DOKUZ EYLÜL UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF BUSINESS ADMINISTRATION
BUSINESS ADMINISTRATION PROGRAM
MASTER'S THESIS

FUTURE OF FINANCIAL REPORTING: ADVANCEMENTS OF INTEGRATED REPORTING

Mert SARIOĞLU

Supervisor
Prof. Dr. Ali Fatih DALKILIÇ

İZMİR-2018

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DECLARATION

I hereby declare that this master's thesis titled as "Future of Financial Reporting: Advancements of Integrated Reporting" has been written by myself in accordance with the academic rules and ethical conduct. I also declare that all materials benefited in this thesis consist of the mentioned resources in the reference list. I verify all these with my honour.

…./…./2018

Mert SARIOĞLU

ABSTRACT

Master's Thesis

Future of Financial Reporting: Advancements of Integrated Reporting

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In the 21st century's business world, it's inevitable to be affected by the rapid changes in terms of companies. There's no doubt that their current reporting practices have been impressed by changes as well. Though investors, shareholders and stakeholders want to be informed more in a simplest way, many stand-alone and genuinely long reports have been still prepared by companies to demonstrate their financial and non-financial outcomes such as financial reporting, environmental, social and governance (ESG), and sustainability reporting. However, it's inadequate to assess them separately to see entire story. Additionally, creating value side of current reports are still being debated. Therefore, corporate reporting must move a step forward to express more with less, which called as "Integrated Reporting" that combines the all pieces of puzzle. It isn't only integrated both financial and non-financial knowledge into a single and brief report, but also integrated thinking of all aspects of businesses in terms of creating value over time.

The leading purpose of this study is to emphasize advancements of integrated reporting to explain its effects on businesses, and investors, shareholders and stakeholders, which is based on literature review, identifying public circular, and analyzing the first integrated report of Turkey. The findings indicate that it's crucial to comply with integrated reporting. This study is essential because it's a newly developing issue in Turkey, and has started to perform substantial role on its external and internal environment. It

is expected to contribute to literature, subsequent studies, and companies and stakeholders.

Keywords: Integrated Reporting, Financial Reporting, Corporate Governance.

ÖZET

Yüksek Lisans Tezi

Finansal Raporlamanın Geleceği: Entegre Raporlamanın Getirdiği Yenilikler

Mert SARIOĞLU

Dokuz Eylül Üniversitesi

Sosyal Bilimler Enstitüsü

İngilizce İşletme Anabilim Dalı

İngilizce İşletme Yönetimi Programı

21. yüzyılın iş dünyasında şirketler açısından hızlı değişimlerden etkilenmek kaçınılmazdır. Firmaların mevcut raporlama uygulamalarının da değişikliklerden etkilendiğinden şüphe yoktur. Yatırımcılar, hissedarlar ve paydaşlar daha basit bir şekilde bilgilendirilmek isterlerse de, şirketler tarafından finansal raporlamalar, çevresel, sosyal ve yönetişim (ESG) ve sürdürülebilirlik raporlamaları gibi finansal ve finansal olmayan sonuçların ortaya konulduğu birçok bağımsız ve gerçekten uzun raporlar hala hazırlanmaktadır. Fakat bu raporların ayrı ayrı değerlendirmesi bütün hikâyeyi görmek için yetersiz kalmaktadır. Buna ek olarak, mevcut raporların değer yaratan tarafları hala tartışılmaktadır. Bu yüzden kurumsal raporlama daha fazlasını daha azıyla ifade etmek için bir adım ileriye gitmelidir, bu yapbozun tüm parçalarını bir araya getiren "Entegre Raporlama" olarak adlandırılmaktadır. Bu hem finansal hem de finansal olmayan bilgilerin tek ve kısa bir raporda birleştirilmesi değil, bunun yanında zaman boyunca değer yaratma açısından işletmelerin tüm yönleriyle bütünleşik düşünülmesidir.

Bu çalışmanın başlıca amacı; literatür taramasına, yayınlanın resmi sirkülerlerin incelenmesine ve Türkiye'nin ilk entegre raporunun analiz edilmesine dayanarak entegre raporlamanın getirdiği yeniliklerin vurgulanması ve bunun işletmelere, yatırımcılara, hissedarlara ve diğer menfaat sahiplerine olan etkilerini açıklanmasıdır. Bulgular entegre raporlamaya uyum sağlamanın çok önemli olduğunu göstermektedir. Bu çalışma, Türkiye'de yeni gelişmekte olan bir konu olması ve dış ve iç çevre üzerinde önemli bir rol oynamaya

başladığı için önemlidir. Bu çalışmanın literatüre, sonraki çalışmalara ve şirketlere ve paydaşlara katkıda bulunması beklenilmektedir.

Anahtar kelimeler: Entegre Raporlama, Finansal Raporlama, Kurumsal Yönetim.

FUTURE OF FINANCIAL REPORTING: ADVANCEMENTS OF INTEGRATED REPORTING

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ABBREVIATIONS

A4S	The Prince's Accounting for Sustainability Project
ACCA	Association of Chartered Certified Accountants
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IoDSA	Institute of Directors of Southern Africa
IR	Integrated Reporting
OECD	Organizational for Economic Co-operation and Development
p.	Page
pp.	Pages
SMEs	Small and Medium Sized Enterprises
U.N.	United Nations
U.S. GAAP	The Generally Accepted Accounting Principles

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INTRODUCTION

The term “Integrated Reporting” (IR) that has been emerged because of the expanding scope of business world, is going to be vitally considerable corporate reporting tool for the following decades. Today, many businesses might still stranger with the term IR, but it is strongly expected that they will keep up with IR soon in a complete way. Besides, it is preferred to give priority to corporate governance which is the starting point of the whole story, before exhibiting IR profoundly. After a certain point, companies have grown their business unimaginably, and have expanded it into various areas for many reasons. However, all these movements directly led them to encounter some unforeseen management difficulties, conflicts of interest, and to raise their overall responsibilities against its environment and increased number of participants, shareholders, and stakeholders in their relations in the matter of integrity, reliability, transparency, accountability. To deal with all, corporations and companies took advantages of corporate governance concept and its principles (OECD, 2015) as well as IR as a new tool of today’s corporate reporting to meet all needs of internal and external environment of business.

It is known that there are various forms of reporting practices that are prepared mandatory or voluntary by companies under the name of corporate reporting to fulfill expectations of investors, shareholders and stakeholders. These reports essentially consist of both financial and non-financial data about companies’ operations to present current appearance of business. Financial reporting is one of the output of it which is known as a core and an indispensable tool of corporate reporting because it’s a prerequisite requirement to show financial view of any business. In the last decades, investors, shareholders and stakeholders have insisted on obtaining more knowledge than ever before due to the social and environment problems, financial crisis and corporate scandals (e.g. climate change, WorldCom, Volkswagen emissions and Toshiba’s accounting scandals). In addition, intangible assets improved to 84% of the S&P 500's value in 2015 report (Stathis, 2015). Accordingly, it is deficient to take only financial reports into account due to the lack of highlighting intangible value of businesses and meeting the today’s needs. Therefore, stakeholders started to interest in non-financial side (Eccles and Sarafeim, 2011) that led companies to prepare and publish non-financial reports voluntary such as ESG, CSR and sustainability reports in addition to their addiction of financial reporting. However, these independent reporting were only a temporary solution that caused to discuss on the lack of relation between these reports (Robertson and Samy, 2015) which created a huge gap and inconsistency between each other. At this stage, some questions come into minds instantly in compliance with the missing parts among these reports; what's the association between these reports? Are investors, shareholders and stakeholders ready to construct and think on this relation? How these reports construct a value for future and its external environments as well as for business's performance? Moreover, financial reports contain only the data of related fiscal year or period and short-term goal oriented, which is incapable of foreseeing another major point such as non-financial results, business threat, troubles and future. Besides, sustainability reports are well-suited to present non-financial effectiveness, but it does not mean that is able to predict its financial effects. Finally, all reasons clearly revealed that these reports are not running well separately in today's conditions. Thus, current corporate reporting activities need to transform into a new method which show relationship between corporate strategy, governance, financial performance and non-financial performance (Tilley, 2012). Due to this reason, current reports must be cooperated with each other which helps its investors and stakeholders to figure out how works are being performed in each point of view. In a word, the communication has been provided on value creation and performance of business. This is a new way of corporate reporting which is named as "Integrated Reporting" (IR) in the literature.

There are many articles, papers and books that defined the collaboration among financial and non-financial disclosure by means of IR, and benefits of it on company performance, and how integrated them into their corporate reports to tell and communicate on value creation story (Eccles and Krzus, 2010a; IIRC, 2011 Eccles and Saltzman, 2011; Adams, 2013). Also, it has been found that IR has a positive impact on company valuation and performance (Appiagyei et al., 2016). Integrated reporting makes the organization accountable about its performance to stakeholders in reaching its vision (long-term) through the use of multi-dimensional (financial, non-financial, social, and environmental) resources (Morros, 2016; 338).

IR is vitally pivotal to overcome complex situations because it's more than an ordinary integration, which is increasing its popularity. The idea of IR has been supported by International Federation of Accountants (IFAC), Global Reporting Initiative (GRI), and The Prince Accounting for Sustainability Project (A4S). Therefore, International Integrated Reporting Council (IIRC) was founded in 2010. IR goes beyond the current reporting tools and a usual integration, which is originated from integrated thinking of business within its all respect (business model, performance and governance) as well as its external environment (financial capitals' providers, stakeholder) by mean of six capitals. The international IR framework was released by IIRC in 2013 to guide the firms, which efforts to point out details about integrated thinking and six capitals as a representative of extensive border of businesses. IR creates value over time, evolves the characteristics of information, and meets the needs of reporting while improving the sense of transparency, accountability, sustainability and manageability of firms (IIRC, 2013a).

IR has been started to prepare mandatory or voluntary by many companies all around the world, which is attracting more and more providers of financial capitals, shareholders and stakeholders intensely. Today, the effects of IR that is started to feel by Turkish companies as well. The actual picture of Turkey shows that the number of academic studies which detect the importance of IR within its all aspects to be guide for Turkish companies, do not meet the expectations. Besides, there were only a small number of organizations that published IR such as Argüden Governance Academy, Turkish Industrial Development Bank, and Çimsa. Furthermore, only a few companies have already proceeded in this regard (e.g. Garanti Bank). Nevertheless, it is expected that the number of companies that compatible with preparing IR, is going to increase in the following years because this attempt has already supported by some foundations such as IIRC, Integrated Reporting Turkey Network (ERTA), TÜSİAD and Borsa Istanbul (BIST). Consequently, these are one of the major reasons of why this study is required to analyze and explain IR.

The fundamental purpose of this study is to put forward the advancements of integrated reporting, and to clarify its effect on company performance, and investor, shareholders and stakeholders by means of literature review, investigating circular of public organizations, and examining and analyzing the first published integrated report in Turkey. This study grounded on qualitative research approach by using both primary and secondary data. This study consists of four main sections to reach its goal which are; Corporate Governance, Corporate Reporting, Integrated Reporting and the International Integrated Reporting Framework and the Analysis of Integrated Report. Thus this study is vitally substantial to contribute the current literature, to keep light for new studies, to be guide and be source for followers' companies as well as to inform investors, shareholders and stakeholders about effects of IR.

CHAPTER ONE
CORPORATE GOVERNANCE

Our world has been evolved and has been changed depending on various factors throughout its long history. These days, it is still intended to change along with the tremendous advancements of the 21st century which will being continued in the following decades as well. In this regard, new changes and improvements have been arisen in each moment of human life as well as business life. In terms of the business environment, there have been many major progressions from the Industrial Revolution to the Industry 4.0 (Lasi et al., 2014, Qin et al., 2016). Additionally, all these actions have already triggered to create an environment where it has been possible to encounter the new comments of academics and new trends of societies. As a consequences of these circumstances, many companies and especially the biggest corporations have been forced to adapt themselves to numerous different conditions and newly emerging terms while facing with many problems. In accordance with the main idea of this chapter, some of these critical issues, trends, and problems of the last decades and today that might be named as the following; sharing ownership of business; increasing number of shareholders, stakeholders and responsibilities of business; financial crises; corporate scandals; agency problems; protecting the benefits of each participants of business; considering the environmental aspects; sustainability, reliability, manageability and transparency of businesses; and accountability and disclosure by means of corporate reporting; and many others. From the perspective of corporations and other sized companies, all of these above can be seen as challenging and complicated cases, but each of them must be taken into account one by one to create a synergy, and to achieve their best in order to improve efficiency, effectiveness, profitability, and to maximize value of the businesses and all the stakeholders. Pleasingly, it is great to have a term in the business literature that covers all of the mentioned above, and many other things which referred to as "corporate governance".

This is the first chapter of the study which aim is to effort to explain the nature of corporate governance within its major points. In this study, it is preferred to begin with this concept because it is recognized as the basis of various considerable issues under the tough conditions of today’s economic system. It is an indispensable concept in terms of businesses world which is one of the best way to understand road to corporate reporting and IR respectively. Correspondingly, this chapter includes four main parts to inform about this topic.

1.1. THE EVOLUTION OF CORPORATE GOVERNANCE AND ITS DEFINITIONS

Corporate governance is a familiar term for many businesses in today’s conditions. Furthermore, corporate governance regime and its principles have been already concentrated by huge amount of corporations for many years, and today it is following by both small and medium sized enterprises (SMEs) as well, in order to prevent new corporate and financial reporting scandals, and various administrative problems among shareholders and managers which means that stakeholders and other participants of organizations. Therefore, it is considered as one of the best system to carry out business which is vitally crucial under the conditions of the capitalist economy, and the highly competitive business environment. Nevertheless, it is always beneficial to take academic aspects into consideration to highlight many different perspectives of corporate governance. There are many articles and books that defined the corporate governance term in different contexts and time periods. However, as will be understood in the following parts, it has not been very easy to specify this term until the last decades because various comments and expressions have been made on this subject. These different views have evolved up to now along with the term corporate governance. In this part, it is preferable to give brief historical evolution of the corporate governance, and its different definitions and scopes in a time sequence to provide better understanding.

