integrated reporting. He stated that integrated reporting was not yet another kind of reporting, but rather an evolution in the way corporations think and act. Corporate reports are becoming more about a true communication about the story of a business, rather than just compliance disclosures. This story should be more accessible to all stakeholders. Additionally, he emphasized that capital market players, including investors and companies, were responsible for creating sustainable value for beneficiaries, the economy and society. Currently they are struggling to know how to do that. Last but not least, he mentioned the task force on climate-related financial disclosures. He stated that such a reporting could change the formulation of disclosure principles related with the climate risks in the corporations.

The participants from Capital Markets Board of Turkey, Central Securities Depository of Turkey, Public Oversight Accounting and Auditing Standards Authority highlighted that high-quality corporate reporting mattered to capital market participants. Integrated reports have a potential to bring the benefit of an improved information environment for reporting companies. Both of the regulatory bodies in Turkey declare that a mechanism to ensure the reliability of the information in integrated reporting and audits of integrated reports are significant.
We need that collaboration or integration today between a company’s business model, its strategy, its outputs, its outcomes, and even its impacts. Thanks to both Mervyn King and Paul Druckman’s incredible motivation, alongside with the Turkish regulatory bodies support, I have assumed an important responsibility as an independent founding member and the executive committee chairwoman of ERTA to maintain the ongoing efforts under a corporate umbrella through IIRC.”

**Integrated Reporting in Turkey: Current Situation, Stakeholders’ Perceptions and Expectations**

Along with the development of and growing interest for the integrated reporting in Turkey, researches in this field for creating necessary strategies and road maps have become crucial as well.

The other participants of the conference declared that integrated reporting practices would provide significant benefits for providing qualified information and that kind of information would increase the investment confidence in the emerging markets. Additionally, the importance of incentive mechanisms for firms with integrated reports had been highlighted. Furthermore, all participants stressed that ERTA should set up projects, hold such kind of conferences and organize training for corporations in order to increase the awareness of companies in integrated reporting.

Professor Aras stated that “Hence, I wish that conference results help the shaping of future strategies on corporate reporting and become beneficial to all stakeholders by contributing to the movement towards integrated thinking. As Professor King stated; it was collaboration 70,000 years ago that made humankind the superior and most populous creature on planet earth.

In line with this requirement, we conducted a comprehensive research titled ‘Integrated Reporting in Turkey: Current Situation, Stakeholders’ Perceptions and Expectations’, for determining the current status and potential development in Turkey regarding the integrated reporting.

In this research, we intended to refer the entire stakeholders to comprehensively put forth the perceptions and expectations with regard to the integrated reporting and corporate reporting practices. The research was carried out by Yildiz Technical University, Center for Finance Corporate Governance and Sustainability (CFGS) in cooperation with Association of Chartered Certified Accountants (ACCA), KPMG Turkey and supported by ERTA.

**A Momentous Step for Investor Confidence and Capital Markets**

As part of our endeavours to add more value to our companies and our capital markets, Integrated Reporting Network Turkiye (ERTA) and Turkish Investor Relations Society (TUYID) have established the “IR & IR Platform”.

ERTA – TUYID IR & IR Platform, representing Integrated Reporting and Investor Relations, respectively, aims to spread Integrated Reporting in Turkey to strengthen the communication between issuers and investors and to improve the reporting experience of companies.

IR & IR Platform was established with the mission of spreading “Integrated Reporting” in Turkey and encouraging the development of the reporting experience. The purpose of the collaboration is raising awareness, guiding and supporting the development of integrated thinking and reporting system that will meet the common needs and expectations of investors and issuers, which are among the key stakeholders guiding corporate reporting. Within this framework, the Platform aims to support the development of companies, investment institutions and our capital markets and, to grow investor confidence.

IR & IR Platform also targets to grow communication with issuer companies about the direction, content and developments in Integrated Reporting Framework and requirements; identify the needs of investors and issuers about Integrated Reporting and developing suggestions; communicate the meaning, importance and benefits of Integrated Reporting to grow the number of companies that embrace IR; share best practices on integrated thinking and reporting; provide guides and roadmaps for issuers.

We think that the IR&IR platform, which is the first in the World in this context, will gain an international character in the medium term with the participation of relevant institutions both nationally and internationally, thus contributing significantly to the development of both integrated reporting in developed and developing countries and the evaluation of integrated reporting by investors.
Critical regulation introduced by Capital Markets Board of Turkey

As COVID-19, which exposes the global economy to more systemic risks than any other crisis, has shown very striking how unsustainable growth can harm long-term development, regulations for the inclusion of sustainability issues in investments have taken place in the focus of governments again. It was once again understood that large-scale investments in green energy and sustainable infrastructure development should be included in recovery strategies to build a stronger and resilient economy, especially in emerging markets.

To create a road map compatible with global developments, Capital Markets Board of Turkey (CMB) has taken a concrete step in October, 2020. The ‘Sustainability Principles Compliance Framework’ published by the CMB encourages public companies to integrate and explain sustainability issues into their decision processes in the short, medium and long term. The preparation of a “single report” within the framework of the regulation that requires disclosure of this information simultaneously with the annual reports seems to be the most practical solution for companies in practice. Hence, this regulation points out that “Integrated Annual Report” will be the most appropriate reporting system to meet this requirement.

We are very pleased that the work of the Legislation Working Group, which was established within the framework of the Investment Environment Improvement Action Plan managed by BIST and which we actively take part in as ERTA, has been crowned with this regulation.
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