HOW ETHICAL CODES FORM AMONG BIST SUSTAINABILITY INDEXED FIRMS*

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ABSTRACT

Nowadays, business ethics have gained significant attentionin the related literature, even for managers and academics. Business ethics can be defined as a corporate way of acting or operating under a framework of what is right for the stakeholder in which lacks of ethical standards among industries generate avitiating effect on the economic and behavioural balance of society.In the related literature, a business'sethics as well as its code of conduct is primarily associated with corporate governance principlesand sustainable development issues. However, the type, format and context of a code of conduct have not been adequatelyanalysedamong firms where there are some legal regulations or obligations that exist within stock exchange markets or where corporate governance reports must be disclosed. In this scope, the aim of this study was to investigate the components and the context of the ethical codesof 15Turkish firms that are indexed on the Borsa Istanbul (BIST) Sustainability Index.The findings show that Turkish firms are aware of ethical behaviours and are concerned aboutthis issue. The scope of the ethical codes of the Turkish firms is primarily focused on protecting the firm and its assets but not society. Most code issues that are discussed consist of conflicts of interest followed by acceptance bribery, relationships with competitors and employee health and safety. Other detailed findings are also provided in the results section.

Keywords: Business Ethics, Ethic Codes, Corporate Governance, Sustainable Development

JEL Codes: G3, M48, M14, F3

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BIST SÜRDÜRÜLEBİLİRLİK ENDEKSİNDE YER ALAN FİRMALARIN ETİK KODLARINA NASIL YAPILANDIĞINA İLİŞKİN BİR ARAŞTIRMA

ÖZ

İş etiği ve etik kodlar son günlerde gerek yöneticiler gerekse akademisyenler tarafından ilgi duyulan bir konu başlığı haline gelmiştir. İş etiği kavramı, iş dünyasında etiğe uygun davranış biçimin geliştirilmemesi durumunda yaşanacak toplumsal ve ekonomik dengesizlikler ve sorunlara vurgu yapılarak, işletmelerin aldıkları kararlarada, yürüttükleri faaliyetlerde paydaş faydasını ya da refahını dikkate alan çalışma biçimini belirleyen davranış kalıpları ya da standartları olarak tanımlanabilmektedir. İş etiği yazını incelendiğinde kavramın ya da şirketlerin etik kodlarının kurumsal yönetim ilkeleri ve sürdürülebilirlik kavramları ile ilişkilendirilerek tanımlandığı görülmektedir. Bu kapsamda özellikle sermaye piyasaları düzenleme kurulları tarafından kurumsal yönetim uyum raporlarında, işletmelerden zorunluya da ihtiyari yükümlülük olarak etik kodların oluşturulması istenmekle birlikte, ilgili yazında şirketlerin oluşturdukları etik kodların biçimi ve içeriği hakkında yeterli sayıda çalışma bulunmamaktadır. Yazındaki bu kısıttan hareketle, bu çalışmada Borsa İstanbul (BIST) Sürdürülebilirlik Endeksinde yer alan 15 firmanın etik kodları içerik ve kapsam açısından incelenmiştir. Araştırma bulguları, Türk firmalarının etik ve etik davranış konularında farkındalıklarının olduğunu, ancak ilgili etik kodların toplumsal fayda yerine şirket varlıklarının ve itibarının korunması odağında yapılandığını göstermektedir. İncelenen etik kodlarda ağırlıklı olarak çıkar çatışması, rüşvet ve diğer ödemelerin kabulü, rakiplerle ilişkiler ve çalışan güvenliği ve sağlığ gibi konu başlıklarının ön plana çıktığı tespit edilmiştir. Çalışma kapsamında eldeedilen diğer bulgular, araştırmanın sonuç bölümünde detaylı olarak tartışılmaktadır.

Anahtar Sözcükler: İş Etiği, Etik Kodlar, Kurumsal Yönetim, Sürdürülebilirlik.

JEL Kodları: G3, M48, M14, F3

1. INTRODUCTION

Power and influence of a business in society is greater than ever before (Crone and Matten 2010, p. 9). Businessesare significant contributors to our society. Companies are the primary actor in economic growth in terms of production, providing employment, and paying taxes for economic growth. Conversely, with respect to economic crises and golobalization issues, there is a lot of criticismof companies, especially with respect to Multinational Companies (MNC) practices or actions that protect their own assets and welfarewhile achieving sustainable growth or profit.Criticsandothers have assumed that MNCs play a crucial role in globalization and social unfairness. In this scope, various violent protests have been stagedat the World Economic Forum, The WTO, the IMF, and G8 meetings, and MNCs are accused of exploiting workers in undeveloped countries, destroying the environment and abusing their economic power.