1.1.1. The Brief Historical Evolution of the Corporate Governance

There is a common view in the literature that is about the corporate governance concept which emerged from the management structure of nations which can be true for some degree. Today, it might be clearly seen that there are some similar points between the governance of states and the governance of corporations or any size companies which is considered as the basic idea that behind the corporate governance concept. Indeed, only a small part of the story of corporate governance is covered by this analogy that directly arise curiosity about the rest of story. In the reality, new problems have always brought with it new methods and approaches. Therefore, the story of corporate governance began with the emergence of the new problems. In this sense, the history of corporate governance that traced back to "The Wealth of Nations" which has been accepted as the masterpiece of Adam Smith (1776). He had revealed the major problems of the joint stock form of companies which was similar to agency problems that was mentioned by Berle and Means (1932), and Jensen and Meckling (1976). These are regarded as the same problems that lead business to adapt corporate governance concept in today's business world. Given these facts, it is inferred that the history of corporate governance has started with the existence of the first corporations such as East India Company and Hudson's Bay Company in the 16th and 17th centuries. Accordingly, "corporate governance has always been with us, at least as long as the corporate form of business has allowed for conflicts of interest between investors and managers" (Wells, 2010: 1251). These have been indicated as the leading point of the today's corporate governance practices. In spite of the emergence of the new approach in the business literature, the term "corporate governance" which was not used until the study of Richard Eells in 1960. After this stage, corporate governance has started to raise its popularity in the business world.

Corporate scandals, financial reporting scandals and administrative problems have always increased the awareness on the well-run corporate governance system (Agrawal and Chadha, 2005; Kumari and Pattanayak, 2014). Correspondingly, it became compulsory to prepare and publish reports about corporate governance practices which addressing all critical issues in a comprehensible way. The first report in the literature that is called as the Cadbury Report or the Financial Aspects of Corporate Governance (1992) which has played a critical role on the historical development of the corporate governance practices for many years. The main aim of this report was to guide companies, and to advise on the code of best practice that should be followed by business. Besides, the United Kingdom (UK) which can be regarded as a country that paid important attention to evolution of corporate governance practices in the history. For instances, the Cadbury Report (1992), the Greenbury Report (1995), the Combined Code (1998) and the Turnbull Report (1999) which were stated as the important milestones in order to contribute the development of corporate governance practices, was issued in the UK. On the other hand, the King Report (1994) was published in the South Africa that can be considered as another respectable report in the history which revised in 2016 in line with the changing circumstances of the today’s business environment. In addition to these reports, corporations and countries have been supported by some considerable organizations in the matter of executing the best corporate governance regime such as Organizational for Economic Co-operation and Development (OECD) and World Bank. Both member and nonmember countries have been encouraged by OECD since 1999 to implement the better corporate governance practices through its principles, procedures and frameworks.

Apart from the historical evolution in the world, the corporate governance concept has been addressed in Turkey as well since 2002. This concept was first issued by Turkish Industry and Business Association (TÜSİAD) to advice about the code of the best practices in terms of Turkish corporations. Also, the organizations such as Capital Board of Turkey (SPK) and Banking Regulation and Supervision Agency (BDDK), has declared the principles that must be followed by Turkish companies. Finally, these are indicated as a brief history of corporate governance which is still evolving today together with the varying conditions of environment. Accordingly, new principles and codes are still being issued in the recent corporate reports of the different organizations.

1.1.2. The Evolution of the Definitions and the Scope of Corporate Governance

As a matter of fact, methods and terms that are similar to the corporate governance concept, have been existed and discussed in business literature for many years. However, corporate governance that was put forward by Richard Eells (1960) as a new academic term who used this recently emerged term to emphasize on “the structure and functioning of the corporate polity" (Eells, 1960: 108). This set of structure and functioning is useful to regulate acts of management's level to cope with fundamental difficulties in order to reach goals and objectives of any organizations. This definition was an acceptable at that time to underline some major points, and to provide brief idea about what corporate governance was, but if it is compared to the today's conditions, it is clearly pointed out that the term corporate governance was narrowly defined in many ways in this first statement. Surprisingly, after this definition, it was not possible to find comprehensive and remarkable definitions, and new studies in order to contribute and improve the meanings of corporate governance till the Cadbury Report.

Corporate governance concept which is a critical for many businesses in order to advance in today's conditions. In this way, in order to provide better understanding on this significant concept that is suitable to start with Cadbury Report which is also named as a report of the Financial Aspects of Corporate Governance. The accepted view that was the first report which mentioned about the corporate governance concept to highlight, inform and advise on substantial points, which is one of the reason that behind the beginning with Cadbury Report. This report was issued in 1992 by the Committee on the Financial Aspects of Corporate Governance under the chairmanship of Sir Adrian Cadbury. In this report, corporate governance concept interpreted as "the system by which companies are directed and controlled" (The Committee on the Financial Aspects of Corporate Governance, 1992: 15). In addition, the rules, codes, principles and many other issues was emphasized by this first report. The board of directors that are important part of the modern corporations or companies to direct and carry out business. According to the statement of Cadbury report, in this system, it is expected that shareholders should assign the board of directors which specifies the pillars of business (e.g. set of structures, strategies, rules) in order to make it easier to plan, organize, direct, control and report operations respectively, and to meet interest of shareholders at the end. All these are remarkable issues to reach goals and to pursue existence of businesses. However, this statement of Cadbury report which were only focused on the one half of the businesses that was adequate to shareholders perspective. This view was regarded managers as an assurance mechanism to get shareholders' investments back, but there are huge amount of participants to be considered. These sort of approaches may not be very welcomed by various corporations and countries in today's conditions because it is not appropriate to ignore its corporate environments and societies (e.g. managers, employees and other stakeholders) for only their benefits. These have been the some considerable reason that affected the evolution of the following comments.

There are many actors around the companies who play their own roles to finalize corporate operations of the any organization successfully for the benefits of both business and participants. These actors are known as employees, managers, providers of suppliers, providers of financial capitals, retailers, customers and many other participants in the background. The term corporate environment which is one of the best suitable phrase to refer to the all actors of corporate operations of businesses. These actors of corporate environment who have direct or indirect effect on business that are also named as the "stakeholders" in the business literature (Freeman, 1984). To establish a good relationship with stakeholders which is one of the significant action in connection with the companies' performance and operations. Corporate governance helps at that point as well which presented as a system to organize and enhance relationship between many participants that is specifying direction and performance of any business (Monks and Minow, 1995). This view is critical in terms of stakeholders' perspective which takes missing point into account that is the participants of business, but it will be more inclusive to highlight many other points in the following definitions.

In the 21st century's business world, influence of capitalism that feels all around the world intensely that is crucial in point of sustaining the presence of businesses. Today's corporations and companies have continuously struggled to find new capitals and markets in order to grow their business, and to improve their wealth and value of the firm. However, before the corporate governance, it was not easy to cope with the operations of increased size of business, and other unexpected conditions because their management and control mechanism was not ready to get over these issues. To overcome these complexity, the set of structures, procedures and principles must be followed by business which is one of the easy way to control their operations in order to be successful, but it should not be forgotten that all these must handle by professionals that appointed by shareholders. In compliance with this feature, “corporate governance defined as the system of laws, rules, and factors that helps control operations at a company” (Gillan and Starks, 1998). This definition shows that it is an appropriate tool which directly supports operations of companies by means of its corporate system and layout.

On the other hand, the discussed idea was to separation of ownership and control till the thesis of Berle and Means (1932) which called as the starting point of new discussion among many academics in the modern literature that led companies to face with agency problems (Jensen and Meckling, 1976; Fama and Jensen, 1983). In the organizations, there are various participants who have different roles and objectives than each other. Under these circumstances, some managers may use firm’s assets for their own benefits which result in conflict of interest. Corporate governance concept which was preciously defined as one of the proper term to avoid or minimize the effects of the conflicts of interest (Goergen, 2012) that derived from the separation of ownership and control to the agency problem. Moreover, it is the best process to get rid of this popular problem of companies which is well equipped to overcome unconformity in the matter of interest between the providers of financial capitals and the agents or in a more understandable manner between shareholders and managers. It is clearly understood that is one of the most significant reason why it has been so admirable term in the literature.

It is obvious that these definitions were concentrated on the only a half of the corporate governance because different governance system of different nations which led to interpret this concept in various ways in accordance with their primary interests and unique characteristics. While some of them took stakeholders perspective into account, others embraced shareholders perspective as well as the solutions of the popular agency problem for the same intentions. These different approaches are discussed in the following parts within its details. All these definitions show that there are different perspectives and comments which are adopted by academic literature. However, in the reality, corporate governance is a term that tells more than all these definitions above which encompasses all participants of business and combines the all vital aspects together. Therefore, all of these comments must be considered at the same time to meet expectations of businesses as well as its environment. As a resulted of this concern, the scope of corporate governance has being started to restate which led recent statements to be more inclusive and meaningful than its predecessor. Sir Adrian Cadbury was one of those who paid all his attention to improve, and to add something new to this concept which was resulted by writing a prologue to the report that was announced by The World Bank in 2000. He restated the definition and the scope of corporate governance in this report which was mentioned by herself previously, to contribute the related field and the unexpected number of corporations and companies. He addressed that all crucial points of corporate governance in his new statements that was written as a foreword to Iskander and Chamlou (2000) that was encouraged and published by The World Bank. Accordingly, the corporate governance was defined as the following;

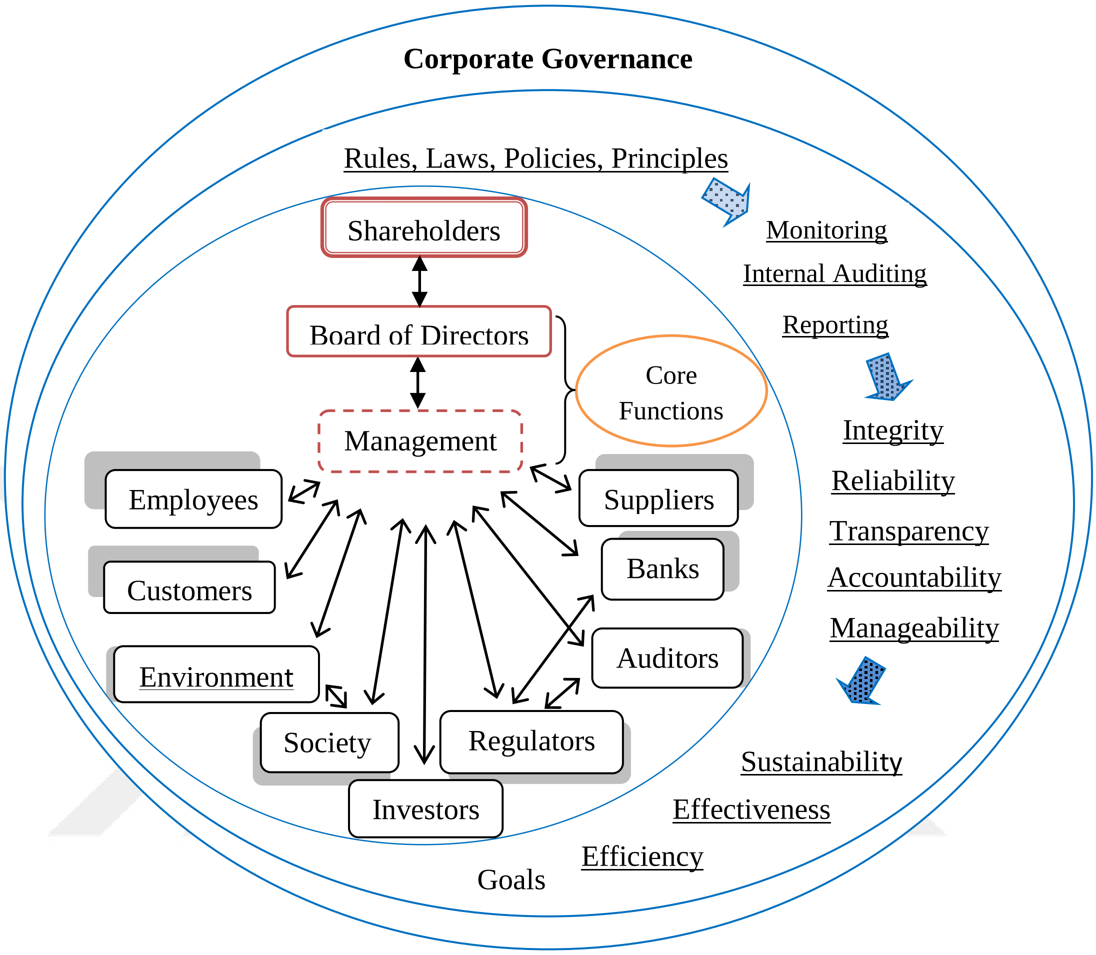
> *"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations, and society."*[1]

Many definitions of the term corporate governance which have been tried to show up to now, but it has been seen that none of them were as inclusive as Cadbury's one. He was respected by all academics because he played prominent roles to evolve the corporate governance concept. In the following years, he became a part of advisory group of the prestigious organization which was the Organizational for Economic Co-operation and Development (OECD) in 2008[2]. There is no doubt that he touched their definitions and the most importantly their ideas long before. OECD had declared principles of corporate governance in 1999, and reshaped their existing statements in 2004[3] which was based on the ideas of Cadbury similarly. These are still accepted and known as the pillars of corporate governance in today's business literature. According to last revised version of OECD, "Corporate governance

[1] Cadbury, A. (1999) foreword to Iskender, M. L. and Chamlou, N. (2000). *Corporate Governance: A Framework for Implementation –Overview*. The World Bank, Washington, DC: p.6
[2] OECD, (2008). Using the OECD Principles of Corporate Governance - A BOARDROOM PERSPECTIVE
[3] OECD, (2004). OECD Principles of Corporate Governance

involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders” (OECD, 2015:9). The principles have substantial role to regulate and advance in many issues, and to achieve objectives as well as to build critical elements and frameworks. Accordingly, principles are the basis of the relationship among all shareholders, and assist to improve success and performance, and goals and objectives of corporations or companies. All these were already issued by OECD to guide OECD countries initially. In summary, corporate governance includes set of structures, laws, principles and policies to balance these complicated relations with regard to consider the benefits of each participants of business. Also, it helps to define methods to reach goals and objectives which are placed by board, and monitoring and reporting all these activities at the same time. It is possible to find many different definitions and comments on the corporate governance in the recent literature such as in the report of Financial Reporting Council (FRC, 2016) and Institute of Directors of Southern Africa in the King IV report (IoDSA, 2016), but they just told that the same story with fancy words in comply with the today’s popular topics. For example, IoDSA (2016) is emphasized on the leadership side of the corporate governance which is indicated as a way of the ethical and effective leadership. However, it is still based on the similar approaches as well as the basic principles. The following figure 1.1. is created to illustrate the accepted scope of corporate governance in the recent literature which enables to complete the whole story as well as to make it more understandable.

