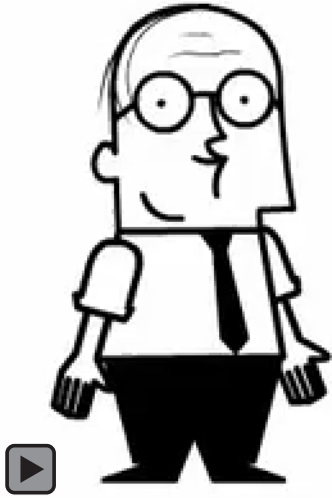


- Financial Savings
- Continual growth
- Let Customers Find You
- Sparking innovation
- Sense of belonging strengthens
- Increasing the social quality
- Penetrating new markets
- Markets and companies monitor each other
- Getting cheap financing
- Increasing reputation on national and global level

# SUSTAINABILITY REPORTING BETWEEN 2004-2014 in **TURKEY**





## CONTENTS

### ■ THE AIM OF THE WORK

### ■ DATA COLLECTION AND THE METHOD

### ■ CONSTRAINTS ENCOUNTERED IN THE COURSE OF RESEARCH

### ■ RESEARCH FINDINGS

1) By Capital Structure .....	9
2.) By Their Types .....	9
3.) On Sectoral Basis .....	10
4.) By Their Location .....	11
5.) By Average Lifespan of the Companies .....	11
6.) By Average Annual Revenue and Employees .....	11
7.) By State of Being Publicly Traded ( as of 31.12.2014) .....	12
8.) By State of Labor Union .....	12
9.) By Educational Status of Employees .....	12
10.) Chamber of Industry and the Rankings of Fortune .....	13
11.) By Rewards for Sustainability Activities .....	13
12.) By periods of Reporting .....	13
13.) By Total Number of Pages .....	14
14.) By GRI Certification and External Auditing .....	14
15.) By Receiving Consultancy During the Preparation of Reports and by Winning an Award .....	15
16.) By Reduction Amounts of Co2 Stated in Reports on Greenhouse Gas Emission (Co <sub>2</sub> ) .....	15
17.) Reduction Amounts Stated in Reports on Electricity Consumption (Kwh) .....	16
18.) Reduction Amount Stated in Reports on Water Consumption (m <sup>3</sup> ) .....	17
19.) By Performance of Afforestation (Number) .....	17
20.) By Performance of Paper Saving (by tons) .....	17
21.) By Performance of Recycling (by tons) .....	18
22.) By Profitability Rates of Sustainability Activities (by Turkish lira) .....	18
23.) Social Activities .....	19
24.) Economic Activities .....	19
25.) By Level of Imposing Regulation on Suppliers .....	19
26.) Yzgzzyy&ul &{ yzgd ghoo&kvuxzd m& &{ xk€ .....	20

# SUSTAINABILITY REPORTING BETWEEN 2004- 2014 IN TURKEY

## Preface

**T**he impact of business world on our behavior and habits has reached to an incontrovertible level. Because the essence of everything we use is soil and absolutely manufactured by an economic organisation and submit to human use by the support of the peripheral services such as shipping, trade, salesman, delivery. Therefore companies are at the forefront of 'sustainability' activities which aims to prevent blunting and even destruction of capabilities of Earth that nurtures human and humanity.

Therefore, the business world has quite challenging responsibilities as a part of society. Societies, now being aware of this case, hold not only the profitable, but also those contribute to sustainability of workers, customers, supplier, their nation and Earth in high esteem.

Because of the fact that traditionally financial statements which became widespread with the Industrial Revolution does not wholly reflect the performance of companies of today, sustainability reporting stands out as a new 'benchmark'.

Defined as the ability of meeting the needs of the present without compromising the ability of future generations to meet their own needs, sustainability has become a new paradigm of economic development and business model of global companies as a result of the improvement of reporting and auditing standards underpinned by strong scientific framework.