In addition to activist groups criticizing companies, such asEnron and Arthur Anderson in the USA,the Parmalat and Adecco crisis in Europe are just the latest actors in the business drama that hasforced companies to examine their financial transparency, their way of doing business and the ethical standards of their employees and managers.

In this scope, individuals and businesses are seeking more legitimate operations andwidespread agreements on the need for standardswith respect to social and ecological environments. In this sense,ethic codes or codes of conducts create a framework for companies to demonstrate the degree of consideration of social issues.Ethics codes are also assumed to represent a company's commitment to society with respect to social justice.

Since 1960 in the USA and 1980 in Europe, there have been many companiesthat have established codes of conduct to demonstrate their awareness and responsibility to society based on ethical behaviour. Also, in some circumstances, as a condition of doing business, corporations are required to have a code of ethics. In 2002, the Sarbanes-Oxley Act further bolstered the importance of codes of conduct by requiring public companies to have a code of conduct for top executives (and, if they didnot have one, to explain why).

Then, in 2003, both the New York Stock Exchange and the Nasdaq required listed companies to adopt and disclose a "code of business conduct and ethics" that appliedto all employees and directors(Verschoor2002, p. 24). Additionally, other stock markets,such as the Australian and Tokyo stockexchange, recommended that listed companies publish ethical codes.

Currently, in Turkey, a code of conduct is a very new topic for Turkish companies. In 1992, the Turkish Industry and Business Association (TUSIAD) published a report on the "code of conduct," and this paper primarily covered subjects such as "what is business ethics?" and "why it is important for the business world?" and gave a brief guide for developing ethical codes. In 1995, The Turkish Industry and Business Associationexpects its members and institutions to act in accordance with these ethical principles and rules withthe individuals and institutions they are conducting business with: society, their customers, suppliers, partners and employees (http://

www.tusiad.org.tr/tusiad/ethics/business-ethics/). Also, the Capital Market Board of Turkey (SPK) has established some communiquésthat are not directly linkedto a code of conduct but indirectly mention the significance of a code of ethics in the corporate governance report disclosures based on theOECD's guidelines, whichstatethat corporations have an obligation to contribute to the economic, social and environmental progress of the communities in which they operate.

In reletedlitarteure authors mentioned that organization's code of conduct plays an important role or function in developing ethical behaviour both inside and outside the organization (Ford and Richardson 1994, pp 205-210). As also some authors have reported that employees of firms that have a code of conduct in which they see themselves as more ethical than members of other firms that do not have a code of conduct (Adams, Tashchian&Shore 2001, p. 204, Somers 2001, p. 10, Schwartsz2001, 2004, Ferreland Skinner 1988, p. 108, Trevino, Butterfield &McCabe 1998, p.470). Hence to having code of conduct give signals to others that firms have social and ethical considering society as a good citizen. On the other hand while examing researches which are concerning conten of the ethical codes showed that business's ethical standards and resulting ethical behavioural conduct is grounded in the unique characteristics of each national culture (Stajkovic and Luthan1997, p. 19) hence the content of the ethical codes are different across countries and regions. For example British and European codes discussed government and customer relations less than American codes (Langlois and Schelgelmilch 1990, pp. 522-533) as also European codes focus on environmental issues than American codes (Kaptein 2004, p. 29). In their study Singh et al. (2005), reported that Swedish codes were found to be very different from Australian and Canadian codes especially with respect to regulatory ıssues.

However while reviewing Turkish literature one could not found any comperansiveresearch about content of ethical codes of Turkish firm and benchmark them to foreign ones. Thusthelimitationof Turkishliterature,the aim of this study isto investigate and make contributions tothe content of Turkish firms' codes of conduct, which may even be applicable to managers and academics,concerning the scope and content of business ethics in Turkey.

2. BUSINESS ETHICS AND CODES OF CONDUCT

Ethics has its origin is in the field of philosophy. However, ethics and ethical codes are becominga matter mostly related with business scandals since the beginning ofthe 1990. Since this date, ethics and ethical codes havegarnered interest from a wide range of academics. A related research concept is primarily associated with corporate social responsibility, corporate governance and sustainable development ıssues. Authors have mentioned that corporations orient themselves for long-term sustainable growth and social approval rather than having a short-term orientation. This perspective makes the decision-making process more complicated and more complex than before. Therefore, corporations and businessmen have universallyacceptedstandards for doing business. In this framework, ethical codes provideschemes for organizations to act in widely accepted behaviours concerningeconomic, ethical, legal and philanthropic issues (Carroll 1991, p.40, Schwarthzand Carroll 2003, p. 510). In OECD's report, which is consistent withtheCodes of Corporate Conduct, voluntary efforts to define and implement appropriate standards for business conduct constitute one of the more prominent managerial developments in recent years. Such codes are voluntary expressions of commitment that are made by an organization to influence or control behaviour for the benefit of the organization itself and for the communities in which it operates (Mathews, 1987).In this scope, ethical codes often represent the first step in a process of improving the management process in support of legal and ethical compliance (OECD Working papers on International Investments 2001/03, p.3).

