

Sustainability Reporting in Turkey: BIST Sustainability Index

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Abstract: Sustainability reporting is a corporate practice that includes environmental, social and governance aspects. It ensures that businesses are prepared for future risks, challenges, and opportunities. Additionally, sustainability reports can provide more information about company's performance. World practice shows that most companies follow the Global Reporting Initiative (GRI) when preparing their reports. Sustainability reporting in Turkey is done on a voluntary basis. Along with GRI, businesses use the BIST Sustainability Index to track company growth. The study focuses on examining the Turkish sustainability reporting reviews in the GRI and BIST Sustainability Index perspectives. Additionally, the research outlines benefits which sustainability reporting provides to enterprises.

Keywords: Sustainability reporting, GRI, BIST sustainability index, Turkey

JEL Classification: M40

1. Introduction

The concept of sustainable development has a long history. First, it was introduced by Brundtland, G.H. (1987) in his article *Our Common Future – A Call to Action*. In a broad sense, it is defined as the ability of a company to focus on meeting current needs without compromising the ability of future generations to meet their own needs. In other words, sustainable development means a balance between the production and consumption of resources to ensure the longevity and continuity of the enterprise.

Further research conducted by Marrewijk and Were (2002) introduced a new term “corporate sustainability” which refers to company's voluntary actions aimed at the integration of social, economic and environmental factors into run-of-the-mill business activities led by stakeholders.

In this regard, sustainability can be divided into the levels of economic, social development, and environmental protection.

Corporate sustainability reports differ from traditional financial reports as they focus on different factors. Stakeholders and investors around the world recognize that sustainability reporting has become an important assessment document that reflects company's credibility and investment potential.

Sustainability reporting in Turkey was first introduced by market leaders such as family holdings Koç and Sabancı. They are considered to be pioneers, setting a largely positive example for other businesses.

Stakeholders use sustainability reporting to communicate with public and investors, demonstrating the results of their economic, environmental, and social efforts.

Some companies follow the requirements of the Sustainability Disclosure Database and present their reports in different levels. They can be presented according to GRI criteria and include G1, G2, G3, G4 and G5 levels. According to BIST Sustainability Index, levels are A, B, C and D. The introduction of sustainability reporting in Turkey has had a significant impact on market development as it can highlight investment attractive companies, implement better risk management policies, and uncover hidden opportunities.

Our research contributes into the study of sustainability reporting, outlines its impact and benefits at the corporate level. The article also provides a summary of the sustainability reporting development in Turkey. Finally, sustainability reports of BIST sustainability index companies were analyzed yearly.

2. Literature review

The paragraph is devoted to the literature overview related to sustainability reporting and development.

Numerous researchers study the impact of sustainability reporting around the world.

Christensen et al. (2021) draws attention to the corporate sustainability reporting and provides a detailed literature overview related to the mandatory requirements for the companies registered in the USA to complete corporate sustainability reports. A vast range of sustainability reporting effects are studied in the research, including economic effects on capital markets, market strategies, stakeholders and investors' behaviors and companies' performance.

Authors conclude that the more information the better. Data obtained during sustainability report preparation benefits corporates through better capital investment, lower capital cost, and greater capital liquidity. Company's market behavior can be altered instantly based on the reports' results. As a result, sustainability reporting can be a stimulus for significant social and environmental changes.

Another important statement, mentioned in the article warns the researchers that corporate sustainability reporting has a vast variety of complicated topics, which are often long-term, non-monetary and intangible.

To sum it up, authors outline that sustainability reporting benefits for company's performance, however it can be hard to conduct one due to a number of topics and conditions to be considered.

Tsalis et al. (2020) conducted a study of sustainability reports of Greek firms to obtain the data that may help to prognose future challenges and opportunities. The milestone of the research was the UN 2030 Agenda adopted by all UN states. Analyzed sustainability reports were issued before and after the ratification of the document. General findings suggest that the quality of the information provided by the sampled sustainability reports is satisfying, however, there are some improvements yet to be made. The data gives an insight of company's general issues and shows possible opportunities and risks. Nevertheless, rapidly changing environment makes data presented in the reports obsolete quickly. As the practical examples show, future challenges and opportunities defined before the UN Agenda and the ones presented in the reports after publication differ greatly.