The objective of this work to define when and how Turkish companies began 'sustainability reporting', how much progress they made, distance they covered in terms of this aspect and where they are now. Base on a fact that "where there is nothing there is reporting", so in this report we will take a closer look at the reflections of universal principles of sustainability on the economy of Turkey.





## THE BENEFITS OF SUSTAINABILITY REPORTING

The journey of the companies those made the principles of sustainability as their 'strategic action plan' completed with three main phases: operations, reporting and auditing. Those companies adopt sustainability as a corporate philosophy should designate their main strategies first, then carry out necessary activities as part of the plan they make. Finally, all the activities made taken into consideration in reporting and reports to should subject to external auditing.

### 1) Financial Savings

Companies that ground their business on the principles of sustainability reduce their production and operations costs significantly. %90 of environmental cost as being the heaviest cost can be recovered in a short period of five years.

### 2) Continual growth

By the decreased costs of manufactured goods, competitive edge gaining company secures high profit margin and capable to serve wider group of costumers.

### 3) Let Customers Find You

Many global companies such as Wal-Mart and domestic companies that are sensitive about sustainability require their suppliers to conform to the principles of sustainability, also inspect them and even require them to make written commitment.

In other word, to define action plan in the light of sustainability principles is now an obligation in order to enter into the supply chains of global companies.

### 4) Sparking innovation

It is a must to make innovations in order to reduce production cost and operations expenditures. With this notion, along with conventional means of management, original ideas are welcomed and innovation is favored and promoted. In this way, companies stand out with their unordinary act of plan. For example, the half of the total patent pleas in Turkey are filed by Arçelik.

### 5) Sense of belonging strengthens

When companies contribute to society and bring solutions to the problem of humanity, employees feel valued and are held in higher regard in the eyes of their family and friends, thus they are efficiently begun to give back to the organization with higher commitment.

### 6) Increasing the social quality

Personal rights and paying attention to social and cultural needs of employees are part of 'sustainability activities'. By this reason the companies which must take employee training in to consideration, on

one hand donate their employees more qualification by education, on the other hand increasing the number of employees that are both trained and become unintentionally a role model to the people, also contributes to the social quality and civil peace.

### **7) Penetrating new markets**

We live in world that is dubbed as 'global village' where significant number of consumers favor consuming eco-friendly products. Brand loyalty and prices are of secondary importance. Therefore marketing efforts gets far less burdensome for companies as long as they display sustainability attitudes and are externally audited.

### **8) Markets and companies monitor each other**

Sustainability reports are followed closely by stakeholders, competitors, bureaucrats and sector leaders of other countries. By the virtue reporting, from CEO's of companies that declare reports to mid-level managers, all staff check up on each other in order to compare their current performance with the previous ones and also they rendering markets in positive way by setting future target that creates synergy.

### **9) Getting cheap financing**

Companies that are externally audited and produce sustainability reports on regular basis position themselves as leaders on local and global level. With this, they have the privilege of getting cheap financing with convenient maturity and interest rates.

On the other hand, while investments that have environmental risk are more difficult to get financing for, eco-friendly investments attracts easy and cheap financing.

### **10) Increasing reputation on national and global level.**

Given the fact that 51 of the top 100 economic actors on the world are not states but companies, the regulations widen day by day. This case prompts the foremost companies to be more sensitive about the principles of sustainability.

For example; The Directive of European Parliament in 2014 required large public-interest entities with more than 500 employees to report on environmental, social- and employee-related, human rights, and anti-corruption and bribery matters. Similar requisitions are made also by SEC and UN.

As you can see, embracing principles of sustainability is one of the way for a company which wants to be favored and active in international lobbying groups, tenders and partnership negotiations.



## THE AIM OF THE WORK

From the politics to the business world, sustainability, beyond being just a new 'buzzword', is a concept that has gained acceptance among many circles. This work aims to examine the influence of this concept on Turkish business world.