Business ethics focus on ethical issues that are raisedin the commercial realm, such as fairness and justice (Carroll and Buchholtz, 2006, p. 21). In this scope, a code of ethics consists of moral standards that help guide employee or corporate behaviour (Stevens, 1994, p.65, Schwartz 2001, p. 248).Therefore, a code of ethics is a major vehicle for stating ethical principles, Stevens mentioned that a code of ethics should contain normative guidelines for desired behaviour (Stevens 1994, p. 64). Carroll identified ethical responsibilities as any activities or practices that are expected or prohibited by members of society and are standards or norms that protect the moral rights of consumers, employees, shareholders and the community, although not codified into law (Carroll, 1991, p.41).Kaptein (2004) states that a code clarifies the objectives the company pursues, the norms and values it upholds and what it can be held accountable for by society (p. 13).

According to social-cognitive theory, an individual's ethical decisions or ethical standards are influenced by three main factors: institutional factors, such as ethical rules in the working environment; personal factors, such as the moral development of an individual; and organizational factors,such as existing of codes of conduct and ethical cultures(Stajkovic and Luthans 1997, p. 18, Leo, Frrell& Mansfield, 2000, p. 190). In this scope andorganization's code of conduct plays an important role or functionin developing ethical behaviourboth inside and outside the organization (Ford & Richardson 1994, p 200).An ethical principle (as this study assumed these principles to be the code of conduct of an organization) is a statement concerning the conduct or state of being that is required for the fulfilment of a value or expectation of society, stakeholder and others. These statements link the value with a general mode of action. Therefore, researchers havediscovered a lot of evidence between the ethical performance of organizations and their strategies, governance, financial performance and so on.

Some authors have reported that employees of firms that have a code of conduct in which they see themselves as more ethical than members of other firmsthat donot have a code of conduct (Stevens 2008, Adams et.al., 2001, p. 204, Somers 2001, p. 10, Schwartsz 2001, 2004, Ferrel and Skinner 1988, p. 108, Trevino et.al., 1998).Conversely,some studies have mentioned that ethical codes did not have any role with respect to the attitudes and behavioursof employees (Cleek and Leonard, 1998, p 619). For example, Marnburg (2000, p. 208) studied 442 Norwegian professionals and showed that ethical codes had no effect on theirattitudes towards ethics. The studies of Snell and Herndon (2000, p 510) which is implementing in Hong Kong as also Healy and Iles (2002, p 117) studies are reported there isn't any positive correlation between ethical codes and employee'sbehaviour. Therefore, existing of codes of conduct did not guarantee ethical behaviour. The effects of an ethical code are intangible, on the other hand they haveinterplay role between the internal and external control mechanisms of a company (Somers 2001, p. 186 Stevens 2008,p 65, Stevens 2009, p 16).

In addition to the several definitions and functions or dysfunctionsof ethical codes, an ethical code is postulated as anormative direction or drawn behavioural framework for a company's managers and employees that is approved by a companyfor use while doing business. In this sense, ethical codes areassumed to be essential ıssues orinstruments fororganizations to control the behaviour of employees and managers to achieve social and legal approval in society. Because corporations are held legally accountable for the actions of their employees (Stevens 1994, p. 64) (remember Enron and Lehman Brothers corporate bankrupty cases), hence existing ethical codesinformand to give guaranty stakeholders as to what the values or obligations of the corporationare while doing business.

3. RELATIONSHIP BETWEEN BUSINESS ETHICS, CORPORATE GOVERNANCE AND SUSTAINABILITY

Since 1990, ethical responsibilities or business ethics have primarily been discussed with other hot topics, such as corporate social responsibility, corporate governance and sustainable development. The globalization of markets andthe effect of financial crises on developed and undeveloped economies generate the need for core principles that are universally and sustainablyapplicable and transcend differences in laws and cultures. After the declaration of OECD's corporate governance principles, to comply, corporate governance rules have included the main issues of economic growth and have,therefore,created and includedethical codes as part of the main principles of the corporate governance,such as transparency, accountability, responsibility, and fairness. Other evidence of the growing importance of the corporate codes of ethics is the improved ethical literacy of senior managers, which has been formed by social pressures from activist groups, international commissions, community-oriented academic publications and governments regulations (Crone and Matten 2010, pp 10-25, Carroll 1991, pp. 39-46). In this scope, ethical codes are assumed to be the main instruments for corporations to enhance international and legal legitimacy in societies as well as in stock markets.