Giron et al. (2021) underlines that global environmental issues are becoming more urgent and sustainability reporting provides information necessary for planning environmental protection and ecosystem preservation programs. The main aim of the study was to research in detail elements that predetermine the adoption of sustainability reporting practices by companies in Middle East and Africa. Additionally, the authors investigate a relation between sustainability reporting and company's economic success. Empirical data was collected from the Global Reporting Initiative's (GRI) Sustainability Disclosure Database and the Orbis database, from Bureau van Dijk. Two logit models and one regression model were arranged to demonstrate the results of sustainability reporting. Based on a sample of 366 large conglomerates, it was proven that women directors favor introduction of sustainability reporting more than male company leaders. In contrast with previous studies, current research has found proofs that the age of the

company's leaders does not influence on acceptance of sustainability reporting. The findings helped to explain the driving forces behind sustainability reporting and its influence on company's productivity.

Turkish researchers have studied sustainability reporting as well.

Mentes (2020) has conducted research which aimed to prove that Turkish companies have already started implementing sustainability reporting as one of their habitual practices. According to the study results, only 21% of examined enterprises have been preparing sustainability reports. As a result, the empirical analysis has proved that this practice is introduced only by huge holdings which have a significant share in the global market. The authors specified the lack of legal support and structure for effective sustainability reporting in Turkey.

Akdogan et al. (2020) maintained a research of social responsibility practices in Turkey and concluded that sustainability reporting is a new area which requires both empirical and theoretical studies. The authors establish a connection between these two subjects and notice that the corporate interest towards them has been increasing. The practical value of this paper is a comparative analysis of corporate sustainability reporting applications in Turkey.

Kartal (2018) has studied sustainability reporting in the banking sector of Turkey. During the research Borsa İstanbul (BIST) Sustainability and BIST 100 Indices are examined by using content analysis method. Findings show that the first sustainability report prepared by the bank was published in 2008 and appeared to be a rare practice among banks ever since. The authors have discovered that there is no single unified framework for sustainability reporting. Some banks use BIST Sustainability index framework while others followed Global Reporting Initiative framework.

3. Sustainability Reporting

Sustainable enterprises contribute to economic development in a healthy environment, social solidarity, increase the quality of life, make steps toward saving nature and preserving the environment.

Pearce et al (1989) states that "sustainable development ensures the right of future generations to have at least as much wealth as the previous ones" (Pearce & Wagner, 1989, p. 311). The importance given to the corporate business sustainability emerges

from the necessity of ensuring the continuity of the business. The concept of “sustainability” is sometimes used in the context of “continuity”.

Sustainability reporting aims to explain the corporate activities in regard with the environment and the society.

4. Advantages and significance of sustainability reporting

Sustainable reports are prepared by the companies based on their economic, social and environmental activities. They are used to estimate the impacts made by the company’s production. The data collected can be used to create prognoses, define aims, alter economic, social, and environmental behavior of the firm. The sustainability reports can be considered a basis for the successful communication between stakeholders, investors and the public.

Another significant feature is that reports ensure transparency in corporate organization and governance. It also reflects company’s values and features the link between the strategic planning and firm’s commitment to the sustainable global economy.

According to Herzig and Schaltegger (2006), sustainability reporting is not a separate element, it is an integrated part of triple bottom line reporting and social responsibility reporting. Hence, it cannot be considered the only important part that influences the analysis of financial and non-financial performance. To have the full picture. Sustainability reporting and other elements should be analyzed together. Only this way will provide complete information about future risks and opportunities. By arranging sustainability reports businesses may achieve a competitive advantage and strengthen their position in the dynamic environment.

Another advantage of conducting sustainability reports is to see the value of corporate efforts aimed to build brand loyalty. Finally, standardized framework of reports gives a chance to researcher to compare different companies based on the common criteria.

Sustainability reports help stakeholders to evaluate company’s condition and define further purposes of sustainable development which includes economic, environmental, and social parameters companies' strategies, projects, and management styles.

5. Global Reporting Initiative (GRI)

The Global Reporting Initiative was first introduced in 1997 as an attempt to create a widely accepted standard format for sustainability reporting. It works closely with United

Nations programs such as the Global Reporting Initiative (GRI), the United Nations Environment Program (UNEP) and the United Nations Global Compact (UNGC).

This establishment is a non-profit organization with multiple participants. According to the UN regulations it has the right to operate around the globe and promote globally applicable sustainability reporting guidelines and disseminate sustainability reporting by making it routine and comparable to financial reporting. In other words, GRI sets the framework which companies around the world may use to report on their environmental, economic, and social performance results.

As Safari and Aree state, sustainability reporting based on GRI pursues the following purposes:

- Sustainability evaluation based on the legal norms, performance, charity and voluntary actions.
- Providing information about the influence of sustainable development expectations on company's productivity
- Defining critical points and milestones in company's development.
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As a result, GRI reporting system can be used by different organizations regardless their size, location or field.