We are going to see the general view of Turkey in terms of sustainability which became a literature in 1987 and has been debated about since then. It is gratifying to see the paradigm change in increasing momentum.

## DATA COLLECTION AND THE METHOD

Carrying out activities by the principles of sustainability, reporting and submitting these reports to an external auditor is completely optional. In this work, I mainly benefited from sustainability reports that institutions and organizations prepared and shared with public opinion.

I benefited from web sites of companies and a special internet platform called 'kurumsal sürdürülebilirlik' so as to obtain these reports. In addition, I took annual reports and even advertisement booklets of relevant institutions and organizations such as Kap, Bist, Istanbul Chamber of Industry into account and I objectively classified the positive and negative outcomes of the financial, environmental and social activities of these institutions and organizations.

If this scientific work will be successful at increasing the number of sensitive institutions and organizations that will contribute to the economy of Turkey, society and environment; that will relieve our tiredness.

## CONSTRAINTS ENCOUNTERED IN THE COURSE OF RESEARCH

The flexibility and liberty in sustainability reporting as being the main constraint has influenced the outcome of this work. Because there is no uniformity of data in reports, there are measurement and unit values and formats different from each other. This case complicated the collection and classification of whole data.

It can be observed that most of the reports are certified by GRI and some of the reports which stand out as list of corporate social responsibility activities are included as sustainability reports as well. On the other hand, reports that serve as only an advertisement booklet are excluded.

Another constraint is that even though %80 of companies that prefer annual sustainability report, practically they release one and half, two or three yearly reports. This has been an inconvenience and have a negative impact on this study.

Sustainability reports of 'holding companies' are another constraint. Because the leading holding companies in our country states consolidated figures in their reports. But the better part of these stated figures derives from its subsidiaries. I tried to avoid any repetition of these figures at maximum.

Finally; industrial companies in particular do not recognize common criteria regarding the negative impact on environment and do not state their budget allocated for social activities; most importantly, lacking monetary equivalent of returns of sustainability operations is the biggest shortfall of the sustainability reports.



## RESEARCH FINDINGS

81 companies, institutions and organizations in total that declared 'Sustainability Report' as of 31.12.2014 featured in this research.

I classified my findings in 26 different categories.

### 1) By Capital Structure

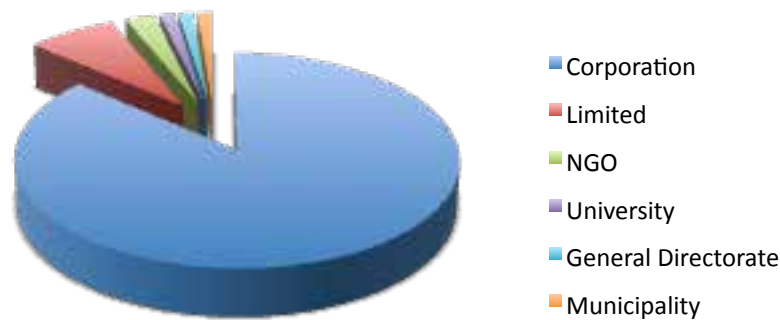
Private sector	77
Public institution	4
<b>Total</b>	<b>81</b>



Upon classifying these 81 establishments in question by their capital structures, we observed that 77 of them are private establishment and only 4 of them are public establishment.

