AN EMPRICAL STUDY FOR DETERMINING THE COMPLIANCE OF SUSTAINABILITY REPORTS PUBLISHED IN TURKEY WITH STANDARS PUBLISHED BY GLOBAL REPORTING INITIATIVE (GRI) *

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ABSTRACT

Thanks to rapid advances in communication technologies, consumers and investors have become more sensitive to environmental issues. Therefore, businesses started to pay attention to the price of products purchased, their profits as well as their environmental awareness. In the context of these developments, businesses have begun to publish their sustainability reports on behalf of their consumers and investors. In this paper, sustainability reports of companies operating in Turkey were studied and interpreted by means of content analysis. As a result, the findings of study revealed that sustainability reports are not at sufficient level in terms of independent audit and there are deficiencies in compliance with the GRI-G4 Standards.

Keywords: **S**ustainability, Sustainability Reports, GRI

JEL Classification: M40, M41, M49

TÜRKİYE'DE YAYINLANAN SÜRDÜRÜLEBİLİRLİK RAPORLARININ GLOBAL REPORTING INITIATIVE (GRI) TARAFINDAN YAYINLANAN STANDARTLARA UYUMUNUN TESPİTİNE YÖNELİK AMPRİK BİR ÇALIŞMA

ÖZ

İletişim teknolojilerinin gelişmesi ile birlikte tüketiciler ve yatırımcılar çevresel etkilere daha duyarlı hale gelmiş, aldığı ürün veya menkul kıymetin

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fiyatı ve getirisinin yanında işletmenin çevresel duyarlılığına da dikkat etmeye başlamıştır. İşletmeler bu durum karşısında tüketicilere ve yatırımcılara yönelik sürdürülebilirlik raporları yayınlamaya başlamışlardır. Çalışmamızda, Türkiye'de faaliyet gösteren şirketler tarafından yayınlanan sürdürülebilirlik raporları içerik analiz yöntemi ile analiz edilip sonuçlar yorumlanmıştır. Çalışmamızın sonucunda, sürdürülebilirlik raporlarının bağımsız denetiminin yetersiz olduğu ve ayrıca GRI-G4 standartlarına uyumda yetersizlikler olduğu tespit edilmiştir.

Anahtar Kelimeler: Sürdürülebilirlik, Sürdürülebilirlik Raporları, GRI

JEL Sınıflandırması: M40, M41, M49

1. INTRODUCTION

The process of globalization has a significant effect on economic, social, cultural and communicational fields. Thanks to communication networks which are emerged with the process of globalization, consumers and investors have become more realistic and more environmental friendly while intense competition environment among businesses led to consumers and investors become more powerful. Environmental disasters occurred within the 20th century have changed the perception of consumers and investors, so these situations adversely affected the demand for the shares of corporations. Investors and consumers pressure corporations that they are in touch to be more transparent and accountable for their activities that they have kept going on.

Business could not remain insensitive towards the pressure of investors and consumers, so they started to carry out environment-friendly, transparent and accountable practices. Sustainability reports which are submitted except from financial reports are undoubtedly one of the most important practices.

In the first section of this study, the concept of sustainability was described and literature review was included. In the second section, the concepts of sustainability reporting and Global Reporting Initiative (GRI) were discussed and the development process was briefly explained. In the third section, sustainability reports published in Turkey were analyzed in the context of Global Reporting Initiative (GRI)-G4 by means of content analysis. In the final section of this paper, findings were given and the study was completed with conclusion and recommendation for further studies.

2. LITERATURE REVIEW

There are many studies about the concept of sustainability. In these studies, conceptual frameworks and features which are necessary for the reporting to comply well with the standards are set out, and the reports prepared in different countries and at different sectors were examined. Together with the data obtained, the importance of the sustainability reporting was emphasized.

Morimoto et al. (2005) investigate the audit of the corporate social responsibility reports. The study was literature-based and evaluated in the context of interview results. In this paper, it was also emphasized that debates over the audit of the corporate social responsibility reports have been continued and thus, the necessity of a uniform standard should be applied.

Tanimoto and Suzuki (2005) discuss the compliance of corporate sustainability reports published by businesses operating in Japan with the standards of Global Reporting Initiative. Two empirical tests were applied in the study. According to the results obtained; the size of the company, its relationship with the environment, the foreign partner statue and its international sales form the most important factors when making adjustments. Particularly, the last two factors mentioned above lead the way out of the traditional system. In addition, in the second test, it was obviously seen that the Japanese companies cannot easily make adjustments like their Western counterparts due to the traditional system made up of the country's culture.

Fonseca et al. (2014) investigate the sustainability reports of the companies operating in mining sector and their requirements for ensuring their compliance with GRI-G4. The methodology of the study was developed through 41 literature-based and semi-formal meetings. One of the findings of this study indicates that alignment is a difficult choice because mining companies operate in different geographies.

Ergüden and Kaya (2014) examine the problems of SMEs associated with corporate sustainability reporting in terms of their policies on corporate governance and accounting. The survey data were obtained from a questionnaire which was addressed at 104 professional accountants. According to the results obtained, in order that the companies located in Turkey form their sustainability reports in an efficient way, they need to have an effective information and communication system as well as a compatible procedure to ensure efficiency.