Figure 1.1: The Scope of Corporate Governance



Source: Adapted from Kim and Nofsinger, 2007.

There is an integration behind back this concept astonishingly which is similar to the main idea of IR and this study as well. In this figure, center of the circle that represents the relationships of the participants of organization. Moreover, this circle is called as the stakeholders because some of the key stakeholders are showed by this circle. In the center, the arrows indicate that how their relations are interconnected with each other which is required to run a business and make it simpler to implement core functions of management. In this context, there are huge amount of participants of corporations or any size companies as it already indicated in the center of the figure, which can be named as an integrated environment as well. Corporations or any business that must construct the integrated relations, and must consider the integrated benefits of each side in order to reach overall goals at the end.

In addition, this figure is emphasized on the separation of the ownership and control, and focuses on its solution. On the other hand, the steps of the integrated system of the corporate governance are demonstrated in the second circle. As it illustrated above, corporate governance regime which regulates all these integrations within its rules, structures and principles which is a method to balance relations among all participants, and to consider the all aspects of businesses within its framework as well as to reach goals of the business eventually. Then, principals played indirect role, and took a back seat in governance through the corporate governance which is also understandable in the previous figure. Finally, figure 1.1 is seen as a complex system, but all the major points of corporate governance are being highlighted.

To sum up, in the simplest meaning, corporate governance is one of the best method to build trust and to equate association among all participants (e.g. stakeholder, shareholders) in order to protect benefits of each participants while coping with the popular agency problem between principals (shareholders) and agents (managers), and many other difficulties under the rules, laws, principles and policies that makes core functions of management more meaningful likewise (e.g. planning, organizing, staffing, leading and controlling). In other words, you do not have to worry more about manageability under this concept. Furthermore, it helps to develop accountability, transparency, integrity, reliability of business against both its internal and external societies by mean of its frameworks and its corporate reporting tool critically which is significant in terms of understand to way to go IR. Corporate governance which is a need of today’s modern corporations and many other businesses that have a substantial role to improve efficiency, effectiveness and stability of business to reach entire goals. However, this concept was the beginning points of the new issues and debates. The one of the most serious tool of corporate governance which known as a corporate reporting that led to start new adventures from financial reporting to non-financial reporting, and of course to IR in accordance with the today’s conditions.

1.2. THE DIFFERENT PERSPECTIVES OF CORPORATE GOVERNANCE

Corporate governance is one of the vitally indispensable concept in the way of creating the best business environment within its framework for the corporations and the various sized of companies which is the reason of why it has been discussed among academics for many years. The previous title of this study that was concentrated to underline different statements of this concept during the history, and it was shown that it had different perspectives in some ways. Although the widespread and accepted definition of the corporate governance have already been made by academics and organizations along with the its scope, it is still possible to encounter countries or corporations that specify the corporate governance term in tune with their national systems, governance structures and problems. Every countries have their own culture, unique characteristics, ethics, problems, regulations, and practices which are the main factors that have direct effect on the unpredictable number of events as well as their governance systems and structures. At this point, it is inferred that these differences among countries and corporations that lead them to have different ideas on this concept, and to interpret the term corporate governance differently. Also, there are studies which try to specify different approaches of corporate governance and directly support the similar ideas (Sheridan and Kendall, 1992; Maassen, 1999; Garcia-Castro et al., 2008). In other words, firm and country specific elements and various conditions that have been decisive in the emergence of the different corporate governance models which makes it harder to define consequently.

There are studies in the literature that have already examined and described the cross national variations of the term corporate governance and its different approaches. In the literature, these are mainly classified into two major types which are basically known as the shareholders based approach and the stakeholders based approach, which are also named as the Anglo-American model or Insider System and Continental European model or Outsider System (La Porta et al., 1998; Maher and Andersson, 1999; Hall and Soskice, 2001; Aguilera and Jackson, 2003; Garcia-Castro et al., 2008). Accordingly, each model follows its own structures and main elements to meet expectations of the society. It is clearly understandable that different management systems of the different countries that give rise to define the corporate governance concept in different perspective which is the reasons of why definitions vary country to country or academics to academics in the recent literature. In this part of the study, two different approaches of corporate governance will be examined which has been accepted in the literature.

1.2.1. The Shareholder Based Approach

In the light of the definitions of corporate governance, it might regarded as one of the most valuable concept which has huge potential to deal with complex situations of the business environment and today's conditions. However, corporate governance operates differently in different corporations and in different countries (Garcia-Castro et al., 2008:259). In brief, the main approach of this concept can differ from country to country which could be specified as the results of the country specific factors and legal issues as well.

The shareholder based approach which is known as one of those that is adapted by Anglo Saxon countries generally. For instance, the USA, United Kingdom, Canada, Australia and India which are known as Anglo Saxon countries that shares common characteristics, governance structures as well as similar legal traditions (La Porta et al., 1998). The main aim of these countries is to focus on the superiority of the ownership, and to protect right and profits of shareholders. In other words, in this approach, shareholders are the most foremost issue which is based on all kind of matters related with them. In this manner, in the literature, it is argued that these countries mainly take interest of shareholders into account which focuses on maximizing the value of shareholder, has been the prominent purpose of this approach as well as corporations (Friedman, 1962; Lazonick and O'Sullivan, 2000; Smith, 2003).

On the other hand, it is known that there are some important bodies of corporations and any size companies which are known as management levels and board of directors that play pivotal role in this approach in order to increase wealth of shareholders. Therefore, managers, board of directors and shareholders that are called as the essential actors of this approach, and all activities take place between them. In this system, shareholders (principals) hire board of directors to monitor operations and hire agents (managers) to run these operations. In a word, board of directors plays a mediating role in the relation between principals and agents. Also, the priority of the managers is to only strive to enhance returns of shareholder legally and morally in this relation which is one of the most crucial and differentiating point of this approach. However, in the organizations, motivations of participant may apart from each other. For example, salaries, bonuses, rewards, incentives are the factors that affect motivations of managers. Otherwise, managers can use the resources of business in accordance with their own interest rather than interest of shareholders or they can manipulate information which creates an environment where shareholders mistrust their managers. Under these circumstances, it is possible to meet principal-agent conflicts which is known as "agency problem" in the literature that is explained by "agency theory" in the business literature (Ross, 1973; Jensen and Meckling, 1976; Fama, 1980). In this respect, it is crucial to comply with a system that align with the interest of principals and agents which is called as corporate governance, and it is based on the shareholder approach of corporate governance as well as agency theory. It is an efficient way to regulate these relationship between providers of financial capitals and agents. Correspondingly, it is beneficial to mitigate agency problems and to improve control and quality of information while securing and maximizing the returns of shareholders which are considerable issues in terms of shareholder's perspective (Fama and Jensen, 1983; Maher and Andersson, 1999; Massen 1999). Also, in this approach, the wealth of shareholders that directly represents the market value of corporations or companies. Therefore, it is significant to implement this approach successfully which will be evolve market value, profitability and returns of shareholders in the following periods. To sum up, the main objective of shareholder based approach is to deal with agency problem and align the interest of major players of business while adopting rules, policies and structures to increase the wealth of shareholders and value of corporations essentially.

This approach can be beneficial in terms of shareholders which is directly related with the characteristics of the Anglo Saxon countries, but it has some disadvantages to focus on only the benefits of shareholders. Consequently, it is possible to find the criticism on the shareholder approach in the literature. Actually, these critics belong to stakeholder advocates which is obvious in their statements. According to these criticisms, the corporate governance term that is narrowly defined in this approach which does not focus on the solutions of many other problems, and ignores the benefits of other participants of corporations and relationship among participants (Freeman, 1984; Maher and Andersson, 1999). There are many contributors of the organizations that must be included in the governance structures which are considerable to advance and complete operations. Another criticism on this approach that considers the short term profit maximization at the expense of the long run, but it should focus on enlightened self-interest (ESV) which direct managers to long term orientation (Smith, 2003:86). In the organizations, it is important to be aware of the interest of others in order to build and sustain long term relationship among participants which is described by ESV and extremely related with CSR. It is strongly recommended that ESV is considered by both shareholder based approach and stakeholder based approach. As a matter of fact, the main objective of shareholder based approach is to improve profits of shareholders by the agency of the legal and fair ways, but it is misunderstood by managers which bring some problems, scandals and crisis with it. For example, there were some big corporate scandals and crisis in the history such as Enron and WorldCom, and it is still possible to see news about that kind of scandals which are good proof of the deficiency of this approach because maximizing only the wealth of shareholders which may force managers to frauds, manipulations or information asymmetries, and reporting scandals. Thus, these are reasons of why stakeholder based approach has come to the agenda in the corporate governance regime.

1.2.2. The Stakeholder Based Approach

The necessity of the corporate governance concept has already been revealed by academics and organizations which has two different approaches in the existing literature. In the shareholder based approach, managers are mainly regarded as the value creators in terms of shareholders' wealth, but in the stakeholder based approach, they are defined as the representative of various participants which means that the role of managers is to create value for all stakeholders (Jansson, 2005). This might be stated as the basic differences between these two approaches which gives a hint about stakeholder based approach as well. In addition, some critiques of academics are major points that encourage a new approach which seeking the benefits of all stakeholders corresponding to needs of the 21st century's business world, and to the characteristic of countries and economies.

Every countries have their own country specific factors, legal issues, banking system and characteristics which lead them to chase different approaches of corporate governance. It is precisely indicated that governance structure of the Continental European countries and the management structures of companies that run a business in these countries, have tendency to follow the stakeholder based approach which is considered by mainly German as well as Japanese corporations in order to deal with governance problems (Jansson, 2005; Stadler et al., 2006; Garcia-Castro et al., 2008).

Today's conditions make our daily and business life more complex than ever before. Correspondingly, it is quite difficult to handle with various conditions alone which cause to need someone else' support at every moment of our life. These days, the slightest changes can directly affect the entire operations of business which increased the importance of other participants who provide support and impact on business. The term "stakeholders" which was used by Stanford Research Institute in 1963 in order to represent these participants of organizations or its environments. Therefore, stakeholders are literally defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984:40). In other words, stakeholders are indicated as the internal and external participants of any businesses who have direct or indirect effect on the numerous actions of business or who is influenced by result of the operations of businesses. Stakeholders help businesses to reach their goals and objectives which are mainly known as shareholders, managers, employees, customers, suppliers, creditors, governments and so on.

The previous subtitle of the study is shown that shareholder based approach is too narrow to overcome governance problems and to characterize corporate governance which focus on only solving the problems that arise from the relationship between principal and agent. Also, the priority of the shareholder based approach is to pay all attentions to maximize returns of shareholders that may lead to ignore many problems and especially benefits of other stakeholders of business. However, "the stakeholder theory" is more proper attempt than shareholder based approach. In this regard, it is better in explaining the role of corporate governance than the agency theory by highlighting different constituents of a firm (Coleman, 2008: 4). Stakeholder based approach takes broader outlooks of business into consideration which might result in better governance practices, and better performance and value respectively.

The stakeholder based approach which has gained momentum in the literature after the well-known stakeholder theory of Richard Edward Freeman in 1984. In the following years, these newly emerging term which began to attract more and more academics. In contrast to shareholder based approach, stakeholders based approach is concentrated on the idea that profitability and sustainability of businesses which is critically associated with various number of stakeholders as well as depending on how their interactions are managed each other (Freeman, 1984; Donaldson and Preston, 1995; Aguilera and Jackson, 2003). In today's conditions, managers have huge number of responsibilities and duties who are regarded as an important part of organizations. For instance, they are primarily responsible to run operations of business, and to manage interactions among participants successfully. However, responsibilities and duties can vary depending on some strategies, policies and approaches of the organizations or countries. Therefore, managers should know about their roles which is possible by corporate governance practices. Stakeholder based approach of corporate governance allows to clearly define the goals, strategies, policies and objectives of business which are crucial to help managers to know their roles easily in order to fulfill expectations of all participant, and to develop performance of business. Certainly, stakeholder based approach which is introduced managers as significant actors of business who regulate these relations among participants within framework of corporate governance. Accordingly, this approach is mainly based on the idea that primary duty of manager is to balance the financial interests of providers of financial capitals against the interests of other stakeholders such as employees, customers and the local community, even if it reduces shareholder returns (Smith, 2003:85). Today's corporations and companies must ensure to align interest of shareholders, environment, and society as well. Consequently, managers are not only the shareholders' agents, but also they have to protect the benefits of all stakeholders which means that they should be considered as one of the agents of all stakeholders as well.

