

## Chapter 6

# Sustainability Reporting and Multilevel Governance

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### **ABSTRACT**

*Providing transparency and accountability can be achieved by efficient governance mechanisms, which need interactive participation of stakeholders in the decision-making process. On the other hand, it is fair to say that traditional reporting is inadequate to inform stakeholders of an organization's activities. Therefore, sustainability accounting has become more popular among authorities and organizations in order to provide comprehensive information which concentrates on value creation and sustainable development. In this chapter, the authors aim to touch on the need of sustainability accounting to support multilevel governance mechanisms by describing the main dimensions of sustainability accounting and integrated reporting.*

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## **INTRODUCTION**

Accounting is the main tool to inform stakeholders on organizations' activities and situations. In other words, the bridge of relationship between the organization and stakeholders depends on the accounting system which produces information for decision makers. On the other hand, the financial accounting system constructed on beneficial financial information only includes the information which can be expressed in monetary terms and this kind of communication limits the explanatory power of reported information. Therefore traditional reports have started to become inadequate in terms of meeting with the needs of stakeholders because decision makers have started to demand for comprehensive non-financial information as well as financial information. Maintaining the disclosure of non-financial information, additional reports such as management commentaries or governance and remuneration reports have started to be published by organizations but they cannot be used as a common language for communication. In following process, sustainability accounting has emerged and today, we are in the adaptation process of sustainability accounting that aims to produce sustainability reports in order to show the economic, social and environmental effects of organizations' activities in a standardized and systematic way (Kurt & Uysal, 2015; Aldemir & Uysal, 2017; Aldemir et al. 2017; Uysal et al., 2018; Aldemir & Uysal, 2018).

In addition The International Integrated Reporting Council (IIRC) has suggested a new reporting paradigm and published International Integrated Reporting Framework in 2013 (IIRC, 2013). Integrated reporting aims to present the value creation process by combining financial and non-financial information<sup>1</sup> in a systematic way and in this sense the report mostly concern with the future. These improvements – emergence of sustainability and integrated reports – have lots of aim but one of the most important aims is to provide transparency and accountability and to form an environment that enables all stakeholders to participate decision making processes interactively. Therefore, free from any doubt, the main driver of formation of sustainability accounting is the changing needs of stakeholders and providing an updated governance mechanism which matches with today's realities. In other words, understanding the reasons of why financial accounting becomes inefficient to make decisions or provide an effective governance mechanism needs to understand the meaning of the sustainable development.

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