Higgins et al. (2015) discuss the sustainability reports of the companies operating in Australia. The study data was gathered from reports in the period 1995-2015 and a questionnaire which was addressed at top executives. In this paper, Higgins et al. reveal that sustainability reporting has deepened in a few high impact industries and it has spread to a small number of firms in a wide range of low impact industries.

Dutta et al. (2016) argue the support of corporate sustainability strategies of management control system theoretically. In this paper, cost analysis and the determination of the environmental and traditional financial targets within the organization were examined. The study calculated the deviation of the production functions in the operational units of the institutions and showed that the relatively larger deviations effected related institutions.

Seele (2016) reveal the relationship between transparency and compliance of integrated sustainability reporting in XBRL format. In this study of recommending the bonding of integrated reporting with sustainability report, digital transparency's simultaneous occurrence at the result of the new report is expected.

Witjes et al. (2016) investigate the problems that SMEs face when preparing corporate sustainability reports. The study data was collected from 18 companies which were classified as SME. Although the importance of the concept of corporate sustainability was recognized by companies, it cannot be fully implemented at the small and medium sized enterprises. This paper emphasizes that the most important step to be taken in order to ensure compatibility, is to restructure the vision of the company within the framework of sustainability.

Ozturk (2016) analyzed airline companies' corporate social responsibility and sustainability reports and theoretically interpreted related sections in accordance with environmental reporting by means of content analysis.

Within the framework of all these papers mentioned above, it is pointed out that concept of sustainability is described and its properties are listed in the studies made. Companies do not know much about the concept. Therefore, studies lead the way by mentioning about the issues to be taken care of while companies are reporting. Different from these studies, in this study, the sustainability reports of 32 companies were observed, their compliance with the standards were examined and the effect of independent auditing on the concept of sustainability was interpreted.

3. SUSTAINABILITY

Sustainability is one of the most popular concepts in the 21st century. According to Dyllick and Hockerts (2002), sustainability is a promise towards a more equitable and wealthy world in which neutral environment and cultural achievements are preserved for future generations. However, there is no broad consensus on whether sustainability and sustainable development are still possible.

Sustainable development is currently one of the most dominant social and political debates around the world. Therefore, this concept has a global character, so it grounds the development debate in a global framework and aims environmental governance with a global cooperation and social responsibilities along with economical solutions (Caymaz et al. 2014). The term “sustainable development” was firstly used by the World Commission on Environment and Development (WCED) in 1987. The WCED defined development as the meeting of the needs of the present without compromising the ability of future generations to meet their own needs” versus sustainability aims to secure intergenerational equity. Therefore, the principles of sustainability are accepted as unquestionable. Most people desire to live as well as their parents and they want their children to enjoy similar opportunities. The same logic is valid in businesses, so managers want that their businesses continue to operate in the future as in the past and profits should continuously grow. Therefore, business sustainability could be defined as the ability of firms to respond to their short-term financial needs without compromising their ability to meet their needs in the future. Thus, time is central to the notion of sustainability. The WCED coined sustainability from a system’s perspective. In conditions of limited resources, industry must develop, use, and dispose of natural resources to protect the regenerative health of the planet and equitably distribute the wealth generated in order to meet the needs of future generations. In order to keep social and ecological systems in balance at the macro-level towards economic sustainability, resources must be distributed at micro-levels across time (Bansal and DesJardine 2014).

The following figure (Figure 1) points out the concept of sustainability in accordance with the triple bottom line and three key elements were considered (Fauzi et al. 2010).

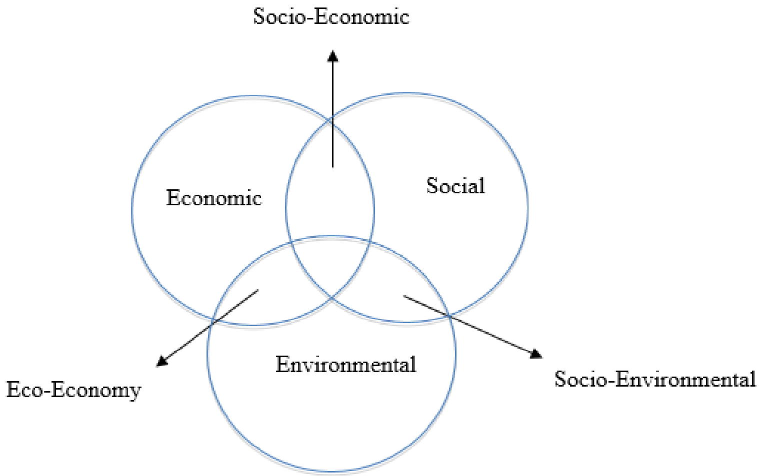


Figure 1: Triple Bottom Line as Corporate Sustainability

Conventional economists argue that the supply of natural resources was unlimited, placed undue focus on the capacity of the market for efficient distribution of resources. Furthermore, they also claimed that economic growth would bring the technological capacity to refill natural resources destroyed during the production process. On the other hand, today's perception is that natural resources are not infinite. The world-wide expansion of the economic systems has restrained the natural resource base. An economic system which is developed in the context of the theory of "economic sustainability" is controlled by requirements of "environmental sustainability". It limits usage of resources to ensure the "sustainability" of natural capital. This situation does not seek to achieve "economic sustainability" at the cost of "environmental sustainability". According to the relevant literature, sustainable development has become a cliché to call for supplanting the prevailing doctrine of economic growth with a new doctrine of economic development for following a form of qualitative growth rather than quantitative growth (Basiago 1999).