Today's business environment is very sensitive to changes which is integrated with various conditions and actors. In this integrated environment, it is considerable to comply with each changes that have direct effect on businesses. On the other hand, corporations or companies have huge capability to impact its environment, and this environment is growing day by day which enhances responsibilities and accountability against its environment. Hence, corporations should be "socially responsible" institutions, managed in the public interest (Maher and Andersson, 1999:8-9). Also, this is the leading idea of the CSR concept and sustainability which is required to advance accountability as well as manageability of businesses which should be considered as the main element of the corporate strategy of business in today's conditions. In addition, in today's business world, it is always useful to keep in mind that there is an environment in where tough competitions exists. Stakeholder based approach meets the benefits of all stakeholders by means of involving them into strategies which is one of the remarkable approach that helps to ensure that competitive advantages in the 21st century's economic conditions. Therefore, there are both external and internal environment of business which must consider by corporations or companies because these environments as well as its participants are critical to support, progress and complete operations in order to reach goals and objectives, and to ensure sustainability, accountability, manageability and profitability of business at the end. Although, the superiority of stakeholder based approach is defended in the literature, it is possible to find criticism on it which can be indicated as the companies' failures may easily be associated with stakeholders.

In the view of these paragraphs above, it can be claimed that there are two major purposes behind the stakeholder based approach of corporate governance. First one is to provide set of structures, rules and principles to guide managers which is crucial in point of improving financial capitals of shareholders and performance. Secondly, this approach helps managers to regulate their relationship with stakeholders and environment within the framework of corporate governance. Therefore, the main aim of this approach is to embrace the both external and internal environment of businesses. In a similar way, IR can be associated with the stakeholder based approach because it embraces both financial and non-financial information of businesses into a single report which is important to meet needs of both shareholders, stakeholders and environment. IR provides information that is helpful to maximize returns of shareholders while aligning the demands and benefits of all stakeholders which are required to create value over time (Eccles and Krzus, 2010a) that is similar to the main idea of stakeholder based approach. Accordingly, it might be noted that both stakeholder based approach and IR cares the benefits of all stakeholders in addition to interest of shareholders. On the other hand, similar to the corporate governance concept, IR practices directly help to improve performance, and sustainability of businesses, and take all aspects into account to meet expectations of the society. Hence, it is inferred that the main purpose of both stakeholder based approach and IR is similar to each other which focus on the interest of all groups to create sustainable value.

Finally, corporations or companies have huge amount of responsibilities in today's world which give rise to abide by stakeholder based approach rather than shareholder based approach because it is crucial to maximize shareholders' wealth while taking interests of all stakeholders and its environment into account which is one of the most significant approach of today's corporate governance. In addition, distinctive features of these two approaches that are being summarized in the following table to underline the fundamental differences between these two approaches.

Table 1.1: Shareholder Based Approach vs. Stakeholder Based Approach

Shareholder based approach, Anglo-American model, outsider system	Stakeholder based approach, Continental European model, insider system
Dispersed ownership and control	Concentrated ownership
Separation of ownership from control	The association of ownership and control
Little incentives for outside investors to participate in corporate control	Control by related parties such as banks, partners and employees
The interests of other stakeholders are not represented	The interests of other stakeholders are represented
Low commitment of outside investors to the long-term financial strategies of the company	The intervention of the outside investor is limited to periods of clear financial failure
Takeovers may create monopolies	Insider systems may create collusion and cartels.
Maximizing shareholders' wealth	Balancing interest of all participants

Source: Heavily adapted from Sheridan and Kendall, 1992:53-55.

According to table 1.1, it has been documented that some major differences have been existed between these two approaches. Both shareholder and stakeholder based approach have its own strengths and weaknesses sides. However, table above has been demonstrated that stakeholder based approach is more inclusive than shareholder as regards the interest of all participants and its roles. These might be specified as the reasons that bring it to the fore in the literature as well as in the business environment.

1.3. THE PROMINENT ROLE OF CORPORATE GOVERNANCE REGIME

The corporate governance concept has been explained in the previous parts within its details. This concept contains many notable features which is helpful to understand how important it is. Today, corporations and companies must have enough potential to overcome the increasing number of problems and cases which are the most prominent reasons why businesses need well-established corporate governance regime. The main of this section of the study is to focus on specifying some of these major reasons which give rise almost all businesses to adapt the corporate governance concept.

Companies have operated in both domestic and international marketplace for a very long time to meet needs of its customers, and to strive to accelerate their sales and profits also which could be indicated as the most crucial reasons of their existence. Anciently, it was unusual to face many unexpected conditions, and there were enough capitals and raw materials to satisfy existing demand of people which continued till the Industrial Revolution and the emergence of the new production methods. After a while, the whole picture started to be more complicated because of the changing definitions of trade, economy and many other situations. As noted by Jensen (1993) as well as Qin et al. (2016), various kinds of fundamental changes have been started to take place since the first Industrial Revolution, and there will be significant changes too in the following decades which is called as a modern Industrial Revolution or Industry 4.0. In accordance with Industrial Revolution, technological, political, regulatory and economic matters are stated as some remarkable issues that bring about changing competitive environment of businesses (Jensen, 1993). Also, these changes could be associated with the changing demands of society. In this manner, trends in people's demands that began to vary and to rise respectively, and companies continuously wanted to acquire huge pieces of cake which led them to grow and expand boundaries of their business into unpredictable size and areas to discover new markets, customers, labors, raw materials and capitals as well. Actually, these will be critical movements that will raise the awareness of corporate governance in the following periods. Besides, some of these actions were resulted by sharing ownership of companies by means of business partnership, joint venture, merger and acquisition, and it has been possible to come across many corporation, joint stock form of companies and private companies around for a very long time. In the literature, these different forms of business ownership has been always notable to the spread risks, to easily reach to capital markets, and to boost production, sales, profits and many other unthinkable issues which were acceptable to reach their goals. However, they did not consider to increased amount of shareholders, stakeholders, and other responsibilities against both its internal and external environments. In a word, business entities are becoming more global and more complex due to the increase of the size and number of multinational firms (Elhabib et al., 2015:123). In this context, corporations and companies have started to face with various cultures, problems, risks, and managers and participants in different characters which drifted businesses into many complicated situations. These complicated situations are directly related to extensive geographic or line of business diversification thanks to new outlook of corporations and companies as well as the restricted transparency of operations which give rise to enhance the significance of corporate governance system (Bushman et al., 2004a). As a result, Industrial Revolution might be regarded as a phenomenon that triggers to adapt corporate governance practices in a direct or indirect way. In addition, all of these above are associated with the expansion of business into many different geographic areas in order to gain huge pieces of cake as it mentioned before which leads them to realize the need of corporate governance practices in today's business environment.

It is clearly inferred that governance system is one of the most prominent issue in the organizations to deal with all complexity, and to advance in several conditions. However, it must harmonize with a right system which works well in accordance with country and firm specific factors as it already stated. This system is named as corporate governance in the literature which broadly defined in the following sentence in order to declare the some other reasons why businesses need it. Therefore, corporate governance system is critical to regulate, balance, and manage interrelation among both external and internal environments of business through set of laws, rules, policies, principles and structures in order to control and monitor operations, and to improve efficiency and effectiveness of business (Gillan and Starks, 1998; OECD, 2015). Accordingly, today's business environment must comply with this system which helps to specify roles, and distribute responsibilities among huge number of stakeholders of the corporations or companies, and monitoring and reporting all operations of business. This system combines all important control mechanisms together which supports businesses with regard to create one of the most suitable business environment where accountability, corporate fairness, transparency and manageability exists. These are clearly revealed why today's businesses should put corporate governance on their agenda.

Another important point is that the “Institutionalization” term, and its theories has started to discuss among academics for many years which started to play prominence role in the organizations (Scott, 1987; Zucker, 1987). However, many of them were not well prepared for all these issues just mentioned in previous paragraphs because the accepted view was to owner of companies who always intent to play important role on each major decisions, strategies, departments, regulations, policies and rules even they said that we institutionalized. For example, Steve Jobs who was the cofounder of Apple Computer. After a period, Apple went public and became one of the public corporation which led directly Steve Jobs to find himself as a CEO and one of the shareholders of corporation at the same time, but he was not suitable to position of CEO. In addition, many small and medium size businesses and other corporations meet the same fate similarly which is a good example to figure out how big trouble that will be experienced. Therefore, corporation is one of the widespread form of business all around the world which is based on the idea that is to ownership and control must be separated with each other. This idea has been discussed by many academics for many years which triggered to popular agency problems, and undoubtedly created a negative atmosphere (Smith, 1776; Berle and Means, 1932; Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983). According to this separation, many corporations hired professional executives (managers) who act as their behalf which requires trust to perform operations successfully. However, the main interest of agents might be different than principals in many perspectives that lead managers to care about their benefits rather than principals sometimes. The differences among the interest of participants that creates an atmosphere where principals do not trust their agents. On the other hand, who controls the actions of executives? Agents (managers) can easily use firm’s assets for their own interests or they can provide imperfect data to principals which means that they access more meaningful data than others. This is also known as the asymmetric information that is discussed in the next paragraph, which is going to bring about huge challenges for the operations of businesses in the following times. These reasons that was the beginning point of the new debates in the literature that caused to start to discuss among shareholders (principals) and current managerial levels of corporation (agents) which arose the well-known agency problems (Jensen and

Meckling, 1976; Fama and Jensen, 1983). Certainly, these are directly related with the absence of good governance system which encourage manager to have power over many vital situations. There is no doubt that it reduces efficiency and effectiveness of business, and increases negative impact on the governance system of business that is no longer valid in today's situations. In brief, these are clearly remarked that the importance of good corporate governance mechanism, which is necessary to deal with all these difficulties that has been caused by agency problem (Rutherford and Buchholtz, 2007; Chen et al., 2007) which is based on the shareholder approach of corporate governance practices as well. In this context, it is stated that corporate governance regime serves for the benefits of business with respect to protect interest of the both side. Furthermore, this approach is well suited to improve control mechanism and empower trust and relationship among key players of business which also is based on incentives and monitoring managers under the rules and policies (Jensen and Meckling, 1976). These are highly considerable to evolve motivation of internal participants as well. Finally, today's business must be attached with the corporate governance regime which is required to alleviate or mitigate conflict of interest as well as that is reasons of why well build corporate governance system assists to prevent new administrative problem among principals and agents.

Corporate governance is a system that always strives to constitute the best business environment to both external and internal participants of any business. Conversely, the deficient or weaker governance system causes the major problems within the organization. Corporate governance is located in the center of many considerable issues as well as the business performance in today's conditions. In addition, the performance of businesses have a determinant role on many vitally important matters such as efficiency, effectiveness, profitability, productivity, sustainability, and goals and objectives of businesses. These matters come into prominence to maintain the presence of business. Correspondingly, it should be critical purpose to keep things in mind that have strong relationship with performance of business. In the literature, it has been documented that there is a positive correlation between degree of governance and business performance. Therefore, it is expected that any business who follows the weak governance structures, have poor performance as well as lower returns on equity, and directly lower value in the marketplace (Giroud and Mueller, 2011). On the contrary, it is pointed out that the better corporate governance system results in much better company performance (Claessens, 2003) which leads to higher return on equity, profit margin and value in the marketplace respectively. Furthermore, it is inferred that corporate governance has a positive relationship with the value of business which is one of the crucial indicator of the power of corporations or companies in the marketplace. Finally, these are good evidence that corporate governance has a decisive on the performance of corporations or any size companies which has prominent role to enhance efficient and effective use of resources which means that meet sustainable business performance and productivity. These types of business which directly affects the investment decisions of investors positively.

The changing landscape of business world always tends to reveal new trends and discussions. The term sustainability was one of this which was gaining reputation in the business literature during the past decades. John Elkington who is respectable in the matter of sustainability within the academic literature who introduced to Triple Bottom Line (TBL). It is emphasized on three major elements in his statements which are people, planet and profit (Elkington, 1994; Elkington 1997). In fact, these are directly related with social, environmental, economic aspects of businesses in today's conditions. These are very significant elements to create sustainable value from the point of corporations and companies. In addition, according to Elkington (1997; 2004), sustainability is one of the vitally significant word of the 21st century that should consider by every businesses in a complete way, and he strictly implied corporate governance as an important revolution in terms of TBL in other meaning for the sustainability of businesses. It is inevitable to create a corporate system where businesses care the benefits of each providers of financial capitals, stakeholders, other participants, and social and environmental factors. In other words, they must pay attention to its corporate environment which is considered as one of the most notable attributes of corporate governance in order to ensure sustainability of corporations and any sized of companies.

Today, companies and corporations understood the fact that corporate governance is one of the most significant concept of the business sciences to deal with all these complex situations. Although corporate governance concept has been adapted by huge amount of businesses, it is still possible to experience new corporate scandals, financial crisis and some other problems in line with today's business circumstances (e.g. Well Fargo, Volkswagen). Therefore, it might be pointed out that all these have negative impact on the firm's image come along with the some considerable issues such as manageability and sustainability of business. In the history, there were some biggest corporate scandals such as Enron, WorldCom, Barings and many others which were the proof of weak governance system or poor corporate governance system (Kumari and Pattanayak, 2014; Elhabib et al., 2015). These were some of the considerable cases that gave rise to draw more and more attention on the corporate governance regime. Correspondingly, these situations that led corporations and any size companies to implement a strong and an effective governance regime which is named as corporate governance (Jones, 2010; All-Najjar and Abed, 2014). On the other hand, recent corporate scandals such as Well Fargo's fake accounts, Volkswagen's emissions fraud and Toshiba's accounting scandals that helped business environments to appreciate the importance of well-established corporate governance system once more again, even if they are one of the biggest corporations. Thus, these scandals led to raise awareness of corporate governance system which helps to prevent new scandals, and to attain effective control mechanism, and sustainability of businesses correspondingly.