3.1. Sustainability And Ethical Codes

There are environmental (pollution), social (erosion of local cultures) and economic (crises and unfair income distributionwithin society)problems with globalization. Considerable research has been undertaken to addressand investigate the role that companies,especially multinational companies (MNCs),have with respect to these problems, andresearchers and activist groups are seeking new responsibilities or control mechanisms for companies to reduce their damage to society. In this framework, sustainability and sustainable development ıssues create a framework for academics and companies. Sustainability has become a significant issue with respect to the natural environment. However, currently, itis synonymous with sustainable development. There are several definitionsof sustainability and sustainable developmentwith the most common definition authoredby the World Commission on Environment and Development in 1987. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (42/187. Unitd Nations, Report of the World Commission on Environment and Development, 11 December 1987) and is concerned with the effectsof actions taken in the present have on the options available in the future(Aras andCrowther 2008, p.280).

Sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations. The triple bottom line represents the idea that a business does not have just one single goal, which is economic value, but that it has an extended goal that necessitates adding environmental and social value as well (Elkington 1998, p. 48-50). From this perspective,the economic dimension or the bottom line of sustainabilityfocuses on financial health,which assumes that corporations are only sustainable when they pay taxes to the public, adequate prices to theirsuppliers, adequate wages to their employees, interest to creditors and dividends to shareholders. Conversely,the environmental dimension focusesonenvironmental protection (resource exploitation, emissions and environmental damages and risks, renewable resourcesin whichthe social perspective of sustainability is a focus with respect to social justice or social improvements) (Wheeler and Elkington 2001,pp. 4-10, Jordan and-Lenschow 2008). In this scope, business ethics or a corporation's code of conduct framework primarily overlaps with the social perspective of sustainable development. Organizations have two main rolesin social justice. The internal role, or internal social improvement role, is primarily related toemployee privacy, working conditions, education, human rights, discrimination issues, which are topics typically discussed in human resources policies.The external role, or global social justice provider role, is related to corporate citizenship roles, such as social responsibilities when leading cross-border collaborations with other institutions, companies and governmentswith respect to gender equality, child morality, economic and social growth, etc.(GRI G4 Guidlness Part 1 Reporting Principles and StandartsDisclousures, Steurer, Langer, Konrad &Martinuzzi, 2005, pp. 263-270). In this scope,ethical codes clarify the objectives the company pursues, the norms and values it upholds and what it can be held accountable for by society (Kaptein 2004, p.13). In this framework, existing ethical codes illustrate the firm's objectivesor are assumed as commitments for improving social justice.

3.2. Corporate Governance And Ethical Codes

Corporate failures and managerial misconducts in the last century highlight the need for organizations to pay attention to corporate governance practices. Organizational governance is concerned with the process by which organizations are directed, controlled and held accountable and must be balanced by various stakeholders or by society (Bonn and Fisher 2005, pp. 730-732). Corporate governance refers to how a corporation is governed.The OECD defined organizational governance as "the system by which business corporations are directed and controlled" (OECD Principles of Corporate Governance 2004). The OECD corporate governance structure specifies the distributions of rights and responsibilities among different participants, such as the board, managers, stakeholders and other shareholders.From this definition, fairness, transparency, accountability and social responsibility are reference mechanisms or main principlesthat are used to govern institutions (Arjoon 2005, p 344).Corporate Governance is concerned with maintainingbalance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and to require accountability for the stewardship of those resources as well. The aim is to align as closely as possible with the interests of individuals, corporations and society (Sir Adrian Cadbury in 'Global Corporate Governance Forum', World Bank, 2000).

Corporate governance is concerned with how companies are directed and controlled. In this scope,corporate governance tends to refer to the principles raised in the following three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), and the Sarbanes-Oxley Act of 2002 (US, 2002). The principles are intended to help policy makers evaluate and improve the legal, regulatory, and institutional framework for corporate governance with the purpose of supporting support economic efficiency, sustainable growth and financial stability (G20/OECD Principles of Corporate Governance OECD Report to G20 Finance Ministers and Central Bank Governors, September 2015).These principles present schemes for encouraging efficient organizational development based on sub-sectionsthat address therights and equitable treatment of shareholders, the recognized interests of other stakeholders, the roles and responsibilities of the board, and the disclosure and transparency of a firm's financial as well as non-financial reports to all investors and other shareholders.

The link between ethical behaviour and corporate governanceis directly identified in the OECD principles of Corporate Governance (2015).In the OECD governance principles, the board should apply high ethical standards. The board should consider the interests of the stakeholders(Dominguea, Alvalez& Sanchez, 2009, pp. 188-190)The board should be encouraged by laws and/or principles thatprotect share- and stockholders and representative bodies and thatthese parties should receiveconfidential and direct access to an independent member of the board, who is often a member of an audit or an ethics committee. Therefore, firms have to form ethical codes based on the rights of the stakeholder (G20/OECD Principles of Corporate Governance OECD Report to G20 Finance Ministers and Central Bank Governors, September 2015, p. 37).