Sustainability confronts managers with situations in which they need to simultaneously address multiple desirable but contradictory economic, environmental, and social outcomes at firm and societal levels that operate in different time frames and follow different logics. At the same time, firms and managers found themselves in high criticism for their lack of reluctance to adopt radical responses in terms of their concerns about sustainability (Hahn et al 2015).

Similarly, in banking sector, sustainable development has a broad number of long-term benefits that both environment and society will have. Some of the advantages and opportunities are listed as below that can lead to sustainable bank management (Raluca 2013).

- **Reduces risk** – by engaging in dialogue with stakeholders and understanding their fears. Therefore, it enables firms to be permanently interlinked with social environment and can more wisely predict the reactions that their actions will produce.
- **Investors** – investigating for diversification of portfolios and investing in leading companies in sustainability, hence giving rise to sustainable firms are tempting because they provide quality management.
- **Increasing bank popularity in the community** – by developing sustainable projects financed and through clear internal processes and employee benefit.
- **Competitive advantage -** by creating new business niches that are connected with sustainable development, rendering new services, offering new products to market groups that are ignored by majority of business community
- **Reduction of costs** – by managing human resources effectively and by healthy organization culture.

The required conditions to become an entity whose aim is sustainable development can be sorted as follows (Keijzers 2002):

- Preventing depletion of ozone layer and conditions of global climate
- Protecting eco-systems and biological diversity
- Supporting production of renewable resources
- Developing alternative resources to balance extinction of sustainable resources

- Ensuring oscillations made through air, water and soil to stay below levels determined by legislations

- Contributing in preservation of areas which have high degree of importance

3.1. World Sustainable Development Timeline

Sustainable development can certainly not be provided alone by one nation. Governments, businesses, non-profit organizations and non-governmental organizations should regard this paradigm as imperative to make progress on the three pillars of sustainable development that focus on social, economic, and environmental aspects. This timeline is provided to represent milestones of sustainable development (Asia Development Bank 2012):

1987 - The World Commission on Environment and Development publishes "Our Common Future" that is known as the Brundtland Report. Thanks to this report, it was weaved together with social, economic, cultural, and environmental issues and global solutions; through popularizing the term “sustainable development”.

1990 - The International Institute for Sustainable Development was established; it started publishing the "Earth Negotiations Bulletin" in order to keep track international negotiations on environment and development.

1993 - The United Nations Commission on Sustainable Development is established to guarantee follow-up to the United Nations Conference on Environment and Development. It is formed to advance international cooperation, and rationalize intergovernmental decision-making capacity.

1996 – ISO 14001 officially began to adopt as voluntary international standard for corporate environmental management systems.

The Asia-Pacific Economic Cooperation Ministerial Meeting on Sustainable Development is held in Manila. The Manila Declaration and an Action Program brought out concepts about key areas for cooperation on sustainable cities, cleaner production and technologies, and the sustainability of the marine environment.

1999 - The global sustainability index was introduced and leading corporate sustainability practices worldwide were launched that these practices are called as Dow Jones Sustainability Group Indexes. This instrument allows guidance to investors looking for profitable companies that follow sustainable development principles.

2002 - The World Summit on Sustainable Development was held in Johannesburg, signifying tenth anniversary of the United Nations Conference on Environment and Development. The meeting promotes “partnerships” as a non-negotiable option in terms of sustainability. The Global Reporting Initiative determines guidelines about reporting on the economic, environmental, and social dimensions of their business activities.

2003 - United Nations Decade of Education for Sustainable Development was approved by The United Nations General Assembly

2005 - The Kyoto Protocol was promulgated. This legislation binds developed country parties to goals related to reduction of greenhouse gas emission and Clean Development Mechanism for developing countries was established.

2012 - The United Nations Conference on Sustainable Development was held in Rio de Janeiro, and it was a sign of 20th anniversary of 1992 United Nations Conference on Environment and Development in Rio de Janeiro and 10th anniversary of 2002 World Summit on Sustainable Development in Johannesburg by emphasizing mainly two concepts: First one is a green economy in the framework of sustainable development and poverty eradication, and the second is institutional conceptualization for sustainable development.

3.2. Development Process of Sustainability Reports in Turkey

After 1992, Turkey has become a part of the international conventions and conducted necessary legal and institutional preparations to come into force on national legislation system. In this regard, Turkey has pointed out international decisions and principles into national policy documents. Turkey with its established institutional system, alleges sustainable advancements issue while becoming member of the Organization for Economic Cooperation and

Development (OECD) and also contributed to global progression on its Sustainable Development Report.

Turkey's goal related to sustainable development was supported by the Grand National Assembly of Turkey (TBMM) as well. Therefore, a specialized commission namely Environment Commission was formed in early 1992 to overcome environmental legislation permanently and continuously within TBMM. In addition to this, in 2008 an ad-hoc working commission was formed to deepen the understanding of environmental troubles to activate sustainable environmental policies and define precaution necessities to be kept in Turkey's Sustainable Development Report.