In today's businesses world, managers have some critical roles and responsibilities to run operations successfully. For instance, their one of the most prominent role is to manage relationship among the all stakeholders which lead them to balance interest of all participants. However, sometimes managers can care their own interest rather than stakeholders which give rise to manipulate some important financial information and disclosure respectively. In this context, the insiders (e.g. managers) have powerful information on the firm's assets, and investments than the outsiders (e.g. investors, shareholders) that is called as the information asymmetry (Klein et al., 2002). This definitely arises from the conflict of interest between principal and agent, in other words it is a result of the popular agency problem. Correspondingly, "signaling theory" was developed in the literature to define information asymmetry (Spence, 1973). In this sense, this theory might be directly associated with agency theory. On account of this, the collaboration between corporate governance and corporate reporting is identified with the agency theory and signaling theory (Kachouri and Jarboui, 2017). Otherwise, if this collaboration is not established, these actions might be resulted by financial reporting scandals, and collapse of business respectively. Accordingly, financial reporting scandals are indicative of poor corporate governance system as well (Agrawal and Chadha, 2005). Therefore, it would be appropriated to associate corporate governance with corporate reporting. This is indicated that there is a positive relation between reporting practices and corporate governance also. In this manner, the disclosure of information and reporting practices which are regarded as the basis of corporate governance system, is substantial to prevent new scandals, and to meet needs of information's users. As it noted by Byard et al. (2006) and Pamukçu (2011), the well-running corporate governance regime which has positive effect on the quality of firm's transparency and public disclosure, results in benefits for the perspective of the all society. Moreover, it is also stated that the another role of the governance mechanism is to promote better voluntary disclosure practices (Ajinkya et al., 2005) that is considered as a critical extent to meet the increased demand of the stakeholders in today's business circumstances. In short, it is said that good corporate governance system provides necessary information, and better value and transparency to its environment by means of reporting practices and disclosure which constitutes more accountable business. The principles of corporate governance have a crucial role to prove these ideas also. To conclude, it is inferred that a well-built corporate governance system which is strongly cooperation with the numerous issues, is foremost to develop characteristics of reporting practices as well which means that all participant meet the more reliable and consistent financial and non-financial reporting practices and disclosure. Given these facts, it is obvious that these are the most remarkable reasons why today's corporations and companies need to reach out corporate governance regime which is critical to encourage them in terms of IR practices as well.

These reasons clearly show that increasing scope of companies, demands, trends and variable conditions that led companies to face with manageability and authority problems. In addition, these days management of companies fell more responsibility than ever before in the matter of transparency, accountability, integrity, reliability and as it implied in the previous sentences the most importantly sustainability of all points of business against investors, shareholders and stakeholders (e.g. employees, customers). While they have been busy with that issues, landscapes of our business world and its environment is altering day by day by means of globalizations, technological enhancements, new trends, financial crisis, and environmental problems which are increasing the importance of corporate governance day by day. Nevertheless, it should not only be confined that these reasons above, but also there are many other issues which are indicated as the reasons why corporate governance has gained importance in the last decades. According to Becht et al. (2002), other major reasons can be defined as the following; i) the worldwide wave of privatization of the past two decades; ii) pension fund reform and the growth of private savings; iii) the takeover wave of the 1980s; iv) deregulation and the integration of capital markets; v) the 1998 East Asia crisis, which has put the spotlight on corporate governance in emerging markets; vi) a series of recent USA scandals and corporate failures. All of these are specified as another circumstances that have already drawn attention on the corporate governance.

To sum up, today's business world is changing each days through the agency of new developments, innovations, trends as well as new problems. Also, it is obvious that every advancements come along with new problems which are solved by the widespread trend of today's business world which referred to as corporate governance. In this part of the study, it is shown that businesses need corporate governance practices for many reasons which have already raised the awareness of corporate governance practices in the world and in the Turkey. Businesses need to build better relations with its stakeholders, providers of financial capitals and other participants to create corporate environment while improving integrity, reliability, transparency, accountability within these relationship. Corporate governance includes framework, set of laws, rules and the most critically principles to enhance manageability, sustainability, integrity and reliability; and it contains reporting and disclosing all these actions to third parties in order to develop transparency and accountability. All of these call for building strong, sustainable, financially stable and competitive business at the end. To keep up with the corporate governance practices that is important to perfect institutionalization as well which is not only consider for corporations, but also should be taken into consideration by both small and medium size enterprises. This phenomenon is regarded as one of the best way to meet expectations of the societies which contributes to value of business that is critical to defeat its competitors in the competitive business environment.

1.4. THE MAIN PRINCIPLES OF CORPORATE GOVERNANCE

The success of a business which depends on too many factors under the constantly changing conditions of the today's globalized businesses environment. In compliance with the previous paragraphs, corporate governance might be indicated as one of these factors that has never changed for a long time, and will not vary easily in achieving this success. In order to build and sustain a better governance system, corporations and companies must comply with a corporate governance concept. As it mentioned before, corporate governance is one of the best suitable way to align the interest of all participant to improve performance, efficiency, effectiveness, manageability, profitability and presence of business which are considerable to be competitive in the both national and international marketplaces. On the other hand, there is another important issue that is specified as the essentiality of the guides, procedures and principles. With regard to these matters, it is almost impossible to conduct a business without any guides, procedures and particularly principles because they have significant impact on the steer of corporations or any sized companies. Also, principles enable to figure out how and why events have been taken place, in a more simple way. For this reasons, principles are considered as the most important equipment of corporate governance regime which help to understand the truth.

Corporate governance has its own principles in the business literature as well which have played a prominent role to keep up with all different variations of the business environment. The principles of corporate governance which role is to achieve main purpose of business, and to fulfill responsibilities against the stakeholders, while responding to the new problems (ICAEW, 2013). Correspondingly, principles of corporate governance is delineated as one of the method to build strong structure, culture, and to provide long term success. In this context, businesses should compliance with the principles, otherwise they have to explain their actions. The basic principles that business should embrace within the corporate governance practices which will be explained in this part of study.

The principles are adopted as the main pillars of the good corporate governance practices which affects the manageability of business as well as regulates the actions of all participants. In this respect, principles of corporate governance have been issued by different organizations for many years to guide and lead businesses which is substantial to create the best business environment. Also, these kind of businesses are preferred by investors which is seen as less risky than others. Thus, corporate governance's principles are crucial to support policymakers evaluate and develop the legal, regulatory, and institutional framework for good corporate governance (OECD, 2015:9). In other words, it is regarded as the basis of all companies in their governance practices to deal with numerous situations and problems even if they are small or big.

Corporations and companies should follow a set of principles in harmony with the corporate governance practices to run their business successfully. These principles have been already determined in the corporate governance reports of different organizations. The Cadbury Report which was an important milestone for corporate governance concept. Therefore, there is no doubt that the first principles of corporate governance was issued by Cadbury report which built the some basic principles. According to Cadbury report (1992), the main principles are stated as "openness, integrity and accountability". These are interconnected with each other which should not be evaluated separately. Also, these principles are significant to fulfill responsibilities towards both internal and external participants of business within the corporate governance practices.

After the Cadbury Report, the number of studies and reports have increased on the corporate governance concept which led to change in the scope of principles. These principles are specified as the "transparency, accountability, fairness and responsibility" in the World Bank report (Iskander and Chamlou, 2000). These are known as the core and universal elements in the implementation of corporate governance practices which will be specified briefly in the following paragraphs.

1.4.1. Transparency

Within a business, there are numerous issues and actions which are crucial in terms of both internal and external participants of organizations. In this sense, every single participants of businesses as well as its environment should be informed through disclosing of information on each critical matters such as financial conditions, performance, ownership and governance in a timely and completely manner (OECD, 2015). Basically, these information of businesses might be classified as financial and non-financial which might be presented in the direction of transparency principle. Also, it is expected that the members of the governing body should be transparent in the manner in which they exercise their governance role and responsibilities (IoDSA, 2016:44). In a word, the necessary information, roles and responsibilities which should be disclosed by businesses within its all respects, should be easily accessible for all stakeholders, which is called as transparency. Therefore, it might be indicated as a critical principle that helps to facilitate decision making processes on the business related issues as well as make it easier to compare with other businesses in the matter of its performance, expectations, opportunities, risks and many other issues. All these reasons are revealed that transparency is regarded as one of essential principle to promote a strong corporate governance system.

1.4.2. Accountability

In the organization, many critical decisions are made, implemented and carried out by board of directors and top managers in order to meet goals and objectives. On the other hand, businesses are responsible for each steps that have been taken which increase the expectations of societies in the matter of accountability. According to IoDSA (2016:9), accountability refers to the obligation to answer for execution of responsibilities. In addition, the board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable (FRC, 2016:16) which can regard as a way to be accountable as well. Corporate governance regime encourages businesses in point of creating more accountable environment. Accordingly, all these above have been covered by corporate governance practices which allow to guide and monitor operations, and the most importantly to be accountable against its environment (OECD, 2015). Therefore, businesses are responsible for the outcomes of the all of their actions which leads them to be accountable against its shareholders, investors, and all stakeholders.

1.4.3. Fairness

Fairness is indicated among the fundamental principles of corporate governance. According to IoDSA (2016), fairness is a way that represent equitable and reasonable treatments to the resources as well as stakeholders. As noted before, there are many participants around the companies which are named as stakeholders. In this sense, businesses must protect the rights and interests of each stakeholders, and must be sure to treat equally against its stakeholders and environment which means that discrimination should not be allowed. On the other hand, businesses have huge potential to affect its stakeholders and its natural environment. Accordingly, members of the governing body should direct the organization in such a way that it does not adversely affect the natural environment, society or future generations (IoDSA, 2016:44). All these are shown that this is one of the most prominent principle of corporate governance which directly leads businesses to behave fairly.

1.4.4. Responsibility

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises (OECD, 2015:36). Accordingly, in today's business world, organizations have huge amount of responsibilities regarding on the number of issues and conditions. All these directly lead them to be responsible for not only the internal matters and participants of business, but also to be responsible against the external participants as well as its environment. This principle requires to move in compliance with the regulatory framework, laws and values of societies as well.

These principles are stated as the pillars of corporate governance which must always bear in mind of businesses. However, these principles have evolved up to now along with the conditions of the continuously evolving business environment. Recently, it is possible to find some new principles to meet expectations of societies.

OECD has an important role to contribute to the advancement of both OECD countries and non-member countries as well as many corporations by means of assigning global standards, structures and principles. In this regard, the principles of corporate governance has been published by OECD in 1999 in the G20/OECD Principles of Corporate Governance to contribute business environment which revised in 2015 depending on today's business conditions. Accordingly, principles were defined by OECD in six parts which are I) Ensuring the basis for an effective corporate governance framework; II) The rights and equitable treatment of shareholders and key ownership functions; III) Institutional investors, stock markets, and other intermediaries; IV) The role of stakeholders; V) Disclosure and transparency; and VI) The responsibilities of the board (OECD, 2015; 11). Correspondingly, it is clearly implied that OECD principles mainly based on effectiveness, integrity, fairness, responsibility, transparency and accountability in order to constitute a sustainable business at the end. The priority of these principles is to guide corporations and companies in the matter of creating the best corporate governance system in order to reach both financial and non-financial goals of business. Besides this, some of new principles have been declared in 2016 by Financial Reporting Council (FRC) in the UK Corporate Governance Code, and by Institute of Directors of Southern Africa (IoDSA) in the King IV report. In the literature, it has been documented that the best corporate governance practices must be based on principles such as transparency, accountability, fairness and responsibility to continue sustainability of business which are known as the pillars. In addition to these main principles, FRC (2016) is stated that "leadership, effectiveness, remuneration and relation with the shareholders" should be expressed as other critical principles of the corporate governance practices. On the other hand, according to IoDSA (2016), the best corporate governance system should be based on principles that are “integrity, competence, responsibility, accountability, fairness and transparency”. The integrity and the competence which is specified as the different from other principles that helps governing body to ensure about the best governance practices.

Consequently, the governance system of any business that has effect on the number of considerable issues. Corporate governance practices are positively associated with creating the best governance system. In this chain, principles are regarded as the pillars of business. Also, it is indicated that there are different models of corporate governance such as shareholder model and stakeholder model which are applied by different countries or corporations. However, principles contain common and universal elements that are simply understandable and easily attainable to meet the expectations of societies as well as each models. If it is desired to be gain the full benefits of corporate governance system, these principles must be adopted and be implemented in a complete way. In this sense, principles help to constitute business environment where corporations and companies shape its own frameworks for the best corporate governance practices in accordance with nature of business (e.g. organizational culture, unique features) and its participants. Furthermore, corporate reporting which is being mentioned in the subsequent chapter, is seen as an inseparable tool of the corporate governance practices to fulfill requirements of basic principles. As a matter of fact, corporate governance is pivotal in terms of the best reporting practices as well.

CHAPTER TWO
CORPORATE REPORTING

Since the existence of the mankind, our world has been continuously progressing in numerous fields which have remarkable impact on the human life as well as on the business world without a doubt. The corporate governance concept that is considered as a result of these advancements, has emerged as a new approach in the business literature to handle with problems which arose from the separation of the ownership and control, and also to meet new needs and trends of the both external and internal societies. The previous chapter of this study that has simply outlined the superiority of corporate governance regime and its dimensions.

