

# Sustainability Reporting Framework for Voluntary Reporting or Disclosure in Turkey

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## INTRODUCTION

The need to respond to the changes in society on the basis of the phenomenon of globalization as well as to the conditions evolving under the influence of developments in information technologies have led enterprises to develop new forms of behavior from the corporate perspective. This circumstance not only determines the perspective of countries on corporate governance, but also of importance in terms of providing their own control mechanisms. This new institutional phenomenon refers to a sensitive arrangement or a collaborative institutionalization or a commodity arrangement according to different authors (Hess, 2007, p. 454). Nevertheless, the concept of corporate accountability underlies all these. As is known, corporate governance discussions generally focus on the internal mechanisms of enterprises and are described together with openness and transparency. These descriptions do not mean that shareholders are not interested in corporate governance. This is where the accountability and transparency concepts come to the fore as a concept covering internal and external evaluations on the understanding of corporate governance in enterprises. The concepts of sustainability and corporate governance increasingly stand for the total or convergent effort for accountability in enterprises, inasmuch as what is accountability and nature thereof are revealed as the sustainable reporting of enterprises is questioned. And this can be associated with the transparency notion of enterprises (Kolk, 2008, p. 3-4). Recently, both organisations and researchers are investigated the role of sustainability reporting in the framework of voluntary disclosure and non financial reporting. Thus, the basic objective of this study

based on past studies in the literature is to analyze the contents of the sustainability reports of the enterprises included in the Turkish ISE 100 index and to reveal the importance attributed by the enterprises not publishing separate reports to the sustainability notion based on their web sites and their other non-financial reports.

## BACKGROUND

There are so many researches regarding non – financial reporting “*often referred as sustainability reporting*” (Ernst & Young 2009) in the literature. On the basis of the specified preliminary studies, it is possible to argue that the sustainability reports published by enterprises are directly related with the voluntary reporting level of organization. This situation also makes a direct impact on the presentation of financial reports and improves the reliability of enterprises to stakeholders. In the most general expression, the concept of sustainability suggests that the society should not exploit a resource, which cannot be recreated, too much. This is rather defined as sustaining the capacity of the ecosystem. When the situation is assessed in terms of the social and economic system in which an organization is involved, the exploitation of resources refers to permanency not only in terms of measurement of costs and value creation, but also of the future activities of the enterprise (Aras & Crowther, 2009, p. 280). On the other hand, sustainable reporting is a comprehensive concept comprising ethical, environmental and social issues, which are generally denominated as corporate social responsibility or triple bottom line as well. Corporate sustainability reporting is a voluntary activity mostly

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involving in social and environmental practices and aiming at providing information for external users of information (Kolk, 2008, pp. 2-3).

Considering the emergence date of studies in the academic and professional accounting literature on the concept of sustainability and the relationship in between accounting, it coincided to early 1990s (Lamberton, 2005, p. 7). In this process predicated on and disseminating reporting based on the concept of sustainability, the role of environmental costs and social responsibility costs within the business strategies are being frequently discussed. In particular, the measurement of the social effects of the said costs and the reflection of these effects on reporting constitute the starting point of the accounting practices as well (Aras & Crowther, 2009). At this point, it is possible to suggest that various propositions have been made in studies since 1990s firstly within the scope of social accounting and then for sustainable accounting in line with the global reporting requirements. Thanks to aforementioned evolutions, today the concepts of sustainable development and corporate social responsibility have become a topic as important as the financial reporting for the entire information users of accounting. Within the context of this process, companies have started to report their non-financial policies, such as environmental, social, ethical, on the basis of sustainable development by various tools (annual reports, sustainability reports, corporate governance compliance reports, etc.).

As is known, financial performance can be measured by establishing a variety of research links based on market data. The variables obtained from markets provide significant information for social and environmental disclosure. From studies in the literature, it is possible to see the truth of this proposition. For instance, it has been revealed in the study conducted by Gray et al. (2001) that, the corporate characteristics of enterprises (company size, the company's industry, ownership structure, and so on) have a direct influence on the social disclosure levels of these enterprises. Kolk (2003) has examined the sustainable reporting trends of the companies included in the Fortune Global 250 list in the first place, and then in 2008 researched the reporting levels of multi-national companies within the frame of their understanding of accountability, corporate governance and sustainability. Hedberg and Malmborg (2003) have researched whether the Global Reporting Initiative and corporate sustainability reports of Swedish Companies increased the reliability of en-

terprises or not. Gray (2006) has investigated whether the sustainable reporting conducted by enterprises has an impact on developing corporate behaviors of enterprises or not. Brown et al. (2009) has investigated the impacts of the sustainability reports of enterprises issued within the frame of Global Reporting Initiative (GRI) on the institutionalization of enterprises. In the study conducted by Isaksson and Steimle (2009), it has been revealed that preparation of sustainability reports by enterprises within the context of GRI does not provide adequate information on the corporate sustainability levels of enterprises. Likewise, in the study conducted by Fonseca (2010), whether the sustainability reports of the enterprises within the mining industry provide an external assurance about the reliability of enterprises has been subjected to a critical analysis. It is expected that the study to be made makes important contributions to literature in terms of national and international. Because of the fact that there is limited number of empiric studies regarding Turkey which is considered that it is one of the countries having emerging economy in literature.

## RESEARCH METHODOLOGY AND FINDINGS

The aim of the present study is to use the methodologies of previous studies (Brown et al., 2009; Herremans & Herschovis, 2006; Kolk, 2003; Kolk, 2004; Kolk, 2008; Simnett et al., 2009) to explain sustainability reporting for voluntary reporting or disclosure in Turkish companies in capital markets. Hence, the voluntary disclosure levels of the enterprises included in the ISE 100 index have been clarified and their commitment to sustainable development has been set forth as well. The Structuring Content Analysis used by Isaksson and Steimle (2009) has been employed for analyzing the sustainable reporting, which is one of the forms of non-financial reporting, in Turkish enterprises. Thanks to this type of analysis, the theoretical analysis have been managed to make for the enterprises publishing sustainability reports and for the enterprises not publishing sustainability reports, but providing information in their web sites under this title. The basic assessment criteria that we have determined based on the study conducted by Kolk (2008) that we have focused on during the analysis are as follows:

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