In recent years, some attempts were done in terms of stock exchanges. For instance, calculation of sustainability index, in order to enhance transparency, raise awareness on sustainability, and making regulations requiring enterprises whose stocks are traded in those stock exchanges to announce to the public their practices concerning sustainability consist of some these attempts. While enterprises are encouraged to improve their skills on the management of risks and opportunities concerning sustainability, Borsa Istanbul (BIST) targets to increase developments about sustainability through BIST Sustainability Index Project which was charged together with Turkish Business World and Sustainable Development Association in 2010 (Özçelik et al 2015).

3.3. Importance of Sustainability Reports

Corporate sustainability has a meaning of achieving an organization's vision and mission. It can be introduced as the application of knowledge, skills, tools, and techniques to the organization's activities, products, and services in order to accomplish the following subjects (Pojasek 2007):

• Supplying background within which the organization addresses its activities, products, and services.

• Categorizing crucial objectives and targets (stemming from the organization's vision and mission) that must be attained.

• Removing impediments or interruptions that could prevent the accomplishment of organizational objectives and targets.

• Allowing the organization to recognize the possible effects of controls and other mitigation strategies for overcoming impediments or interruptions.

• Consenting to the organization to understand how it can pursue to achieve its critical objectives and targets should interruptions take place.

• Producing criteria and/or triggers for implementing crisis and emergency reactions, continuity response, and recovery response dealings.

• Guaranteeing that personnel and management understand their roles and duties both during normal operations and when a major disruption may occur.

• Ensuring that there is an obvious comprehension during the organization of what accountabilities and responsibilities are in place when there is an emergency or a major stakeholder matter, and make certain that this understanding remains current.

• Building up a consensus and commitment to the requirements, implementation, and deployment of business sustainability and continuity. So that it could be integrated as part of the routine way the organization conducts its business.

An immediacy sustainable logic is formed by predominance of economic assumptions and goals in corporate sustainability accounting and management presumptions. As a result, economic objectives may become the eventual goal of corporate sustainability, neglecting the fact that economic, ecological, and social considerations are of equivalent significance for sustainable development (Schneider 2015).

There is no doubt that sustainability and specifically integrated reporting can serve favors for external stakeholders such as investors and customers, but it can also be extremely beneficial to internal users by enhancing the company's ability to effectively and efficiently achieve long-run achievements. Pertinent, trustworthy, comparable, and thus useful sustainability and integrated reporting require commitment by an organization's key personnel and by those responsible for the reporting process. While companies have propensity to rely on accounting professionals to support their sustainability reporting function, IR entails even stronger assistance from accounting professionals. Professionals of accounting discipline have more tendency to be supportive if they understand long-term benefits of high-quality and comparable sustainability and integrated reporting and believe that reporting sustainability information is important. Besides these information, consensus is necessary regarding the scope, type, and comprehensiveness of the information that will be useful to stakeholders to enable them for evaluating a company's comprehensive influence on the environment and on people and not just profit (James 2015).

While by no means is done fully, the brief review of this stream of corporate sustainability reporting research is meant to underline findings that build the business case for corporate sustainability activities and reporting. On the other hand, this stream of research works on the presumptions that the net benefits arising from corporate sustainability activities and its reporting should be measured and evaluated first and foremost in reference to those reimbursement and costs that accrue to corporate management and shareholders. In the context of these researches, it can be learnt more about how market players interpret the financial value of corporate sustainability activities (Nickell and Robin 2014).

Sustainability Reports are quite like an annual report, but also have differences in many aspects. These reports are made up of a number of components (e.g. stakeholder consultation, standards and frameworks); however, degree of universal compliance among these reports is not the same as degree of universal compliance among annual reports. There is also no corresponding meeting that follows a Sustainability Report. Feed- back is sometimes solicited, but there is no agreed or standardized approach to enable it. Different from annual reports which are legally required a feedback is not mandated for a sustainability report. A sustainability report has a more one-way framework than an annual report. Similar to an annual report it may be inferred that firms seek to communicate a similar sense of rigor and objectivity to the information they provide. Nevertheless, given the "annual report" form has become institutionalized as what a sustainability report may form in shape (Higgins and Coffey 2016).

Corporate reporting, applying internationally agreed accounting standards, is an attempt to harmonize measurement and provide some consistency for the reporting of company performance. The lack of specific International Financial Reporting Standards (IFRS) for environmental sustainability, with regard to credible valuation, or instead, sustainability being embedded into all standards, indicate a regulatory failure of an order of magnitude. This can be categorized as a representation of a deficiency in our economic, theoretical or conceptual framework (Russel 2014).

In addition, materiality concept brought in sense which has traditionally been associated with financial reporting, but a growing number of large companies are looking to grip the determination of material issues as an integral part of their approach to sustainability reporting. On that matter, while there is only a limited compromise regarding on what constitutes materiality and a variety of approaches have been adopted to determine material issues, a range of benefits are claimed for those companies that wholeheartedly embrace the concept as an integral part of their corporate sustainability reporting process. Large retailers have an important role in the supply chain in that they are in a position to generate more sustainable samples of production and consumption (Jones et al. 2016).