As it noted by many academics and organizations (e.g. World Bank, OECD, and FRC), corporate governance is the most influential system in order to form of the best business atmosphere along with the interest of the all stakeholders which substantially contributes to improve efficiency, effectiveness, sustainability, profitability and competiveness of the business. However, what is the association between corporate governance and corporate reporting? In the view of the past chapter, corporate reporting can be stated as a critical tool in terms of the better corporate governance practices. Furthermore, it is mentioned before that corporate governance system is based on some basic and universal principles. Given these facts, as a requirement of principles, corporations or any sized companies must prepare and disclose their financial outlook as well as some voluntary non-financial information to the all participants of business and the societies. Therefore, this process is called as the "corporate reporting" in the academic literature.

This is the second chapter of the study which purpose is to specify the corporate reporting. In the business literature, it is evidently seen that there have been major advancements in corporate reporting practices as in other areas. Besides this, the future of corporate reporting which has been always the most prominent issue among the academics and also the stakeholders for many years. In this context, it will be mentioned that voluntary non-financial reporting practices began to accelerate its popularity in compliance with the new conditions and the trends of the business world in addition to mere financial reporting. Nowadays, integrated reporting has already taken its place in the literature as a new approach of the corporate reporting. Accordingly, in this chapter, the transformation of corporate reporting practices from the stand-alone financial reporting to the both financial and non-financial reporting or mandatory and voluntary reporting to the integrated reporting will be explained. Also, this evolution is definitively demonstrated that the corporate reporting's scope has undergone a notable alteration such as its components, reporting types as well as its target audience. In a word, corporate reporting is considered as extremely critical and remarkable practice to constitute more transparent and accountable business against the all stakeholders in line with the declared principles of the corporate governance. All of these are essential subjects which will be covered in this chapter of the paper that consist of four main headlines.

2.1. THE MEANING OF THE CORPORATE REPORTING

The changing role of the business environment which has always triggered to bring out the new situations, problems and approaches during the history in tune with the new needs, trends and improvements. Corporate governance that came to the fore as the most substantial approach many years ago, is still valid and indispensable within the today's conditions. Also, it has already touched many critical points of each business, regardless of the size of the organizations. Corporate reporting which is regarded as one of these critical points, is highly significant tool in terms of the best governance practices. Correspondingly, it will be appropriated to ask what corporate reporting means. In the simplest meaning, corporate reporting can be regarded as one of the most vital components of the corporate governance practices. However, what literally does it mean? It is possible to find this answer in the following paragraphs.

Having argued in the last chapter that corporate governance is one of the most optimum system that constitutes the best business environment around the all stakeholders, which will help to achieve success in the long term. As it stated previously, this system embraces the all participant of business as well as align their interest which has a crucial role to maximize the stakeholders' wealth and the value of business to reach goals and objectives in the long run. Furthermore, it is indicated that corporate governance concept is built on a set of principles which are basically called as fairness, responsibility, accountability and transparency. In this respect, many organizations and the most importantly OECD has already declared set of principles of corporate governance (e.g. Cadbury Report, G20/OECD Principles of Corporate Governance etc.) to be guide on this matter. Some of these principles which have always drawn attention on the importance of the disclosure and transparency as well as the accountability to the shareholders and the other parties. In order to meet that principles, the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company (OECD, 2015:37). Moreover, the governing body of business ensures that there is accountability for organizational performance through, among other, reporting and disclosure (IoDSA, 2016:21). In the light of these facts, corporations or any sized companies must show their financial conditions, transactions, performances, operations, activities, strategic decisions and plans, and risk factors to the all participants of business by means of “corporate reporting”. In brief, corporate reporting involves periodic disclosure of firm-specific information on a voluntary or mandatory basis (Bushman et al., 2004b:210). For these reasons, periodic reporting and disclosure which enables to form of more transparent and accountable business. Furthermore, these are exactly demonstrated that business is acting in comply with the principle of responsibility. In a simplest meaning, corporate reporting is expressed as the vitally significant approach in order to meet the basic principles of corporate governance as well as fulfill the expectations of the all stakeholders.

On the other hand, if it needs to evaluate the meaning of the corporate reporting from another point of view, it can be defined as one of the communication channel. In the literature, it is regarded that corporate reporting is a tool which helps any business to communicate on the critical issues such as firm performance and governance issues to the external participants (Healy and Palepu, 2001). In this response, it would be correct to define corporate reporting as a process that provides necessary information regarding on the business to the all stakeholders. Additionally, some of these information are referred to as financial statements (balance sheet, income statements, and cash flows), financial analysis as well as voluntary information such as management forecast, CSR reports, and sustainability reports. The basic types of corporate reporting will be discussed separately in the following sections.

In today's business environment, there are huge amount of participants which are located around the businesses. Accordingly, corporations and any sized companies should communicate with their stakeholders through the corporate reporting practices. Corporate reports are the primary means by which the management of an entity is able to fulfill its reporting responsibility by demonstrating how resources with which it has been entrusted have been used (Accounting Standards Steering Committee, 1975:16). That's why corporate reporting is stated that one of the most effective approach in the literature. To sum up, it is obviously implied that corporate reporting which is a way of communication, is interested in the reporting and disclosure of the financial and non-financial side of business to the all participants of business such as investors, creditors, employees, and customers and so on.

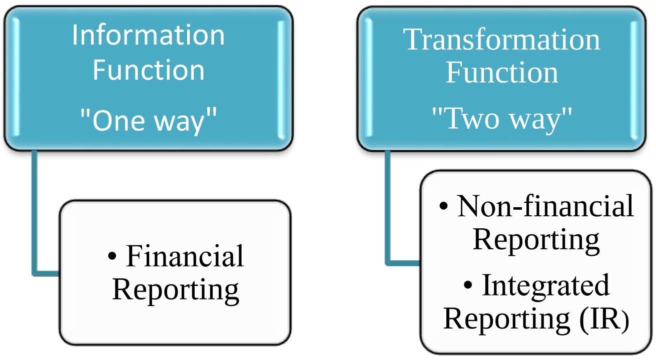
2.2. THE IMPORTANCE AND ROLES OF THE CORPORATE REPORTING

The corporate reporting that has taken into consideration as one of the most noteworthy components of the companies in the capitalist economic system for a long time, has located at the heart of both profit and nonprofit oriented organizations. The preceding paragraph of the study was simply focused on the meaning of the corporate reporting. In the view of these statements, it might be possible to figure out the some considerable aspects of corporate reporting. However, in today's economic system, the many other pivotal roles and responsibilities has been already undertaken by corporate reporting which is the most reliable process to respond the needs of the both internal and external users.

Especially, before the Great Depression, the reporting as well as the disclosure of the company specific information which had not been as the foremost role as today's reporting practices. During the history, corporate reporting has experienced a tremendous revolutions in comply with the corporate governance and some other conditions which has increased its importance dramatically day by day.

In the 21st century's business world, it has become totally essential to keep in touch with the all participants of the business constantly as well as to make it a habit eventually which has been strictly important in terms of the companies and the stakeholders. In other words, organizations should entirely be in connected with the both internal and external participants which is regarded as a method to impress society and vice-versa (Deegan and Unerman, 2006). In the same way, "legitimacy theory" implies that business should communicate on the company related information with the all its stakeholders which is required to meet their expectations (Ashforth and Gibbs, 1990), which is possible with corporate reporting (Eccles and Serafeim, 2015; Islam, 2017). Therefore, these are obviously supported that one of the critical role of corporate reporting is to communicate with the stakeholders by the agency of providing necessary information. These information are presented by financial and non-financial reporting practices which makes it easier to communicate, decision-making process of counterparties, and participate to the operations of any business respectively as well as aims to receive effective feedbacks from these participants in order to improve business. According to Eccles and Serafeim (2015), these are specified that the two main functions of corporate reporting exist which are named as "information function" and "transformation function".

Figure 2.1: Two main functions of corporate reporting



Source: Adapted from Eccles and Spiesshofer, 2015.

The figure 2.1 is illustrated that financial reporting is well designed to work with information function. Each listed companies on the stock exchange market and many other SMEs must present their financial conditions to the public which is mandated by governments and regulators all around the world. In this context, it would be appropriated to associate financial reporting with the information function because it is one of method to obtain company related information which encourages almost all the users of information in the matter of investment decision basically. However, companies do not intend to receive feedbacks on these financial information which seeks only one way communication. On the other hand, as it said before, corporate reporting is a system where there is a bilateral interaction between companies and stakeholders which means that two way communication should be supported by corporate reporting practices as well. As it stated that transformation function of corporate reporting brings two way interactions with it (Eccles and Spiesshofer, 2015). In a word, these two way interactions between businesses and stakeholders allow to receive feedbacks from their key participants which is beneficial to the both side of business in order to advance in today's business environment. Accordingly, in addition to role of information function, transformation function which enables to make improvements in deficient points of businesses. Also, figure 2.1 shows that transformation function is more compatible with the non-financial reporting and IR. As a result of all these facts, corporate reporting which is stated as the most substantial equipment of any businesses, helps to attract, reach, inform and get feedback from the potential and target audience of the businesses, to satisfy their various demands and needs as well.

As it mentioned before that some large scale corporate scandals, frauds and crisis that have occurred in the last decades. Undoubtedly, the major problems have been always erupted in the following of these events which evokes negativity in the minds of the stakeholders respectively. Accordingly, the trust of the stakeholders and the most prominently the investors have been shaken thanks to the all these events. On the contrary, all businesses must be built on one of the most critical element which is named as the trust under the conditions of today. In this respect, corporate reporting takes its stage which is a prominent actor in the matter of restoring the trust that has been lost (KPMG, 2013).

The importance and roles of corporate reporting should not be restricted to all these cases above which is good at dealing with some other issues too. As it mentioned before that conflict of interest leads to considerable amount of problems between agents and providers of financial capitals which might be end up with another problem that is called as information asymmetry. Also, as it already stated in the first chapter that all these issues are explained by agency theory and signaling theory. However, what is the relationship between these issues and corporate reporting? In the literature, it is argued that information asymmetry exists when agents acquire better information than principals. Therefore, this statement may easily enables to realize how big problems will be occurred in the next periods. Accordingly, the requirement of the financial reporting and disclosure which has emerged as a consequences of the information asymmetry as well as agency problems (Healy and Palepu, 2001; Armstrong et al., 2016). In addition, in order to cope with these problems, it is expected that business should signal reliable information to other parties such as investors, financiers and lenders which helps to prove superiority of organization in the capital market (Verrecchia, 1983). Certainly, financial and non-financial information is a method of signaling which means that corporate reporting conforms to signal better to both external and internal environments. For these reasons, corporate reporting is defined as a tool to alleviate or to get rid of possible information asymmetry (Kachouri and Jarboui, 2017) which clearly shows why it has come to the agenda of business. In a sense, each business must be compliance with the corporate reporting practices. Also, these will be reasons which encourage business to prepare and publish more voluntary and transparent reporting practices. In this context, the relationship between corporate reporting and signaling theory can be clearly appeared which means that signaling the company specific information on a mandatory and voluntary basis to the users of information.

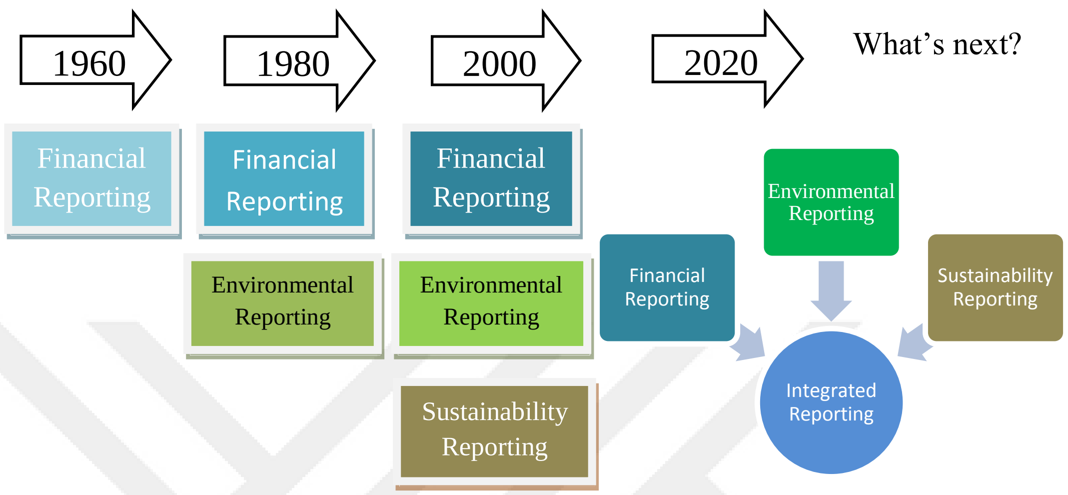
Corporations and some other size companies must take some precautions to handle with the negative atmosphere of the business. Creating of more transparent and accountable business environment which is indicated as key drivers in this respect. On the other hand, corporate reporting practices are not only a tool that used by corporations and other types of business to fulfill requirements of the corporate governance regime, but also it is regarded as a matter to conform to various users' expectations. In this view, it is obligatory to evaluate corporate reporting from the aspects of the users of information as well. In the capital markets, the stakeholders and the especially investors always intend to make assessments on the current picture of the businesses such as about its performances, operations, financial and non-financial issues. In a word, corporate reporting serves to comprehend how values and returns have been generated which makes it possible to have an idea about future values and returns. With respect to these reasons, the financial reports of the business must be considered as a vitally important source from the point of the users of knowledge along with the non-financial reports (ACCA, 2018). Moreover, it is stated that the stakeholders and the investors demand more require, precious and effective information that are directly related with the past to future oriented in association with the greatest transparency as well as accountability (Rupley et al., 2017). Corporate reporting has a powerful content which is beneficial in point of presenting both quantitative and qualitative data such as operations, environmental issues, numbers, and strategies as well as many other important information like these. These are critical to meet more transparency that enables to better capital flows and attract the interest of more investors. In this manner, corporate reporting serves to well-functioning in the capital markets which contributes to decision making process of both current and potential investors. All these are demonstrated that the remarkable role of the financial and non-financial reporting, and directly the importance of corporate reporting practices in today's competitive business environment. Therefore, corporate governance and corporate reporting is of great importance to provide tools that help to motivate manager for more transparency and attract foreign investors (Kachouri and Jarboui, 2017:348). Concisely, the reporting of the financial and non-financial information that have been essentially regarded as fundamental tools in terms of the both side of business which are stakeholders and corporations, have a superior role to meet the necessary transparency, and to inform about risks, opportunities, environmental issues, sustainability, and accountability is provided as a consequences of these actions.