The GRI reporting system is designed to be used as a generally accepted reporting system for an organization's economic, environmental and social performance. The GRI reporting framework includes general and industry-specific materials that are applicable to reporting an organization's sustainability performance. GRI standards have been accepted by a wide range of stakeholders around the world

6. Sustainability reporting practices in Turkey

Turkey has taken important steps towards sustainability practices in recent years. To conduct sustainability reports in Turkey BIST Sustainability Index was introduced. It is applied to the companies listed in Borsa Istanbul. The aim was to measure the sustainable potential of Turkish companies and promote sustainability reporting in Turkey.

In addition to that, the index provides valuable information about companies' actions related to environmental, social and economic issues.

The INDEX is prepared by a third-party Ethical Investment Research Services Limited, which prepares reports in accordance with international sustainability criteria for

companies listed in Borsa Istanbul. During the evaluation process only publicly, available information is used.

EIRIS agency with a headquarters in London has been conducting different types of corporate researches including environmental, social and governance issues for over 30 years.

As Atağan (2017) writes in his research This organization started preparing BIST sustainability index (coded XUSRD) in November 2014. The purpose of creating a separate index for the Turkish market based on the international criteria was to increase awareness about sustainability reporting. Borsa Istanbul provides an instrument for evaluation of firm's activities in social and environmental areas. It also allows investors to see the investment potential and invest in companies which apply corporate sustainability governance.

BIST sustainability index includes 3 main criteria: environmental, governance and social. Environmental criteria can be subdivided into environmental policy, environmental management system, biodiversity, and climate change.

Environmental policy includes the following core indicators: reference to all key issues, level of senior responsibility, commitment to use of objectives and targets, commitment to monitoring and auditing, commitment to public reporting. Among desirable indicators can be named globally applicable corporate operating standards, commitment to stakeholder involvement, commitment to address product or service impact, strategic moves toward sustainability.

Environmental management system has the following core indicators: evidence of environmental policy, identification of significant impacts, setting objectives and targets, outline of processes and responsibilities' manuals' action plans, international system audits, internal reporting and management review.

Other indicators are commitment to obtain ISO 14001 or EMAS, EIA undertaken for all projects, suppliers audits Certified Systems, Eco-Management and audit Scheme registration.

Biodiversity and climate change criteria are evaluated only if the company meets at least one core indicator.

Governance criteria include board practice, countering bribery. Social criteria include human rights policy, human rights system, health and safety system.

Governance criteria require companies to meet one of the following: publishing human rights policies which include explicit support for the OECD Guidelines for Multinational Enterprises, a signature to the UN Global Compact. SA8000 for its owned operations.

7. Sustainability reports analysis in Turkey

In this research we focus on the BIST Sustainability Index Constituents for 2019 Index Period Constituent list and the list of stocks to be included in and excluded from the index are shown in Table 1. BIST Sustainability index includes 56 companies.

Table 1. BIST Sustainability Index Constituents for 2019 Index Period

1 AKENR	AK ENERJI	29 MGROS	MIGROS TICARET
2 AKBNK	AKBANK	30 NETAS	NETAS TELEKOM
3 AKSA	AKSA	31 OTKAR	OTOKAR
4 AKSEN	AKSA ENERJI	32 PETKM	PETKIM
5 ALBRK	ALBARAKA TURK	33 POLHO	POLISAN HOLDING
6 ANACM	ANADOLU CAM	34 SAHOL	SABANCI HOLDING
7 AEFES	ANADOLU EFES	35 SKBNK	SEKERBANK
8 ANELE	ANEL ELEKTRIK	36 SISE	SISE CAM
9 ARCLK	ARCELIK	37 SODA	SODA SANAYII
		38 SOKM	SOK MARKETLER TICARET
10 ASELS	ASELSAN	39 HALKB	T. HALK BANKASI
11 AYGZ	AYGAZ	40 TSKB	T.S.K.B.
12 BRISA	BRISA	41 TATGD	TAT GIDA
13 CIMSA	CIMSA	42 TAVHL	TAV HAVALIMANLARI
14 CCOLA	COCA COLA ICECEK	43 TKFEN	TEKFEN HOLDING
15 DOHOL	DOGAN HOLDING	44 TOASO	TOFAS OTO. FAB.
16 DOAS	DOGUS OTOMOTIV	45 TRKCM	TRAKYA CAM
17 ENJSA	ENERJISA ENERJI	46 TUPRS	TUPRAS
18 ENKAI	ENKA INSAAT	47 THYAO	TURK HAVA YOLLARI
19 EREGL	EREGLI DEMIR CELIK	48 TTKOM	TURK TELEKOM
20 FROTO	FORD OTOSAN	49 TTRAK	TURK TRAKTOR
21 GARAN	GARANTI BANKASI	50 TCELL	TURKCELL
22 GLYHO	GLOBAL YAT. HOLDING	51 ULKER	ULKER BISKUVI
23 ISCTR	IS BANKASI	52 VAKBN	VAKIFLAR BANKASI
24 ISDMR	ISKENDERUN DEMIR CELIK	53 VESTL	VESTEL
25 KERVIT	KEREVITAS GIDA	54 VESBE	VESTEL BEYAZ ESYA
26 KCHOL	KOC HOLDING	55 YKBNK	YAPI VE KREDI BANK.
27 KORDS	KORDSA TEKNİK TEKSTİL	56 ZOREN	ZORLU ENERJI
28 LOGO	LOGO YAZILIM		