For enhancement of transparency of sustainability reports, the current assurance process must first be trans- parent in itself. Full versions of the assurance statements with detailed information about the work is conducted, scope, results obtained, and recommendations must be available, explicit and comprehensible to stakeholders. Any absence in high level of transparency, the assurance process for sustainability reports can be considered just a bureaucratic and non-important activity. In addition, readers of sustainability reports may not be conscious of the diverse viewpoints and methodologies of the assurance suppliers. Realizing these distinctions has a vital role to get the meaning of exactly how much information in the sustainability report is being verified by an independent third party (Junior et al. 2014).

Sustainability reports that provide transparency have become a common implementation (White, 2005). In addition, there are many companies preparing social responsibility reports or sustainability reports in the global context. The reasons of why companies prepare such reports can be ordered as follows (White 2005):

- Increasing opportunities of tracing that works towards predetermined targets,
- Facilitating application of environmental strategies,
- Supplying augmentation of consciousness about environmental issues in company

- Making available of expressing business message within or outside the company
- Increasing creditworthiness due to transparency
- Providing cost savings and efficiency enhancements
- Integration of risk administration
- Assisting in developing innovative products
- Advancements in employee motivation, reputation of business, brand loyalty and opportunities to business incubation

3.4. Global Reporting Initiative (GRI)

GRI that has the guidance role for preparations of sustainability reports and their presentation was founded in Boston in 1997. This organization has roots lie in the US non-profit organizations the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute (https://www.globalreporting.org). GRI which is an international independent organization helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability matters. For instance, climate change, human rights, and corruption are some of matters that GRI deals with. They have acted as a pioneer for sustainability reporting since the late 1990s. GRI's Sustainability Reporting Standards are key to this achievement. Thanks to thousands of reporters in over 90 countries, GRI provides the world's most broadly acknowledged standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to come up with more applicable decisions based on information that matters. A significant fact shows that 92% of the world's largest 250 corporations are reporting on GRI's sustainability performance (https://www.globalreporting.org).

Released by companies and organizations of all types, sizes and sectors, sustainability reports are provided from every corner of the world. Across all sectors, there are thousands of companies that have published reports in compliance with GRI's Sustainability Reporting Guidelines. At this point, it's worthwhile to mention that public authorities and non-profits are also big reporters. GRI's Sustainability Disclosure Database has features depending on all known GRI-based reports. Majority of providers of sustainability reporting guidance include (https://www.globalreporting.org):

GRI (GRI's Sustainability Reporting Standards).

The Organization for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises).

The United Nations Global Compact (the Communication on Progress).

The International Organization for Standardization (ISO 26.000, International Standard for social responsibility).

4. METHODOLOGY OF THE STUDY

In this section, the results were reviewed by including the purpose and extent of study, and analysis results.

4.1. Purpose of the Study

Study aims to reveal companies' compliance with Global Reporting Initiative (GRI) in the context of their sustainability reports which are published in Turkey to disclose public opinion.

4.2. Limitations of The Study

Data of this paper, was limited to forty-one sustainability reports which have received GRI-G4 approval and that they were published by thirty-two corporations for the years 2013 to 2015 (http://database.globalreporting.org). Some companies' sustainability reports are not available between the years 2013-2015, so it consists the limitation of the study. The companies whose sustainability reports examined in the scope of study were given in the appendix.

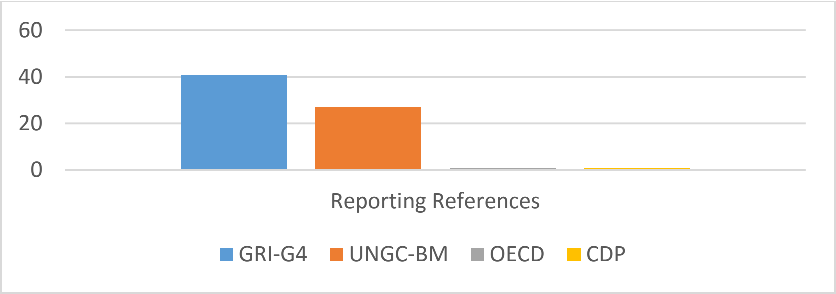
4.3. Method of The Study

The study was analyzed by content analysis which is of the research methods preferred in corporate sustainability reporting and the results were evaluated.

4.4. Findings of The Study

In this section, findings of the study were given and argued based on the literature.

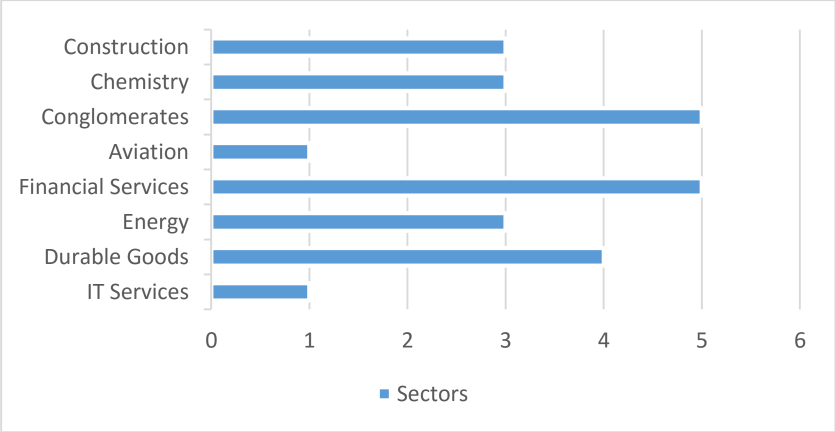
4.4.1. Corporations That Companies Take as Reference When Preparing Sustainability Reports