To summarize, from the past to the present, corporate reporting practices which has continuously implemented as a requirement and an outcome of the well-established corporate governance regime. It is put forward that corporate reporting is an actor that has an impact on business as well as it provides the required information which have been acquired by the stakeholders for a long time, has been driving force behind the decision making process. Additionally, it is emphasized as a substantial phenomenon to contribute transparency and accountability. Nowadays, corporate reporting practices are significantly increasing its importance by means of new tools and approaches such as IR and extensible business reporting language (XBRL). These efforts will result in the creation of the best environment which has been intended.

2.3. THE HISTORICAL ADVENTURE OF THE CORPORATE REPORTING FROM FINANCIAL REPORTING TO INTEGRATED REPORTING

Business environment which has not regarded as static, has always shown major progressions in line with the interest and the needs of the society. In the same direction, there have been remarkable advancements in the corporate reporting practices which would not be surprising for us. In the last centuries, as a result of the best corporate governance regime, businesses have started to adjust themselves to corporate reporting practices which have come to the fore as the most crucial approach. Many different variations of the reporting practices have been already taken its place in the business literature and in the companies' reporting practices. According to Eccles and Spiesshofer, 2015 as well as figure 2.2., it is stated that financial, non-financial and integrated reporting has been emerged as a fundamental components of corporate reporting practices which has been vital parts of this historical adventure. Today, this adventure is still being continued by Integrated Reporting practices which is substantial to figure out how current reporting practices are replaced by integrated reporting. Furthermore, it can be specified that IR will not be the end of this adventure, and it is expected that new approaches will arise in the coming decades. Nevertheless, everything has its own starting point, and the whole story moves on it. In this point of view, figure 2.2 is adapted to provide brief idea on the adventure of corporate reporting. The evolution of three basic components of corporate reporting will be examined in the following paragraphs. Accordingly, the main aim of this part of the study is to specify the adventure of corporate reporting from financial reporting to non-financial reporting to IR.

Figure 2.2: The Adventure of Corporate Reporting



Source: Adapted from IIRC, 2011:6.

2.3.1. The Evolution of the Financial Reporting

As argued in the literature, corporate governance practices have been with us since the existence of the first corporations, and the conflict of interest between key actors of businesses respectively. Although it is inferred that corporate reporting practices have traced back to these times too, it has an older history than this prediction in the reality. Apart from this, the figure 2.2 which is plainly illustrated that financial reporting activities have always considered as the basis of corporate reporting practices over time. In today's capitalist economic system, financial reporting is still regarding as a crucial part of corporate reporting practices (Eccles and Spiesshofer, 2015) even if it is not alone, which mainly contains financial accounting information (Armstrong et al., 2016). Accordingly, these information have always been one of the most essential and preferential equipment to maintain operations, and to communicate with the society during the history. Besides that, according to Monterio (2013), these accounting practices are thought to be as old as the human civilizations. He also added that the double entry bookkeeping which is described as a significant approach in the capital markets. Today, all these kind of accounting information is still one of the crucial components of the financial reporting practices. In this manner, it is claimed that the adventure of corporate reporting began with the financial reporting practices which have constantly been evolving and increased its significance since the first accounting records in order to meet expectations, and demands of the increasing number of information's users as well as to fulfill responsibilities against the environments. In this context, the aim of financial accounting information is to promote better governance system by means of producing the necessary information to the providers of financial capitals as well as helps them to make an investment decision (Bushman and Smith, 2003). Therefore, it could be said that these were regarding as the important issues in accordance with conditions of those days which led financial reporting to emerge as a first approach in the corporate reporting concept. It has a role to create well-functioning corporate governance system which has been vitally valuable tool subsequently. All these were only about the origins of corporate reporting that dates back to the first accounting records, and needs for financial information as well, but a critical part of this story began with the disclosure of those financial reporting practices to the public.

Disclosure of financial reporting is regarded as a milestone in this adventure that must be emphasized. Despite the businesses had been kept their accounting records for a long time, it was not been obligatory to disclose these reports to the counterparties up to the Great Depression in 1930. In this era, some debates had been begun which gave rise to constitute the Generally Accepted Accounting Principles (U.S. GAAP) in the USA in 1930, and the U.S. Securities and Exchange Commission (SEC) was established in 1934 respectively. Certainly, the lack of information was the cause of these events that led businesses to regulate their relations in point of disclosure of the financial issues (White, 2006). In this way, the popularity of the financial reporting has been started to move up since the 20th century, depending on the developments in the United State (Fărcaş, 2015). These steps were resulted in sharing and disclosing the financial information of businesses to the public that had currently operated in the stock exchange market, which have been requisite regarding on gaining the confidence of investors as well as enhancing transparency since these actions. In addition, this idea was already supported by academics and some organizations which have already indicated in the previous parts of the paper. After these important steps that had been taken in the USA, many other countries attempted to implement similar regulations which triggered to improve the meaning of financial reporting in the business environment and in the both accounting and business literature. As a results of these actions, accounting standards were issued by various countries during the 1970's (Velavan, 2012). However, as noted before, every countries have their unique characteristics which led to introduce country specific accounting standard as well. In particular, these differences among the standards were caused the complexity in point of comparing of financial reports. In the following years, the international standards had been addressed by International Accounting Standards Committee (IASC) in 1973 which made it easier to keep in contact with the society, and to compare these reports. These standards revised in 2001, and International Financial Reporting Standards (IFRS) have taken into consideration in order to generate more consistent financial reports. In this context, standard setting organizations have made numerous contributions to the financial reporting practices throughout the history. These standards are still being used the all over the world as a common reporting language to communicate on the company related issues.

Financial reporting has been one of the root of corporate reporting practices for many years which has considered as the stand-alone reporting tool with respect to present financial information. However, it is necessary to evaluate financial reporting from a different point of view which is not regarded as an excellent model under the conditions of the 21st centuries. It is obviously visible that in the centuries that we left behind, the size and the operation of businesses were smaller than the today's businesses which made it simpler to deal with some substantial issues such as administration and control. As a matter of fact, the one of the main objective of businesses as well as managers have always been to improve the return of providers of financial capitals. As it noted by Simnett and Huggins (2015), financial reporting is a fundamental tool to contribute only for shareholders and providers of funds. In this context, financial accounting information that has been sufficient in terms of businesses and shareholders for many years, has considered as a pivotal practices to communicate with users of information. In addition, figure 2.2 moves in line with this idea similarly. This figure is indicated that stand-alone financial reporting which had been used as an only indicator to represent financial data, continued until the 1980's. While these advancements were taking place on the financial reporting side, business environment subjected to incredible changes which could not be ignored in the perspectives of companies, stakeholders and corporate reporting practices. Accordingly, the implications of social, environmental and ethical events which means that non-financial contents have been issued by businesses increasingly as a part of their reporting practices since the last four decades in order to attract more stakeholders, and to satisfy their expectations (Eccles and Saltzman, 2011; Solomon and Maroun, 2012; Rupley et al., 2017). As a result, non-financial information have begun to be reported, and to be part of corporate reporting practices that is to say financial reporting will no longer be alone.

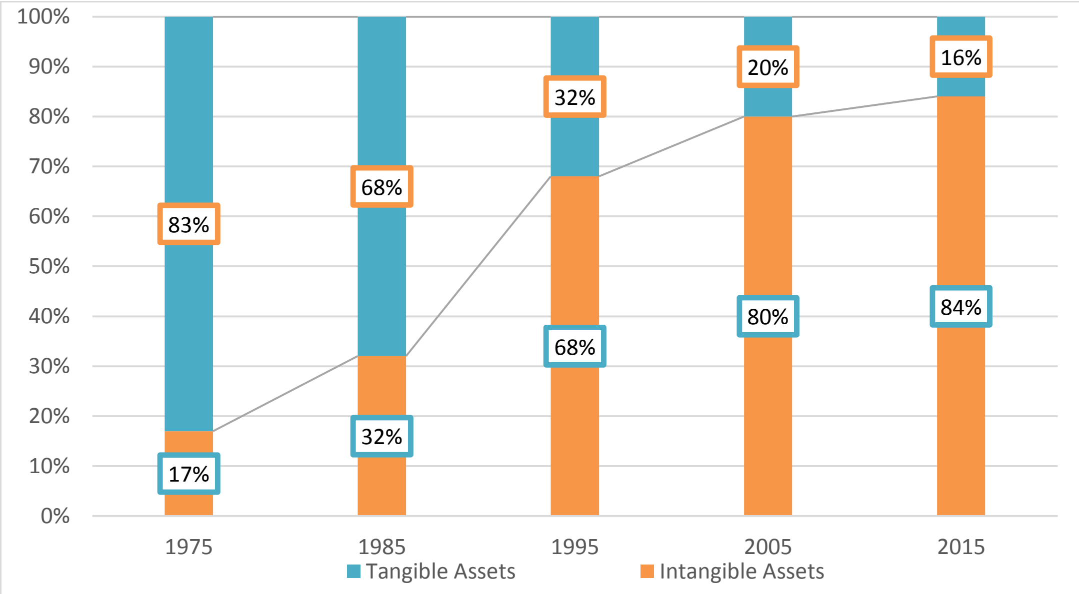
2.3.2. The Emergence of the Non-financial Reporting

At the beginning of 1980's, there were no a wide range of attention on the non-financial information which needed times to gain acceptance in the business environment. In the following years, the criticisms on the financial reporting, and an increase in the importance of intangible assets as well as some remarkable events such as limited resources, social and environmental concern; would be leading points that triggered to emerge a new reporting approach. These leading causes that helped the emergence of reporting of non-financial information, will be explained in the following paragraphs.

It has been observed that a number of criticisms on financial reporting that have been started to appear in the business literature, was put forward as one of the reason that behind back the development of non-financial reporting. First of all, financial reporting practices were prepared to fulfill the needs of 1930's industrial conditions (Krzus, 2011; IIRC, 2011). In this regard, financial reporting which has started to be inadequate day by day, has failed to meet the needs of stakeholders and environment against the today's advanced conditions. Furthermore, this type of reporting has been only good at presenting historical data or backward-oriented focus as well as information related to short-term performance which is inefficient way to create value, and to supply many other relevant information about businesses such as intangible assets, environmental, social, and governance factors (Krzus, 2011; Hoque, 2017; Islam, 2017). However, these are indicated as crucial cases that are required to meet changing demand of stakeholders, and to survive in the conditions of capitalist economic system. On the other hand, financial reporting is based on a set of standards such IFRS and US GAAP which is satisfactory in terms of using a common reporting language, but these reports have started to contain more technical information than ever before. On account of all these reasons above, it is specified that financial reporting turned into a complicated structure which has been difficult to comprehend these reports (Eccles and Saltzman, 2011; IIRC, 2011), and this kind of solely reporting is not an enough tool to satisfy needs of the users of information regarding on the company specific information (Hughen et al., 2014). In a brief, financial reporting is well-suited to produce financial accounting information and transactions, but it is not enable to consider another major points such as intangibles, intellectual capitals, business risk and opportunities, and social, economic and environmental issues. In this regard, it could be claimed that financial reports fail to meet information function that have been mentioned before. These negative aspects of financial reporting have inevitably led to enrich the content of corporate reporting, and trend of businesses started to shift towards the reporting of non-financial information in accordance with the demand of stakeholders as well.

There are some additional issues that have been driving force behind the evolution of non-financial reporting. In this sense, an unexpected increase in the importance of the intangible assets have contributed to promote awareness of reporting of non-financial information. On the other hand, financial reporting has been one of the best tool to represent tangible assets of businesses which is expressed by qualitative data or numbers. However, as it stated in the criticism on financial reporting in the previous paragraph, it has been deficient to take only financial reports into account since the last decades because its lack of highlighting intangible value of businesses. In other words, it does not reflect the all critical information that is essential to create value for businesses. There are too many factors that determines the value of businesses, which are reasons of why corporate reporting practices goes beyond the financial reporting. The 21st century is heavily dominated by ‘knowledge’ economy and the world is changing rapidly from an ‘industrial’ economy to a ‘knowledge’ economy (Bhasin, 2016:1). Under the conditions of knowledge as well as information based system, intellectual capitals which is pointed as key drivers of intangibles assets (Survilaite et al., 2015). Also, in order to support the idea which is about the changing trends towards reporting of non-financial information, it should be appropriated to consider the market value of companies as well. Therefore, figure 2.3 is directly related with the market value of S&P 500’s which presents the changes in value of businesses in last four decades.

Figure 2.3: Components of S&P 500’s Firms



Source: Stathis, 2015.