Source: <https://www.borsaistanbul.com/en/duyuru/2179/bist-sustainability-index-constituents-for-november-2019-october-2020-index-period-have-been-determined>

Corporate sustainability reports included in the BIST Sustainability index were taken from companies' websites. Based on the collected data BIST Sustainability Index of 56 companies presented in sustainability reports are summarized in Table 2 regarding the year of publishing, reporting period, language, volume, GRI application level, GRI status and references. Information about organizations included was examined by the year 2019.

Table 2. Sustainability Index Constituents' Reports for The Year 2019

Name of the organization	Reporting Period	Pub. Year	Type of the rep.	Application level	Status	Vol.	Lang.	References
AK ENERJİ	2019	2020	GRI	Core	GRI-checked	57	TR / EN	UNGC
AKBANK	2019	2020	GRI	Comprehensive	GRI-checked	113	TR / EN	UNGC Akbank Carbon Disclosure Report
AKSA	2019	2020	GRI	Core	GRI-checked	229	TR / EN	UNGC
ALBARAKA TURK	2019	2020	BIST	A level	GRI-checked	106	TR / EN	UNGC
ANADOLU CAM	2019	2020	GRI	Core	GRI-checked	41	TR / EN	None
ANADOLU EFES	2019	2020	GRI	Core	GRI-checked	42	TR / EN	UNGC and the UNGC CEO Water Mandate
ANEL ELEKTRİK	2019	2020			Self-declared	161	TR	None
ARCELİK	2019	2020	GRI	Core	GRI-checked	128	TR / EN	UNGC, SDGs, WEPs
ASELSAN	2019	2020	GRI	Core	GRI-checked	126	TR / EN	None
AYGAZ	2019	2020	GRI	Core	GRI-checked	75	TR / EN	None
BRISA	2019	2020	GRI	Core	GRI-checked	36	TR / EN	None
COCA COLA İÇECEK	2019	2020	GRI	Core	GRI-checked	195	TR / EN	Communication on Progress (COP) UNGC WEPs.
DOĞAN HOLDİNG	2019	2020	GRI	Core	GRI-checked	101	TR / EN	Communication on Progress (COP) UNGC
DOĞUS OTOMOTİV	2019	2020	GRI	Core	GRI-checked	193	TR / EN	UNGC
ENERJİSA ENERJİ	2019	2020	GRI	Core	GRI-checked	60	TR / EN	WEPs.
ENKA İNŞAAT	2019	2020	BIST	B level	GRI-checked	215	TR / EN	None
EREĞLİ DEMİR ÇELİK	2019	2020	GRI	Core	GRI-checked	211	TR / EN	None
FORD OTOSAN	2019	2020	GRI	Core	GRI-checked	73	TR / EN	UNGC