Graphic 1: Reference Institutions Taken in Reporting

The institutions taken as reference while companies were preparing their sustainability reports are given in Graphic 1.When sustainability reports were analyzed, it was determined that all of forty-one sustainability reports were approved by GRI-G4, twenty-seven reports were referred by UNGC-UN Global Compact, one of them was approved by General Principles of OECD Guidelines for Multinational Enterprises and UNGC-UN Global Compact and one report was referred by CDP-Carbon Transparency Project and UNGC-UN Global Compact. When Graphic 1 is examined, all reports are in compliance with GRI-G4, and the majority of them are UNGC-BM Global Principles contract referenced.

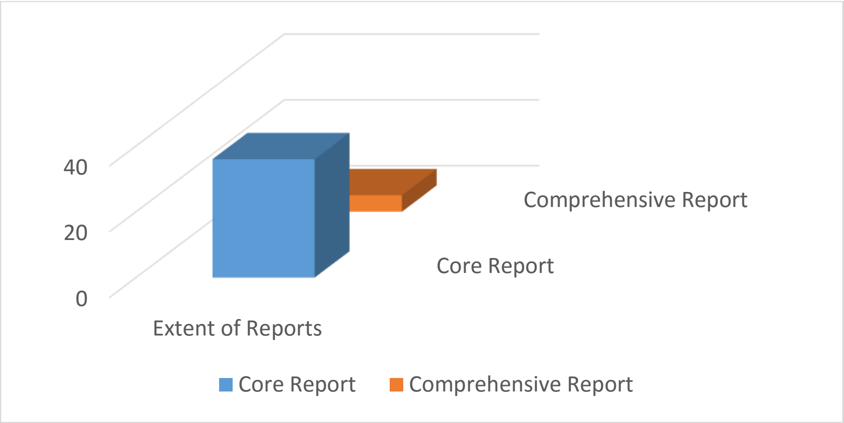
4.4.2. Sectoral Distribution of the Companies Which Prepare the Sustainability Reports



Graphic 2: Sectoral Distribution of Reports

In graphic 2, sectors whose sustainability reports are published are given. When graphic 2 is examined, financial services and conglomerates are detected as sectors which perform reporting the most; versus, energy, chemistry and construction sectors ranked second as the sectors that perform reporting the most after financial services and conglomerates.

4.4.3. Content of Sustainability Reports



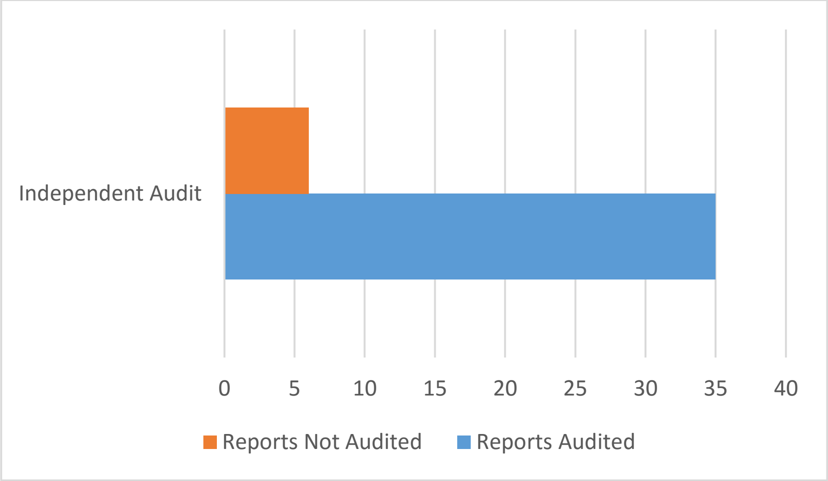
Graphic 3: Content of Reporting

In GRI-G4 guide, main and comprehensive contents are explained like following: *(https://www.globalreporting.org/standards/g4/Pages/default.aspx):"The Core option contains the essential elements of a sustainability report. The Core option provides the background against which an organization communicates the impacts of its economic, environmental and social and governance performance. The Comprehensive option builds on the Core option by requiring additional Standard Disclosures of the organization's strategy and analysis, governance, and ethics and integrity. In addition, the organization is required to communicate its performance more extensively by reporting all Indicators related to identified material Aspects".*

When Graphic 3 is examined, organizations aim to prepare their sustainability reports by referring Global Reporting Initiative (GRI), they should prepare in two options including core and comprehensive.