In the Turkish literature, corporate governancewas first mentioned in"Corporate Governance: The Best Practice Code" in 2001,which was published by the Turkish Industry and Business Association (TUSIAD)and was formed based on OECD corporate governance principles.This guidelineconsistsof two sections in whichthe first section consists of the following principles: I) maintaining an efficient legal and regulatory framework for state owned enterprises; II) having the state as the employer; III) ensuring shareholders aresubject to fair treatment; IV) fostering relations with the stakeholders; V) maintaining transparency and providingexplanations to the public; and VI) holding the board of directors of state owned enterprises responsible for their decisions. In the second section of the guide, explanations are made regarding the principles stated in the first section (TUSIAD Comments on Revized OECD Corporate Governance Principles, 2014). Following this study, the Capital Market Board of Turkey (SPK) establishedits own corporate governance principles in 2003.The Capital Markets Board's corporate governance principles are based on the "implement or explain" mentality, and thedisclosure of the governance report is only recommended for listed companies. After this study, most of the listed companies announced their corporate governance compliance statement in their annual reports.In a rapid positive reaction to these principles, the IstanbulStock Exchange established itsown Corporate Governance Index (XKURY) in 2008. After the publication of the "Determination and Implementation of the Principles ofCorporate Management" (Serial No. IV 56 published by SPK in the Official Gazette No. 28158 dated 30December 2011), there has been a legal obligation forlisted companies in Turkey to disclose their corporate governancecompliance reports due to similar stock exchange markets regulations all over the world, such as the-New York Stock Exchange, the AustralianSecurities Exchange, and so on.

Ethical codes and corporate governance linkage emerge primarily on sub-sections of the firm's governance compliance report. In the Turkish corporate governance reporting system, a corporate governance principles compliance report consistsof 4 sections,which includesthe shareholders, public disclosure and transparency, stakeholders and board of directors,and has 27 sub-sections or sub-issues(SPK 2012).Social responsibilities and ethical codes are discussed in the stakeholders' issues section. In the social responsibilities sub-section, firms have to give information about their activities concerning the environment, region and the public (supported/pioneered social training, social studies towards the people in the region etc.).Also, in sub-section 25, firms have to identify whether ethical rules for the company and the employees have been established by the board of directors. If rules have not been established, reasons for not establishing the rules and whether ethical rules have been disclosed to employees and to the public within disclosure policies must be given.In this scope, theexistence of ethical codes is partly a regulation in corporate governance reporting disclosure in Turkey.

4. AIM AND SAMPLE

Based on the new applications of the Turkish Stock Exchange market, the aim of this study was to investigate the content of Turkish firms' codes of conduct and to test the linkage between corporate governance and ethical codes.This study consistedof 15 firms that are indexed in the BIST Sustainability Index.The BIST Sustainability Index was completed and was announced on 4 November 2014. The aim of this index is to create an instrument that allows investors to select and invest in companies that adopt principles of sustainability, corporate governance and risk management. Indexed companies are evaluated by EIRIS within the criteria of policy and activities in areas of environment, biodiversity, and climate change, structure of management, countering bribery, human rights and supply chain. Based on the theatrical and empirical structure of this index, the 15 indexed firms were assumed to have awareness of social justices and ethical integration.

5. MATERIALS AND METHODS

This study investigated the code of ethics according to a scheme derived from the techniques outlined in Wood (2000), Singh (2006), Svenson et al. (2006), Singh et al. (2005) and Lefebvre and Singh (1992). In the reference studies, the authors used 61-64 items to analyse codes of conduct; however, in this study, we used 32 items because initial content anlaysis showed that Turkish firms' ethical codes included only 32 main titles while compering with foreign ones. Thus this study investigates ethical codeswith 20 itemsused to analyse the main titles covered with in the codes of conduct,such as conflicts of interest, insider trading information, divulging trade secrets, bribes or payments to the government,etc.;six itemswere used to investigate compliance or enforcement procedures;the last 4 items were used toinvestigate penalties for breaching codes; and, finally, 2 items were added for general code of conduct format questions.To evaluate these items, the following 3-point scale was used: not discussed, discussed (less) and discussed in detail.We used this 3-point rating scale to assessed the ethical codes as 1value for not discussed items, 2 value for less discussed like mentioned just for 2 or 3 sentences and given 3 value for well discussed iteams such as mentioned more than 4 sentences.

6. ANALYSIS AND RESULTS

The descriptive statisticsof the samples based on industry, accessibility of the firms' official web page, corporate governance rating scoreof year 2014 and the firms'code of conduct pages numbers are shown in Table 1.