### 2.) By Their Types

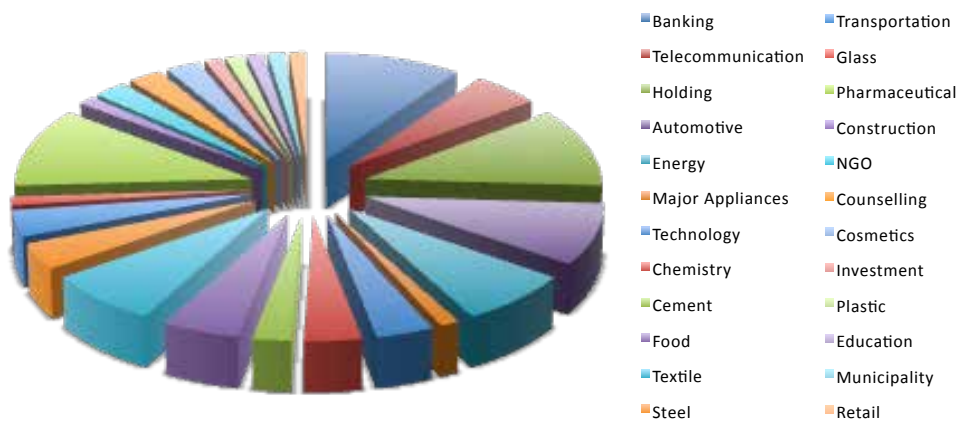
Corporation	70
Limited	6
NGO	2
University	1
General Directorate	1
Municipality	1
	<b>81</b>



In terms of legal entity, our research led us to that 93.8% of these establishments that produce sustainability report are commercial company.

### 3.) On Sectoral Basis

Banking	8
Telecommunication	4
Holding	9
Automotive	7
Energy	6
Major Appliances	1
Technology	3
Chemistry	3
Cement	2
Food	4
Textile	6
Steel	3
Transportation	3
Glass	1
Pharmaceutical	9
Construction	1
NGO	2
Counselling	2
Cosmetics	2
Investment	1
Plastic	1
Education	1
Municipality	1
Retail	1
	81



The reputation and strength of companies that declare 'sustainability report' is as much important as

their sector in which they operate. In the real sector and banking as locomotive power of the economy, dominant companies definitely declare report and sensitivity about reporting increases every year.

#### 4.) By Their Location

Istanbul	64
Ankara	4
İzmir	3
Bursa	3
Kocaeli	2
Adana	1
Hatay	1
Zonguldak	1
Çanakkale	1
Kayseri	1



There are 69 companies in Istanbul, Bursa and Kocaeli thus Marmara region hosts %85 of companies that carry out sustainability activities and declare report when compared to the total. We are not surprised to see that Marmara region is the leader of sustainability reporting considering the region provides more than half of tax revenues in the country.

#### 5.) By Average Lifespan of the Companies

As of the end of 2014, average lifespan of companies that declare sustainability report is 46.7. Considering 12 years is the average lifespan of 300.000 active and 300.000 inactive companies, well-established companies pay more attention to sustainability.

#### 6.) By Average Annual Revenue and Employees

Total annual revenue: 3.592.000.000 TL ( could not reach the information of 8 ones)  
 Average annual revenue: 49.205.479 TL (could not reach the information of 8 ones)  
 Total number of employees: 363.092 ( There is no information about 5 of them)  
 Average number of employees: 4.777 (There is no information about 5 of them)

363.000 is an important number when we look at the number of employees in companies that declare sustainability report. Even though the bigger part of society is not aware of the concept of sustainability,

especially by establishments that have close relations with the public such as banks, major appliances companies, municipality and universities handles this issue, it is possible to say that they notice the positive changes this concept brings about in their daily lives.

**7.) By State of Being Publicly Traded ( as of 31.12.2014)**

Number of Companies Open to the Public: .....	425
Number of Public Companies that Declared Sustainability Report: .....	34
Rate of Number of Comp. that Declared Report to the Number of Public Comp.: .....	%8.0
Market value of public companies: .....	62.833.208.000 TL
Market Value of Companies that Declared Report: .....	332.855.052.400 TL
Rate of Companies that Declared Report to the Market Value : .....	53.6

We completed this research on 31st December, 2014, and as of that date, the rate of public companies that declared sustainability report seems low. But the total market value (not MCAP) of public companies that declared report is 332 billion liras and the rate of this amount to the total market value of BIST (Borsa Istanbul/Istanbul Stock Exchange) companies is more than half. In other words, the assets size of companies that declare sustainability report is quite big.

