



Integrated Reporting: The Current Scenario in Turkey

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Integrated reporting garnered importance in Turkey with the publishing of the guidebook *New Era in Corporate Reporting: Integrated Reporting* after being submitted to the Coordination Council for the Improvement of Investment Environment (YOİKK) by the Turkish Industry and Business Association (TÜSİAD) in 2013.

Subsequently, in order to promote the 'integrated thinking' approach among Turkish organizations, the Integrated Reporting Turkey Network (ERTA) was established in 2015 by Prof. Dr Güler Aras (who is the Executive Committee Chairman), TÜSİAD, Corporate Governance Association of Turkey, Borsa İstanbul, International Integrated Reporting Council (IIRC) Turkey Ambassador, Global Compact Network Turkey, Business Council for Sustainable Development (BCSD) Turkey, Garanti Bank and Çimsa.

On November 13, 2017, Borsa İstanbul and International Integrated Reporting Council (IIRC) signed a collaboration agreement which aims to increase the adoption of integrated reporting in Turkey.

The ERTA has been highly active by conducting regular seminars to increase involvement of organizations, participating in international conferences, conducting training programs, holding 'opening bell' ceremonies, hosting seminars and collaborating with educational institutes. At a recent event, on 31 January 2019, a research paper titled *Integrated Reporting in Turkey* was unveiled by Association of Chartered Certified Accountants (ACCA) Turkey, the Center for Finance Corporate Governance and Sustainability (CFGs) and KPMG Turkey. The paper was aimed at ascertaining the interests and perceptions of companies, expectations of institutional investors and regulatory agencies, and preparedness for adoption of integrated reporting.

Consequently, it intended to be able provide a foundation for the development of future strategies on integrated reporting in the country.

The study used in the development of the paper saw participation from companies, institutional investors, regulatory and implementing agencies, consultancy firms, NGOs, and academicians. Separate questionnaires were designed for each stakeholder group with question categories such as perceptions on preparation of an integrated report, information sources, views on the <IR> Framework, institutions expected to support, challenges encountered, and benefits of adoption. The data was collected through in-person interactions with 84 senior executives from companies, 17 senior executives from institutional investors, 11 consultants, 9 NGO managers, 10 members of regulatory agencies, and 32 academicians.*

According to the paper, 100% of regulatory agencies, 100% of NGOs, 82% of academia, 24% of investors and 51% of corporates are aware about integrated reporting. The prominent sources of the concept of integrated reporting included ERTA, IIRC TÜSİAD's publication, meetings by BIST, and other academic papers. Nearly 73% of those surveyed are of the view that adoption of integrated reporting should be voluntary. Of the organizations that plan to prepare an integrated report, 91% require more information, and 72% consider the linking of non-financial information to business strategy a delicate matter. Among the organizations that have started preparations towards preparing an integrated report, 75% consider the <IR> Framework as flexible, holistic and convenient. 80% organizations that

have already prepared at least one integrated report feel that still do not have adequate information on the topic.

Some challenges persist during report preparation that were observed across sectors such as determination of material topics, scope and content, probability of occurrence of risk, measurement of opportunities, and measurement of non-financial capital. Benefits perceived by organizations include increasing productivity, lower capital costs, linking ESG performance with financial data, and a comprehensive consideration of the concept of 'Capital'. To address these, Turkish companies would require support on multiple fronts, including training on report preparation, enforcement of practices encouraging integrated reporting through regulations, professional consultancy, and the belief of the senior management. Recommendations in the paper include qualified consultancy services for capacity building, ensuring reliability of information, establishment of incentive mechanisms by BIST, informative sessions by ERTA, inclusion of relevant subjects at the undergraduate and graduate levels, and recognition of intra-organizational value creation.

As a professional services firm, KPMG can tap into its global pool of resources to contribute to the needs of companies seeking to embrace integrated reporting. To expedite the process of meeting investor expectations in Turkey, KPMG can provide integrated reporting advisory and assurance solutions to evolving as well as mature companies. Being a certified <IR> training partner, KPMG can conduct trainings on the <IR> Framework to increase awareness among Turkish corporates and individuals. We held our first approved <IR> Training Program Practitioner Level on 6-7 December 2018 in our Istanbul office. KPMG can also work with local governments, policy makers and think tanks to incentivize efficient adoption of integrated reporting. Finally, to enhance knowledge at a more fundamental level, KPMG can liaise with educational institutes in the country to facilitate the development of the next generation of integrated reporting practitioners.

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http://entegre-raporlama.com/en/images/pdf/Integrated_Reporting_in_Turkey_2018_Research.pdf



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