Table-1: Corporations by Industry. Page Numbers of Code of Conducts and Corporate Governance Rating Score

Company	Sectors	Existing And Accessibility Of Ethical Codes	Page Number Of Codes	Corporate Governance Rating Score (2014)
AKBANK T.A.Ş	Banking (Finance and/or Insurance)	Accessibility on webpage	20 page (pdf)	9.21
ARÇELİK A.Ş	Manufacturing	Accessibility on webpage	9 page (pdf)	9.41
ASELSAN E.S.T.AŞ	Manufacturing	Accessibility on webpage	1 web page (2 word page)	9.09
T.GARANTİ BANKASI A.Ş	Banking (Finance and/or Insurance)	Accessibility on webpage	16 page (pdf)	9.14
KOÇ HOLDİNG A.Ş*	Manufacturing	Accessibility on webpage	16 page (pdf)	-
MİGROS TİCARET A.Ş	Retail sale	Accessibility on webpage	1 web page (2 word page)	-
PETKIM PETROKİMYA HOLDİNG A.Ş	Energy	Accessibility on webpage	8 page (pdf)	9.01
HACI ÖNER SABANCI HOLDİNG A.Ş	Manufacturing	Accessibility on webpage	10 page (pdf)	-
TAV HAVALİMANLARI HOLDİNG A.Ş	Transportation	Accessibility on webpage	1 web page (2 word page)	9.41
TURKCELL İLETİŞİM HİZMETLERİ A.Ş	Communication services	Accessibility on webpage	1 web page (3 word page)	-
TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş	Manufacturing	Accessibility on webpage	11 page (pdf)	9.01
TELEKOM	Communication	Accessibility on webpage	4 page pdf	8.72
TÜPRAŞ-TÜRKİYE PETROL RAFİNELERİ A.Ş	Energy	Accessibility on webpage	4 page (pdf)	9.28
T.VAKIFLAR BANKASI T.A.O	Banking (Finance and/or Insurance)	Accessibility on webpage	7 page (pdf)	9.4
YAPI VE KREDİ BANKASI A.Ş	Banking (Finance and/or Insurance)	Accessibility on webpage	13 page (pdf)	9.25

* *Koç and Sabancı Holdings are parent companies hence they do not have sole corpoarte governance rating score beside this their subsidaries have different scores.*

As shown in Table 1.The indexed firms trade primarily as financial and manufacturing industries (4 of them are in the banking sector, 5 of them are manufacturing and 2 firms were in the energy sector, such as the oil/petrol industry), While reviewing the existenceand accessibility of codes of conduct, our research sections showed that all of the 15 firms had ethics codes, and those codes could be reached on the firm's official website under the investors relations link or the corporate governance sub-link, However, their format and content were different from each other, As observed from the table, the length of the ethical code documents based on the number of pages is different. Comparing firms code of conducts based on page number will be seen as very basic analysis as also results would notgiven extended data. On the other hand some sort of global companies like Google have severel sub-links on their official web pages for their code of conducts (https://investor.google.com/corporate/code-of-conduct.html) as also Coca Cola have 40 pages of code of conducts which is also available with 22 other languages (http://www.coca-colacompany.com/investors/code-of-business-conduct/). Hence it was assumed that page number of code of conducts will be given general information for the content of the firms' code of conduct scopes. Besides this assumtionour analysis showed thatthe most complicated and comprehensivecode was 20 pages long and was published by Akbank; this isfollowed bythe other banks, Conversely, firms such as Tukcell, Migros, Aselsan, and Tav Havalimanları only had one or two pages of ethical codes,Our initial analysis based on page number found the content of these codes to be very basic and very shallowwhen compared with the codes of other firms based on page number alone.

In this framework, we carried out a further analysis step and performed a spearman correlation test to investigate the corporate governance and code of conduct interactions of the Turkish firms based on atheoretical linkage between corporate governance and ethics. As observed in the table, most of the firm's corporate governance ratings scores weregreater than 9,09 except forTurktelekom (which scored 8,72). These scores give information about a firm's performance or sensitivity with respect to corporate governance issues. However, while performing a correlation analysis between the governance rating score and the number of code of conduct pages, we could not find any statistically significant correlation between the variables (Table 2). Hence this analysis showed that Turkish Firms did not give importance to their code of condoct scope while compering corporate governance issues. Where Companies have obligations to disclose their ethical codes based on regulations of OECD principles as also in Turkish Corporate governance principles compliance report. This result makes us somethink that Turkish firms only disclose their ethical codes just to reach the rules rather than considering society.

Table-2: Spearman's Correlations Results

Correlations		Corporate governance, ratings core	Page number of code of conducts
Pearson correlation	Corporate governance, rating score	1.000	.115
	Page number of code of conducts	.115	1.000
Spearman's Rho Coreelation coefficient	Corporate governance, rating score	1.000	.066
	Page number of code of conducts	.066	1.000

The content from the 15 Turkish corporate codes of ethics were comprehensively analysed using the following 3 categories: the main titles covered in the code of conduct,the enforcement procedures and the penalties for breaching the code Content analysis resultsfrom the first stage, which addressed conduct on behalf of the firm and conduct against the firm, are given in Table 3.