**8.) By State of Labor Union**

Unionized companies :28  
 Total union members :147.556 employees

Easing the life is the core of sustainability ethics. All principles are meant for that end. The concept of sustainability places great importance to the activities of unions which aims to alleviate concerns of employers and to protect acquired rights.

One-third of companies that declare report is unionized and the rate of employees that are member of 8 different unions to the total number of employees is %40.

**9.) By Educational Status of Employees**

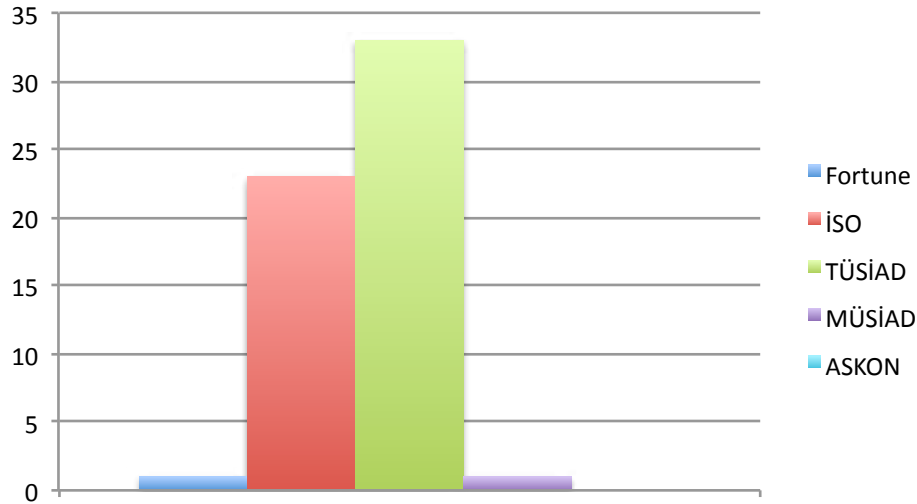
Companies that Provide Education: 52  
 The Average of Educational Hours : 29

The most essential sign of a company that has attained ‘**corporate consciousness**’ enough to produce a sustainability report is the importance it places on human resources. Indeed, when reports are examined, we are seeing companies allocate more and more resources to education and they are being more meticulous about reporting these activities which increases the overall quality and strengthens the sense of belonging of employees.



## 10.) Chamber of Industry and the Rankings of Fortune

Fortune [On FORTUNE List ]	1
İSO	23
TÜSiAD	33
MÜSiAD	1
ASKON	-



## 11.) By Rewards for Sustainability Activities

81 establishments in the country showed economic, social and environmental intelligence in the context of sustainability and they reported these activities at certain periods. 62 companies in total are deemed worthy of national and international awards for both their activities and reports. Gained awards per company are 8.

## 12.) By periods of Reporting

Annual	62
1,5 Year	1
Biennial	17
Triennial	1

Even though there are certain standards determining the disposition of a report, that there is no penal repercussion for negligence of inspection and standards caused some companies to produce reports that are negatively flexible in terms of content, format, presentation and data. That those companies also were not diligent enough in reporting by periods aggravated our ability to make comparison.

### 13.) By Total Number of Pages

Minimum	13
Maximum	308
The Average	76

While number of pages is not of major importance in qualitative aspects, it indicates that activities regarding sustainability brings about a lot of things to write about. More than half of the reports have illustrated parts and the average of total number of pages seem reasonable.

### 14.) By GRI Certification and External Auditing

Types of standards	Number of reports	Externally audited	Reports with GRI certificate
GRI G3 A	12	8	12
GRI G3 B	15	2	14
GRI G3 C	21	5	11
GRI G4 A	2	1	1
KSS-UNGC	7	-	-
UNGC BM	9	-	-
<b>Total</b>	<b>66</b>	<b>16</b>	<b>38</b>

The most known organization that determines guidance for sustainability reporting, The Global Reporting Initiative (GRI) is an international pioneer in sustainability reporting with many stakeholders.