Name of the organization	Reporting Period	Pub. Year	Type of the rep.	Application level	Status	Vol.	Lang.	References
GARANTI BANKASI	2019	2020	GRI	Core	GRI-checked	586	TR / EN	UNGC WEPs
IS BANKASI	2019	2020	BIST	A level	GRI-checked	340	TR / EN	UNGC
KEREVITAS GIDA	2019	2020	GRI	Core	GRI-checked	47	TR / EN	Processed Foods Guideline of Sustainability Accounting Standards Board (SASB).
KOC HOLDING	2019	2020	GRI	Core	GRI-checked	68	TR / EN	UNGC WEPs
KORDSA TEKNIK TEKSTİL	2019	2020	GRI	Core	GRI-checked	100	TR / EN	UN Global Compact International Finance Corporation IFC's Performance Standards on Environmental and Social Sustainability
LOGO YAZILIM	2019	2020			Self-declared	68	TR / EN	None
MIGROS TICARET	2019	2020	GRI	Core	GRI-checked	Online	EN	Swiss GAAP FER
NETAS TELEKOM	2019	2020			Self-declared	204	TR / EN	None
OTOKAR	2019	2020	GRI	Core	GRI-checked	45	TR / EN	UNGC WEPs
PETKİM	2019	2020			Self-declared	196	TR / EN	None
POLİSAN HOLDİNG	2019	2020	GRI	Core	GRI-checked	67	TR / EN	None
SABANCI HOLDİNG	2019	2020	GRI	Core	GRI-checked	69	TR / EN	WEPs
SİSE CAM	2019	2020	GRI	Core	GRI-checked	42	TR / EN	None
SODA SANAYİİ SOK MARKETLER TICARET	2019	2020	GRI	Core	GRI-checked	38	TR / EN	None
T. HALK BANKASI	2019	2020	GRI	Core	GRI-checked	89	TR / EN	None
T.S.K.B.	2019	2020			Self-declared	31	TR / EN	SKB Sustainability Bond Framework.
TAT GIDA	2019	2020			Self-declared	online	TR / EN	None
TEKFEN HOLDİNG	2019	2020	GRI	Core	GRI-checked	121	TR / EN	None
TOFAS OTO. FAB.	2019	2020	GRI	Core	GRI-checked	65	TR / EN	None
TUPRAS	2019	2020	GRI	Core	GRI-checked	98	TR / EN	None
TURK HAVA YOLLARI	2019	2020	GRI	Core	GRI-checked	117	TR / EN	TS EN ISO 14064-3: 2007

Name of the organization	Reporting Period	Pub. Year	Type of the rep.	Application level	Status	Vol.	Lang.	References
TURK TELEKOM	2019	2020	GRI	Comprehensive	GRI-checked	111	TR / EN	None
TURK TRAKTOR	2019	2020	GRI	Core	GRI-checked	90	TR / EN	None
TURKCELL	2019	2020	GRI	Comprehensive	GRI-checked	128	TR / EN	GSMA SASB
ULKER BISKUVI	2019	2020	GRI	Core	GRI-checked	63	TR / EN	Sustainable Accounting Standards Board (SASB). United Nations Sustainable Development Goals (SDGs)
VAKIFLAR BANKASI	2019	2020	GRI	Core	GRI-checked	518	TR / EN	Sustainability Accounting Standards Board's (SASB) Provisional Standard for Commercial Banks GRI Financial Services Sector Supplement
VESTEL	2019	2020			Self-declared	36	TR / EN	None
YAPI VE KREDI BANK.	2019	2020	GRI	Core	GRI-checked	117	TR / EN	None
ZORLU ENERJI	2019	2020	GRI	Core	GRI-checked	122	TR / EN	UNGC

Out of 56 companies listed in BIST sustainability index in 2019 only 50 have published sustainability reports in 2020 reporting environmental social and economic activities in 2019. 7 of them are self-declared, 2 are rated based on BIST sustainability index criteria and 41 are arranged based on GRI standards. Out of 41 GRI reports 3 are rated as comprehensive and 38 were prepared based on Core standard. According to the data collected' most of the reports are available in both Turkish and English.

Regarding number of pages 22 companies prepared reports with the volume less than 100. 2 reports weren't published and are available on the companies' websites. 26 reports encounter more than 100 pages. Out of 26 reports 2 have more than 500 pages.

14 companies refer to UNGC membership, 7 out of 50 support the Women Empowerment Principles (WEPs), 4 companies refer to Sustainability Accounting Standards Board, 22 companies did not provide any references. 17 organizations listed in the Index have not been publishing a separate sustainability report but included it into their annual reporting.

7. Conclusion

Sustainability reporting is a part of corporate reporting system which presents economic, environmental, and social business activities to public and investors. In Turkey is prepared on the voluntary basis similar to the worldwide practices.

The reporting is generally based on GRI international framework, however in Turkey in line with GRI criteria BIST sustainability index was introduced to evaluate sustainability reporting. As the collected empirical data shows, most of the enterprises prefer to follow GRI Core standards.

Sustainability reporting makes company's activities transparent for government, public and investors. It can be considered a way of communication between stakeholders and the audience. To spread the idea of sustainability reporting companies can be obliged to prepare GRI sustainability reporting guidelines to be included into the BIST sustainability index. It will increase Index credibility for local and international investors.

Establishing direct or indirect relationships with all stakeholders in the business so that they can more easily access the non-financial information they need to run their business will increase their trust in the company. Thus, the company will have acquired the necessary capital at a lower cost. In the future, as the number of published business sustainability reports increases, the trust of the stakeholders in the business will also increase.

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