Table-3: Content Anaysis Results of Code of Conducts

Main titles of Codes N= 15	%		%
conflict of interest	100	relation to stakeholder	40
Acceptance of bribes, kickbacks, gift/ entertainment	86.7	Environmental affairs	53.33
Insider trading information	73.33	Relations with competitors	73.33
Divulging trade secrets/ proprietary information	73.33	Emloyee policies/HR politicies	60
Relations with employees-health, safety	66.67	expected employee behavior	66.67
Payments or political contributions to political activities	46.67	Giving of bribes, kickbacks, gifts/entertainment	73.33
Relations with consumers	80	Legal responsibility-legitimately behaviour	60
Relations with investors	40	Civic and Community affairs	26.67
relation with governments acencies	46.67	mobing and discrimination	13.33

Relations with customers/ suppliers	73.33	Global compact/Universal Declaration of Human Rights	13.33
Need to maintain corporation's good reputation**	53.3	Letter/Introductory remarks from the President/CEO/ Chairperson of the Board	13.33

** *Additional general informationsaboutsections of code of conducts*

As you seen on Table 3, all 15 Turkish firms which are indexed in Turkish Sustainabilitiy Index, mentioned about Conflict of interest. Our rating analysis showed that only 5 firm gives brief or less information about this item like two or three sentences however other 10 firms give detailed informations what is conflict of interest and what is firms expectations about this issue. In this scope Turkish firms ethical codes mostly focus on acceptance of bribes, kickbacks, gifts and enttainment attendance regulations (86,7%-13 firm) which is followed by relation with consumers (80%) insider trading information (73.33%), Divulging trade secrets/proprietary information (73,3%), relation with competitors and giving of bribes, kickbacks, gifts/entertainment (73.33%). While examining less mentioned subject of code of conduct is Acceptance of Global compact (13.33%), Mobing and discrimination (13.33%) as also very few of codes included letter from ceo which is consist of aim of the codes.

In section 2, we attempted to analyse a firm's formal procedure to enforce the internalization of ethical behaviour among employees.We used 6 parametersto investigate the ethical compliance or enforcement procedures of the Turkish firms.The findings are given in Table 4.

Table -4: Content analysis Results of Compliance /Enforcement Procedures of the Firms

Compliance/Enforcement procedures	%
Formal channels of compliant /call center for peach	53.33
Read and understand affidavit /statement of compliance	33.33
Ethical commitee/internal watchdog committee	53.33
Supervisor surveillance /Senior management role models	86.67
Protection of whistleblowers	33.33
Ethical training	20.00

As it followed on Table 4, Turkish firm's most preferential enforcement or compliance system to ensure ethical behaviourissupervisor's surveillance (86.67 %) which is followed by ethical com mittee (53.33 %) and ethical call centers.This result is similar with Singh (2006, pp 23-27) findings which is implemting on 80 Canadian firms in year 1993 and 2003. Author reported that 69 percentage (in 2003) and 69.3 percentage (in 1993) of the Canadian firm mentioned about supervisors surveillance role in their ethical codes. However in this study only 3 firms mentioned about ethical training programs where on related literature authors mentioned that ethical training programs is important stage in ethic management thusone can not judge without given any information about what is expected from him (Leo et.al 2000, p. 190, Valentine 2009, p. 230,RottigandHeischmidt 2007, pp 6-30). However our results showed that Turkish firms did not consider this issue.

In last section, we identified the formal procedures that were given in the ethical codes for penalties when the codes were violated.(Table 5) Our results indicate that approximatlly half of the firms mentioned about cessartion of employment (46.67 %) if they found any action about breaching ethical codes where only 6 Turkish firms write that they will start legal action (40 %) where some of them refer verbal warning.

Table- 5: Content Analysis Results of Penalties of Codes

PENALTIE OR BREACHING CODES	(%)
verbal warning	13.33
legal action	40
demotion	0
cessation of employment	46,67