The first version of the guidelines was launched in 2000. In 2002 the guidelines were revised and GRI launched the second generation of guidelines, the G2. The third generation of guidelines, the G3, were launched in 2006 then GRI published the G3.1, and finally it published the G4 in 2013. The biggest innovation of the G4 is that it abolished the previous application levels.

Reports that will be published as of 31.12.2015 have to comply with the guidelines of G4 so this table above is going to change in the forthcoming years.

## 15.) By Receiving Consultancy During the Preparation of Reports and by Winning an Award

Types of standards	Those received consultancy	Externally audited	Internationally awarded for reporting
GRI G3 A	10	8	2
GRI G3 B	14	2	1
GRI G3 C	6	5	3
Not stated	4		-
GRI G4 A	1	1	1
KSS-UNGC	2	-	-
UNGC BM	6	-	-
<b>Total</b>	<b>39</b>	<b>16</b>	<b>6</b>

The table above is prepared with the latest reports. Therefore the data from previous years may be a matter of another research. But it is certain that the number of companies receiving consultancy and external auditing is increasing.

We observe that all of the companies who win an international award for sustainability reporting receives external auditing or consultancy service.

### ► ECOLOGICAL FOOTPRINT RESULTS

## 16.) By Reduction Amounts of Co<sub>2</sub> Stated in Reports on Greenhouse Gas Emission (Co<sub>2</sub>)

Number of establishment that produce report	44	
Number of establishment that did not give disclosure	37	
<b>Total</b>		Total amount of (Co <sub>2</sub> )
Those reduced greenhouse gas emission	34	3.801.785
Those increased greenhouse gas emission	10	

Aiming to improve the 'the science of sustainability', Global Footprint Network(GFN) introduced the concepts such as biocapacity and carbon footprint.

GFN devised a method to measure how much earth and water is required to compensate ecological resources that are consumed by total population of Earth, continents and nations. They named this method as 'ecological footprint'.

According to their report of 2007, it takes 16 months for Earth to compensate for what humanity consumes in a year. This means , we need 1.3 Earths. In other words, we are using more than 1.3 Earth's

worth of resources to sustain our lifestyles.

Again, according to the statistics of this organization in 2003, the total biocapacity of Earth is 12 million global hectares and biocapacity per capita is 1.78 global hectares.(when the population of 6.3 billion is taken into account)

In 2003, ecological footprint of Earth is 2.23 global hectares. This number indicates that we exceeded the biocapacity level of Earth by %25. The data shows biocapacity level of the UK per capita is 1.6 gha, her ecological footprint is 5.6 and in this case the UK requires 3.5 Planet Equivalents.

Being a major country in terms of biocapacity, the biocapacity of the USA per capita is 4.7 gha and her ecological footprint is 9.6 gha. Thus, the USA needs 2.04 Planet Equivalents.

The biocapacity of Africa in general is 1.3 gha, her ecological footprint is 1.1. Therefore she needs 0.85 Planet Equivalents. Biocapacity of other countries has been calculated as well. We cannot predict how much more China will exceed her biocapacity with this development pace, but she has already exceeded 2.5 times. Russia has nearly depleted her enormous capacity.

These facts necessitated the reporting of positive and negative impact of economic activities. At this point, it hard to say that Turkish companies developed common language regarding this matter. But if comparable pool of data on sectoral basis is published in the forthcoming years, this will improve the quality and credibility of the reports.

**17.) Reduction Amounts Stated in Reports on Electricity Consumption (Kwh)**

Number of Establishment That Produce Report	50	
Number of Establishment That Did Not Give Disclosure	31	
<b>Total</b>	<b>81</b>	The Total Amount of Electricity Saved (kwh)
Those Who Reduced Electricity Consumption	38	6.779.461.768 .-
Those Who Increased Electricity Consumption	12	.-

The biggest item on the foreign trade deficit of Turkey, energy import cost 39 billion American dollars in the first 8 months of 2012. Considering the increasing demand for energy, energy sector has to follow the principle of domestic or renewable energy production in order to secure the energy supply of Turkey.