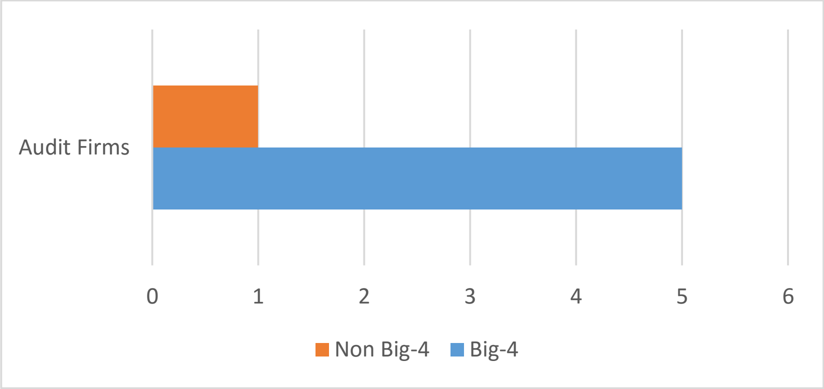
Thirty-six of forty-one sustainability reports approved by GRI-G4 were prepared in core option while five of them were created in a comprehensive option.

4.4.4. Sustainability Reports' Approval by Independent Audit



Graphic 4: Condition of Reports (In Terms of Independent Audit)

When Graphic 4 is examined, according to Global Reporting Initiative (GRI), it was recommended that the report should be controlled by an independent audit, but this external control was not finalized through any policy. The sustainability reports which were approved by independent audit should include "Approved by Independent Audit" statement. It was determined that six of these reports were approved by independent audit while thirty-five of them were received approval by any external audit. It was also clarified that these six sustainability reports were published by international companies.



Graphic 5: Firms Performing Audit

When Graphic 5 is analyzed, it is found out that, among the companies which audit the sustainability reports, 90 percent of them are involved in Big Four. In addition, when the companies which had their sustainability reports audited independently are examined, all of them are found to be international companies.

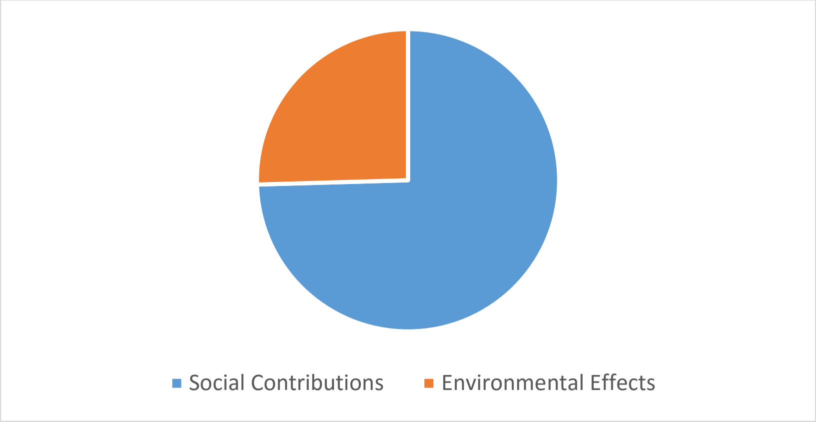
4.4.5. Compliance with the Principles of the Global Reporting Initiative

Compliance with the principles of the GRI is a significant element in ensuring the transparency in the preparation of sustainability reports. All of the organizations that prepare sustainability reports should regard these principles. The principles of Global Reporting Initiative are divided into groups, and they are Principle for Defining Report Content and Principle for Defining Report Quality.

4.4.5.1. Stakeholder Inclusiveness (Principle for Defining Report Content)

According to Global Reporting Initiative (GRI), the reports should be prepared to introduce stakeholders of the organization and to explain what is done towards their reasonable expectations. When forty-one sustainability reports were examined, stakeholders of organization were introduced, but only six reports provided detailed information in terms of stakeholders' expectations. This result is found out to be similar with the studies made by Karataş Çetin (2015).

4.4.5.2. Sustainability Context (Principle for Defining Report Content)



Graphic 6: Sustainability Context

According to Global Reporting Initiative (GRI), the report should present the organization's performance in the wider context of sustainability. The report should clearly explain the improvement or deterioration of economic, environmental and social conditions. All of forty-one sustainability reports were included by economic and social contribution while only fourteen of them mentioned environmental impact except environmental degradation. The implementation of this principle is extremely important because especially energy, textile, chemical and durable goods may have significant impact in terms of environmental degradation.

4.4.5.3. Prioritization (Principle for Defining Report Content)

According to Global Reporting Initiative (GRI), topics that may be considerably important for influencing the decisions of stakeholders should be prioritized. Any findings related to the principle of prioritization were not found when forty-one sustainability reports were examined. The reason for companies' not containing such finding in their sustainability reports is that there is no relevant fact that importantly affects decisions of investors.

4.4.5.4. Completeness (Principle for Defining Report Content)

According to Global Reporting Initiative (GRI), all information in the reports should be complete and prepared on a timely basis in the reports.

6 of the 41 sustainability reports are found out to be presented biyearly, whereas the remaining 35 are being published every year.

4.4.5.5. Balance (Principle for Defining Report Quality)

According to Global Reporting Initiative (GRI), the report should reflect positive and negative aspects of the organization’s performance. It was determined that sustainability reports examined usually present positive advantages and emphasize social practices. There was no sufficient evidence related to the superiorities and negative aspects of the organization. Reports have a significant role for stakeholders' decision-making, so reports with negative aspects of the organizations are considered to be more objective than other reports.