7. CONCLUSION

The main aim of this study was to investigate the content of the Turkish firm's codes of conductto determinethe ethical scope of Turkish firms,to fill the gap in business ethics in the limitedTurkish literature and to provide a guideline for organizations to establish their codes of conduct.Our content analyses demonstrated that Turkish firms have awareness of ethical behaviours andare concerned with this issue.However,we could not determine how they develop their ethical codes orthe reasons why these codes matter for the respective organizations.In short, the scope of the ethical codes of a Turkish firm is primarily focused or concentrated on protecting the firm and its assets not society.Stajkovic and Luthan (1997) noted that the analysis of a business's ethical standards and resulting ethical behavioural conduct is grounded in the unique characteristics of each national culture (p. 19).Therefore, the content of ethical codes will be different based on institutional factors, individual factors and organizational factors.Ethical codes andthe content of the ethical codes are different across countries and continents.Langlois and Schelgelmilch's study of codes from England, France, Germany and the U.S, revealed that British and European codes discussed government and customer relations less frequently than American codes (1990, pp. 522-533).Kaptein's study (2004, p. 27) identified content differences among European, Asian and North American codes. He noted that European codes focused far more on the environment than American codes, and honesty was a more significant issue with Americans.Sixty-four per cent of American codes mentioned honesty compared with 45 % of European codes and 38 % of Asian codes, but fairness was mentioned more frequently in European and Asian codes. Singh et.Al., (2005, pp. 92-105) reported that Swedish codes were found to be very different from Australian and Canadian codes especially with respect to regulatory ıssues.Swedish codes are also less regulatory than Australian and Canadian codes.These studies demonstrate the differences between codes of conducts.Additionally, the findings of this research show that codes of conduct from Turkish firms are different compared with foreign codes. Forexample,codes of conduct from the Turkish firms did not refer to any laws or external control mechanism in enforcement procedures compared with foreign codes of conduct.Only 2 of the codes mentionedthe assignment and acceptance of the Global Compact Principles from the United Nations.

In addition to the differences in the codes of conduct from the Turkish firms, this study had some comparative findings with respect to the content of the ethical codes of the Turkish firms.Our analysis showed that, in parent companies and subsidiaryfirms (such as Koç holdings and one ofits subsidiaries Tupraş), the ethical codes were more detailed (see, for example, the number of pages) and comprehensive; conversely,sole enterprises used more overview,which impliedthat they were attempting to parry the ıssues.Allthe Turkish firms have regulations and mentioned conflicts of interest (100 %),but not all mentioned acceptance of bribery (87 %), giving bribes (73,3 %), relations with consumers (73,3 %) and employee health and safety (67 %). These findings are parallel with foreign related researches findings. Singh (2006, pp. 19-22), Singht et.al (2005, pp.93-102)and Wood (2000, pp. 290-295) reported that most of the American, Canadian and Australian firms place conflict of interest (percentage spreath out between, 95-73 %), acceptance and given bribes/ kickbacks (82.7-68 %), insiders trading (72- 43.1 %), divulging trade secrets (81.3-45.1 %) and employee healty and security (62-32.1 %) in their code of conducts however relation with consumers is less discussed issues in foreign firms.

It was surprised and interested in the findings that some firms (13,3 %) mentioned "mobbing and discrimination" regulations in their ethical codes where foreign studies (firms) did notfocus on this as a parameter (Singh 2006; Singht et.al 2005;Wood 2000). Thirty-three per cent of the firms had a statement of ethical compliance, want their employees to sign this statement and mentioned charging them based on this statement.

While reviewing the compliance procedures of the firms, firms were observed as not havingadequate compliance proceduresto monitor employee ethical integration behaviour. Half of the firms had formal ethical complaint channels (ethics lines or ethical warning calls) as well as ethical committees (53,3 %); however, only 2 firms gave the names and connection numbers of the ethical committee members. Most of the firms (87%) suggest employees go to their supervisor for ethical advice. We could say that these firms delegate their ethical control to supervisors. Supervisors are characterized as the ethical guard. Turkish firms did not mention independent auditors or other external control mechanismsas part of their enforcement system. Some firms mentioned an auditing office or a board of directors for ethical control.

The most preferential disciplinary action for employees of aTurkish firm breaching an ethics code was to beginlegal procedures (40%) or to fire the employee (47%).The Turkish firms less mention verbal warnings did not mentioned demotion as an action for braeching ethical codes as observed in foreign studies (Wood 2000,Singh 2006,Svensson, Wood, & Callaghan, 2006, Singh, et, al 2005, Lefebvre and Singh 1992).Thirty-three per cent of the firms guaranteed protection for whistle blowers, which is very low. Therefore, we thought that whistleblowing systems or ethical complaint centrescould not work without whistle blower protection regulations. Firms cannot provide unethical behaviour warning systems without protection for whistle blowers.Another weak feature of the firms is ethical training. Even from atheoretical or practical perspective,the researchers' belief that one cannot judge unethical behaviour without any education or training and one cannot be a judge withoutawareness of corporate ethical values or parameters.Therefore,companies must be active work in ethics training programmes for its members. Based on our sample, only 20 % of the firms mentioned ethics training programmes (3 firms). This study has some limitations, such as theresearch consisted of a very small sample size (just 15 firms). This limitation should be kept in mind while interpreting the findings of this study. Despite this sample size limitation, the findings of this research contribute to the Turkish literature as we could not find any research in the related literature within this scope.

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