Sustainability reports show that 38 one of 50 establishments which disclosed the environmental impact of their activities reduced their electricity consumption while 12 of them increased their consumption. Details of the reports indicate that electricity consumption increases while total production output increase but consumption per unit is decreased.

**18.) Reduction Amount Stated in Reports on Water Consumption (m<sup>3</sup>)**

Number of Establishment that Produce Report	44	
Number of Establishment That Did not Give Disclosure	37	
<b>Total</b>	<b>81</b>	The Total Amount of Water Saved (m <sup>3</sup> )
Those Who Reduced Electricity Consumption	35	6.404.635 .-
Those Who Increased Electricity Consumption	9	.-

In its Human Development Report in 2006, United Nations drew scary conclusions about water, stating that "Water and hygiene is the problem of the poor. Every two person out of three who cannot access to safe clean water earn less than 2 dollars and more than 660 million people who live under unhygienic conditions earn less than 2 dollars and more than 385 million people earn less than one dollar"

Serving clean water for all humanity and establishing consciousness in individual and society basis are some of the main goals of the sustainability principles. The companies here take this principles into account in their production and they reduced water consumption by units through extended investments.

**19.) By Performance of Afforestation (Number)**

Number of Establishment That Produce Report	22
The Amount of Paper Saved (by tons)	2.832.728

22 companies that carried out afforestation near their main location or working site so as to protect natural life and biodiversity. According to their latest reports, those companies planted almost three million saplings. Significant number of companies raised mass consciousness through introducing these activities as part of corporate project and secured the continuity of projects as well.

**20.) By Performance of Paper Saving (by tons)**

Number of Establishment That Produce Report	22
The Amount of Paper Saved (by tons)	774.455

Banks, holding and companies that employ packaging intensively are especially conscious about paper saving. By saving 774.00 tons of paper, they saved 13 million trees.

## 21.) By Performance of Recycling (by tons)

Number of establishment that produce report	42
The amount of recycled parts (by tons)	8.848.827

We can observe in the reports that there is a reluctance in terms of recycling data reporting. At first glance it may be seen high relatively but it is insufficient in our opinion. The Brundtland Report emerged out of environmental concerns. Reporting the activities may be seen as a major burden to companies but disclosure about the processes which have negative impact on environment is the measure of sincerity about sustainability.

## 22.) By Profitability Rates of Sustainability Activities (by Turkish lira)

Number of Establishment That Produce Report	10
The amount of recycled parts (by tons)	107.202.400

Usually, industrial companies create projects and publish their progress in the area of sustainability. Because the activities that they carry out has high level of economic, environmental and social impacts.

That monetary gain from sustainability activities is presented in the report has encourage other firms to give disclosure as well. For now, those who declared their monetary gains from sustainability activities on the basis of Turkish lira has been %15.

Among numerous benefits of Sustainability Reports, we give the most weight to the headings of this chapter are respectively: The contributions of a company to society through cultural, social, environmental, artistic etc. activities will also contribute to its corporate memory. This measurements are useful in setting new targets through comparing the previous ones, thus the company will improve itself each year. The company as a role model to sectoral companies and relevant organizations will create a butterfly effect.

### ► SOCIAL PROJECTS

The main goal of each company that prepare report is to disclose all positive and negative economic, social and environmental impacts of their commercial activities transparently.

Especially financing companies that are in close connection with their clients and establishments that are sensitive to this case in terms of brand awareness place great emphasis on creating social effects sections. Thus, social issues are widely presented in sustainability reports.

From occupational health safety to numerous social projects as part of social responsibility, activities revealing the expectations of the public has been presented with narrative nature. Therefore, these social activities of 74 companies is worthy of being a matter of an other research.