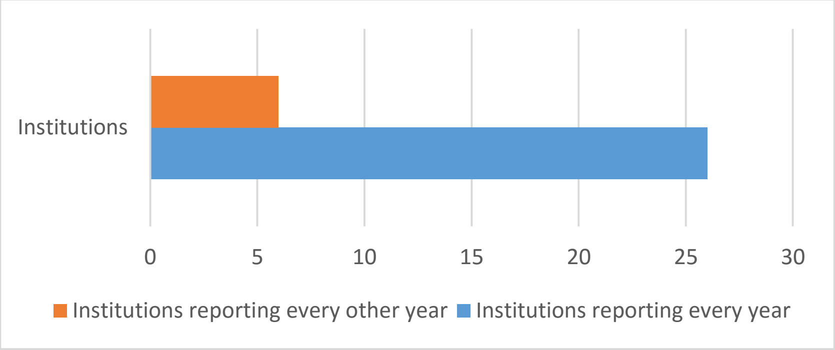
4.4.5.6. Comparability (Principle for Defining Report Quality)

According to Global Reporting Initiative (GRI), the report should present historical and current status of organization, thus all stakeholders can analyze the changes occurred. It was found that the principle of comparability was provided by referring to reports through forty-one sustainability reports.

4.4.5.7. Accuracy (Principle for Defining Report Quality)

According to Global Reporting Initiative (GRI), the report should be sufficiently accurate and detailed to assess the organization’s performance. The reports are accepted as accurate and objective when forty-one sustainability reports were detailed. In accordance with the declaration of the company which prepared the accuracy report, this principle is accepted to be applied in sustainability reports.

4.4.5.8. Timeliness (Principle for Defining Report Quality)



Graphic 7: Time Consistency

According to Global Reporting Initiative (GRI), reporting should be made at time intervals because of ensuring transparency of the organization. Only twenty-six of total thirty-two organizations examined in the scope of the study regularly publish sustainability reports every year while other six companies biennially publish their sustainability reports. When Graphic 7 is examined, only 26 of the 32 companies which are observed in the scope of this study, are determined to be publishing a sustainability report annually, whereas the remaining 6 of them publish the same report biyearly.

4.4.5.9. Clarity (Principle for Defining Report Quality)

According to Global Reporting Initiative (GRI), the reports should be available so that stakeholders can have access and understand.

4.4.5.10. Reliability (Principle for Defining Report Quality)

According to Global Reporting Initiative (GRI), stakeholders should have confidence that a report can be checked to establish the veracity and source of its contents. Independent audit and comparability are two important elements in terms of reliability and transparency. Only six of forty-one sustainability reports examined in the scope of the study were approved by independent audit. Because they had also not enough comparable information, the reports were considered as inadequate in terms of implementation of this principle.

5. CONCLUSION AND RECOMMENDATION

The process of globalization has a significant effect on economic, social, cultural and communicational fields. Thanks to communication networks as a consequence of the process of globalization, consumers and investors have become more realistic and more environmentally friendly while intense competition environment among businesses led to consumers and investors become more powerful. The environment disasters occurred within the 20th century have changed the perception of consumers and investors. Therefore, these situations adversely affected the demand for shares of corporations.

When the institutions which are taken as references by companies while preparing their sustainability reports are examined, all of the 41 sustainability reports are seem to be approved by GRI-G4. Except this GRI-G4 reference, the institutions that are needed to be taken as references due to their sectoral functions, are also taken as references but considered as insufficient.

It was determined that six of the sustainability reports examined in the scope of the study were accepted by independent audit, but the remaining 35 reports were not confirmed. It was also clarified that six of these reports were published by international companies. Considering that independent audit is extremely important for the credibility of published sustainability reports, measures for promoting independent audit should be considered.

Among the examined companies in the scope of this survey, only 26 of the 32 companies are found out to be publishing a sustainability report annually. Therefore, 80 percent could be regarded as a remarkable development for our country in terms of companies’ annual publication of their reports although the compliance with GRI-G4’s principle of timeliness is not at the desired level.

This study is expected to bring a different perspective to master’s and doctoral studies on sustainability reports, especially in the field of how the independent auditing of those sustainability reports are being conducted, what the encouraging applications will be and also make a contribution to the reason why the companies which make the auditing of the sustainability reports prefer to work with big four auditing companies.

If further studies reveal the comparison between transparency reports published in Turkey and sustainability reports published in other countries and associated findings are given, it is expected that a significant contribution is provided for the literature and practice.

If a model, which reveals the situation of the companies that maintain the standards issued by Global Reporting Initiative (GRI) and publish their sustainability reports according to this standard, is established to analyze the impact of foresaid situations on company's return stock and market, it is expected to provide an important contribution to the literature.

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Collateral: Institutions

1. Akbank
2. Akçansa
3. Akkök
4. Aksa Akrilik
5. Anadolu Efes
6. Arçelik
7. Borusan
8. Brisa
9. Bursagaz
10. Coca Cola İçecek
11. Çimsa
12. EY Türkiye
13. Ford Otosan
14. Garanti Bankası
15. İnterkap
16. Icdas
17. ISS Türkiye
18. Koç Holding
19. Kordsa Global
20. OMSAN Lojistik
21. OTOKAR
22. ROCHE Türkiye
23. Şişecam
24. Tofaş

25. Trakya Cam Sanayii
26. TSKB
27. TÜPRAŞ Kurumsal
28. THY
29. Türkiye İMSAD
30. Vodafone Türkiye
31. Yapı Kredi
32. Yüksel Holding