### 23.) Social Activities

Number of Establishment That Produce Report	74
Educational, Health, Cultural, Agricultural, Family, Sportive, Husbandry, Life etc.	Many Activities

#### ► ECONOMIC PROJECTS

In this chapter, we took all expenditures, except the advertisement and marketing, of 70 companies into account which allocated financial resources for various activities as part of sustainability.

### 24.) Economic Activities

Number of Establishment That Produce Report	70
Environmental and Extension Investments, Renewable Energy, R&D, Innovations, Foundations and Associations	Many Activities

### 25.) By Level of Imposing Regulation on Suppliers

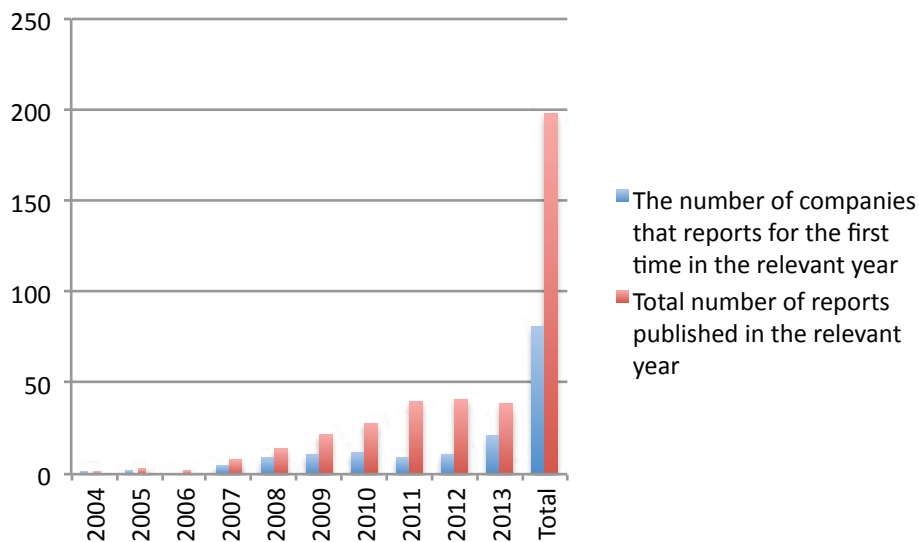
Number of Establishment That Produce Report	44
Expected to	5
Voluntarily	1
On Condition to Comply	8
Prioritized	10
Being Checked	14
Ending the Business Relationship	2
Signing Contract	4

Reports that will be published as of 31.12.2015 have to comply with the guidelines of the G4. One of the most important change the G4 brings is that companies have to give information about their suppliers. As regulations created by companies towards suppliers increase, these suppliers will impose similar regulations on their suppliers, thus the principles of sustainability will bring about 'butterfly effect'.

The results above are taken from the latest reports. Therefore we will see how the markets will react to the multiplier effect when companies begin reporting their suppliers in the forthcoming years.

## 26.) Statistics of Sustainability Reporting in Turkey

Reporting Year	The number of companies that reports for the first time in the relevant year	Total number of reports published in the relevant year
2004	1	1
2005	2	3
2006	-	2
2007	5	8
2008	9	14
2009	11	22
2010	12	28
2011	9	40
2012	11	41
2013	21	39
<b>Total</b>	<b>81</b>	<b>198</b>



Non-financial reporting gained attention at the beginning of 90's and it was widely recognized in 2000's. The number of companies that publish sustainability reports were less than a hundred in 1993 in the USA, but it increased to 1.500 in 2005. In other words, this number comprises %68 of the top 250 companies on Fortune 500 list.

Considering the developments in our country, **the table above is probably the most special part of this work. As you see there is only one report published in 2004. As of 31.12.2014, 81 companies published 198 sustainability reports in total.**

With the increase in the number of companies and reports that provides researchers more source that will increase the chance of making diversified research