Accordingly, this figure is demonstrated that in 1975, the value of businesses was covered by physical and financial assets intensively which means that financial reporting was a key player of corporate reporting practices. However, this situation that has been going on for many years, has begun to change. While tangible assets have lost its importance gradually since 1975, intangible assets has increased its importance enormously (figure 2.3.). It may continue to move up in the following years too. In this manner, it is clearly said that the trends have been shifted from reporting of financial information or tangible assets to reporting of non-financial information or intangible assets. These changes could be results some critical issues such as social, environmental and governance which helps stakeholders to see other side of the coin. This critical task has been undertaken by non-financial reporting practices. However, what are the reasons that leads to increase the importance of intangibles, and results in the reporting of non-financial information.

First of all, intangibles assets that are prominent indicator to decide on financial and governance policies of businesses, have attached with some critical issues also (Alves and Martins, 2014). These are the issues that should not be ignored in terms of businesses. On the other hand, recent financial crisis, scandals and frauds have led to increase expectations of all stakeholders in point of obtaining more information. In the aftermath of the global financial crisis, for-profit entities are operating amid continuing economic uncertainty, with increased attention placed on their long-term viability and sustainability (Adams and Simnett, 2011:292) which means that the awareness of non-financial information has been improved (Hoque, 2017). In addition, it has been seen that today's businesses have powerful impact on the social, economic and environmental factors. In this respect, the problems created by the crisis and lingering economic uncertainty are compounded by the potential effects of climate change, water shortages, depletion of natural resources, and human rights violations on businesses and society (Krzus, 2011:271). In short, businesses felt more pressure in the matter of complying their companies with environmental, social, and governance factors which directly supports the idea of increasing importance of reporting of non-financial issues. In the light of all these situations above, stakeholders have intended to know more about businesses, and demand and interest in additional information to complement financial information which has related with the non-financial side of businesses (Eccles and Sarafeim, 2011; Ioannou and Serafeim, 2015; Velte and Stawinoga, 2016; Ioana and Petru, 2017), which forced businesses to produce various kind of voluntary reporting practices such as sustainability reporting, corporate social responsibility reporting, environmental reporting and etc. (Eccles and Krzus, 2010a; Eccles and Saltzman, 2011). If it is needed to move subject further, it has been pointed out many times in the literature that transparency, accountability and sustainability have been vitally significant terms. These are not only the factors that would be considered by the perspective of businesses, but also stakeholders have demanded more transparency and accountability on the non-financial side of businesses. Therefore, non-financial reporting is indicated as a new approach in the literature which brings accountability and transparency to the all participants of business (Amran and Ooi, 2014).

Finally, financial information has been a crucial element of corporate reporting practices which is still a valid way to evaluate a business. However, the criticism on this type of reporting has been showed that it has many missing points in accordance with the evolving landscape of business environment. Accordingly, the days when only physical assets were taken into consideration, have already left behind. These reasons triggered to reporting of non-financial information as a part of corporate reporting practices. However, non-financial reporting has not been the end of this adventure because in the 21^{st} century, nothing is perfect which always tends to seek new approaches. There is no doubt that the number of criticisms on the non-financial reporting have existed in the literature as well, and new trends that has currently pointed out a new approach which called as Integrated Reporting.

2.3.3. The Ways to Go an Integrated Approach

The nature of corporate reporting mainly contains reporting of financial and non-financial sides of businesses. In the majority of the history of corporate reporting, it has been significant to concern financial transactions of companies, which is also one of the reason why it has been used as a stand-alone assessment tool by investors and shareholders. On the other hand, it has been covered by the investigation of Ocean Tomo Release (2015), the intangible assets have showed a significance movement from 17% to 84% over the years. As indicated before, this trend resulted in the reporting of non-financial information. According to previous figure 2.2 which was adapted from IIRC (2011), some different types of non-financial reporting have been emerged and implemented by businesses as a new reporting approaches. As noted by this figure, environmental reports is appeared as a first output of non-financial reporting. These reports which has been always crucial to see the impact of companies on the natural events, have started to be popular among the businesses. Later, ESG reports took the place of environmental reports as new reporting approach of businesses. In the beginning of 2000's, the subject of sustainability of companies have been gaining reputation in business literature that led them to adopt sustainability reports. In a word, the different needs of the stakeholders have been met through different reporting practices as well as businesses have promoted in the matter of some prominent issues such as transparency, accountability and sustainability. On account of these reasons, everything was alright in terms businesses and stakeholders. However, in the history, the deficient points of financial reporting led to emerge of non-financial reporting. In this context, will these two practices come up with a new approach as a new part of today's corporate reporting? Unsurprisingly, these reporting practices have already been a way to go a new reporting approach which is known as IR in the literature.

As it revealed that financial information have been supported by non-financial information, and these days sustainability has been a highly debated concern of non-financial reporting. The steps that have been taken by non-financial reporting, have been adequate to complete the missing aspects of financial reporting. However, these reports were only temporary solutions against the today's conditions. The complexity and length of non-financial reports have been major points that have been criticized by society (de Villers et al., 2014). In addition, financial and non-financial information are presented by the agency of various kinds of reports. Therefore, current reporting approaches have implemented separately that lead to inconsistency between many substantial factors such as strategy, governance, financial and non-financial information (Eccles and Krzus, 2010a; IIRC, 2011) which means that the relationship between financial and sustainability reporting has been criticized (Robertson and Samy, 2015). The weak and worst relationship between stakeholder and business might be brought with this negative situation. In this instance, a number of questions have tried to be answered in the literature. How do businesses combine financial information with non-financial information (Maas et al., 2016)? and are the stakeholders eligible to understand the connections between these various kinds of reports (Hoque, 2017)? Accordingly, these might be claimed as signs that shows the needs for a new approach.

On the other hand, it should be required to highlight different perspectives of these reporting practices in order to move the subject further. Initially, non-financial reporting is incapable of linking some critical factors such as environmental, social, and governance into business system, and financial information (Krzus, 2011) which is not well-designed as financial reporting with respect to its standards and frameworks (Eccles and Saltzman, 2011). This type of reporting practices are well-established to show only the implications of non-financial factors. On the contrary, financial reporting concerns of presenting financial performance and information, but it is an ineffective way to cover non-financial sides of businesses. Under these conditions, increasing number of stakeholders want to comply with a new approach which combines information on financial and non-financial issues into one single report (de Villiers et al., 2014; Rupley et al., 2017). In the light of all these, corporate reporting system needs to evolve to a new approach that demonstrates the linkages between an organization's strategy, governance and financial performance, and social, environmental and economic context within which is operates (Tilley, 2012:65). All these could be solved by an integration that shows the associations between financial and non-financial performance, information, and its effect on the social and environmental issues to create an additional value. In this context, as stated by Jeyaretnam and Niblock-Siddle (2010a), the emergency of integrated reporting is strictly related with the failures of current reporting practices. This new approach can be indicated as a more beneficial one than the traditional reporting practices in terms of both businesses and stakeholders in order to see the complete picture. Consequently, this integration is named as Integrated Reporting (IR) in the literature which has emerged as a new part of corporate reporting.

To sum up, corporate reporting have evolved and changed since the implementation of first reporting practices. This adventure has started with the reporting of financial information, and has continued with the reporting of non-financial information. Today, integrative perspectives have already been a critical part of corporate reporting. In this sense, it might be indicated that the contents and features of corporate reporting practices have also been exposed to many tremendous changes. The following table is well-suited to highlight some major differences between expectations of today's business environment and traditional corporate reporting practices. Furthermore, it is one of good way to emphasized on why today's reporting approaches have gained acceptance in the business environment.

Table 2.1: Features of Traditional and Recent Corporate Reporting

Traditional Corporate Reporting	Current Corporate Reporting
Entity and going concern concept	Prevalence of short term strategic alliances
Periodic Information	Concurrent information flows
High extent information	Disaggregation of relevant information flows
Historical backward looking	Forward looking, strategic information
Focus on financial information only	Include nonfinancial along with financial

Source: Islam, 2017:52

This table has been shown that the major differences have existed in compliance with the emergence of different reporting practices. On the contrary of traditional corporate reporting, current reporting approaches (e.g. ESG disclosure, sustainability reporting) enable to meet needs of all stakeholders of business, investors as well as other users of information. According to table 2.1, it could be stated that current reporting practices are more future oriented than traditional, and combined strategies of businesses into reports which leads to create additional values for society. These days, the contents and perspectives of corporate reporting is being enriched by means of IR practices. On the basis of the history of corporate reporting, it might be claimed that the evolution of corporate reporting will be continued in the following decades through new approaches.

2.4. THE TYPES OF CORPORATE REPORTING

Corporate reporting which has been always regarded as a vitally substantial tool of corporate governance regime, has been emerged and evolved during the history. In this sense, the contents of corporate reporting has subjected to a number of major changes in accordance with the changing landscape of businesses environment and circumstances which has been already stated in its historical adventure. In addition, there is no doubt that the effects of capitalism is felt by businesses, stakeholders and environment intensively. Under the conditions of today’s economies and capitalism as well as changing trends, businesses should go beyond the current reporting practices which means that reporting of merely financial information should be supplemented by other types of reports. Although financial reporting has been implemented as a core element of corporate reporting, some other corporate reporting practices have started to reveal in the literature regarding the non-financial issues. Accordingly, as noted by Eccles and Spiesshofer (2015), these are known as a basic types of corporate reporting which are mainly specified as financial reporting, sustainability reporting, and IR. Besides, the potential demands of stakeholders and investors on intangibles, economic, environmental and social issues, and its effect on the value creation that triggered to improve awareness of reporting of these non-financial information voluntary, which are mostly known as sustainability reporting, IR and ESG disclosure (CPA CANADA, 2015). Therefore, it is noted that the scope of corporate reporting has been expanded which is interested in both financial and non-financial side of businesses as well as integration of these necessary information. Before examining these different types of reports separately within the details, the table 2.2 is created to emphasize on key features of each reports.

Table 2.2: Types and Features of Corporate Reporting

	Types of Reporting		
Key Features	**Financial**	**Sustainability**	**Integrated**
Content	Financial Information	Non-financial Information	Financial and Non-financial Information
Framework or Standards	IFRS or US GAAP	GRI	IIRC
Comparability	High comparability	Very limited comparability	Considerable Comparability
Users of report	Investors, Shareholders	Stakeholders	Stakeholders, providers of financial capitals
Global Applicability	Applicable to all businesses		
Practice	Mandatory	Voluntary	Mostly Voluntary

Source: Adapted from Eccles and Spiesshofer, 2015; CPA CANADA, 2015.

Table 2.2. has been exhibited that the different structures have been followed by different types of reporting practices. Also, different types of information are reported by businesses to meet needs of various users. It could be argued that integrated approach is a combination of key features of other reporting's types which is started to be popular. The basic types of corporate reporting which are financial reporting, sustainability reporting and IR, will be intended to clarify in the following paragraphs.

2.4.1. Financial Reporting

The radical changes have always been experienced throughout the history of mankind. In term of business environment, the new approaches, needs, trends, and interests of society have always been points that lead to experience new development and changes. The previous chapter and paragraphs of this study have clearly demonstrated that corporate governance regime as well as corporate reporting as a major component of this regime have evolved and changed over time. From the perspective of corporate reporting, new reporting practices have already emerged and taken its place in order to provide non-financial information, and to satisfy existing demands. Despite the emergence of new reporting practices in the non-financial side, financial reporting has never lost its importance as a crucial communication tool. In this context, financial reporting which has been regarded as a crucial matter, has been the mostly debated issue within its all ways in the literature (Beaver, 1989; Barth et al., 2001; Zeff, 2013).

2.4.1.1. The Components and the Major Roles of Financial Reporting

As mentioned before, the roots of financial reporting as well as corporate reporting dates back to the first accounting record. Although it is thought that financial reporting has been with us for 150 years (Jeyaretnam and Niblock-Siddle, 2010a), the popularity and attention on this report has been started to increase after the Great Depression (see p.49). In connection with this event, it might be stated that financial information has started to be product of all participants of businesses up to this point.

The accounting information could be indicated among major issues in terms of businesses which has some crucial components such as balance sheet, income statement and so on. During the history, many academics have claimed that the main goal of financial reporting is to present these necessary information (Zeff, 2013). Accordingly, it has been said that this is a basic goal of financial reporting as well as the origins of financial reporting is based on accounting records. In addition to this, the financial conditions of businesses are simply connected and explained by such issues which are sorted in the following statements. Businesses report about how much money a company owns and how much it has to pay (balance), the amount of its costs and earnings (tax return form), as well as its sources and use of cash (cash flow statement) (Fărcaş, 2015:109). These conditions are obviously shown that financial accounting is a necessary equipment to obtain these beneficial information. Therefore, financial reporting might be stated as a process that generates reports by means of financial accounting information. As put forward by Bushman and Smith (2003), financial accounting information has been driving force behind the financial reporting practices which is a method to present numerical matters as well as financial performance. In brief, financial reporting is a product of financial accounting information which is mainly produced by balance sheet, income statement, and cash flow statement. Besides the sources of financial reporting, another leading issues have been existed that need to be addressed which will be located in the next paragraphs.

The accounting information which is required to figure out how resources and wealth of businesses are managed, and what kinds of values are created for businesses, investors and shareholders as a result of these actions. A probable result on businesses is that financial reports might be stated as a critical tool to decide on financial performance and other financial issues. Moreover, the relevant and reliable information is presented by financial reporting which helps directors and provider of financial capitals in point of monitoring management level (Armstrong et al., 2016). Besides, in the marketplace, the financial information have always required by current and potential investors and shareholders in order to make accurate decisions on businesses. In this sense, it is expected that these necessary financial information should be provided by businesses to inform investors and shareholders (Eccles and Spiesshofer, 2015). Therefore, financial information has started to be reported which has been a critical role to satisfy needs of disclosure of these financial information. The role of communication has been undertaken by financial reporting as well which helps users of these information to evaluate the historical data of economic entities, in a more certain way (Fărcaş, 2015). Also, this report could be beneficial to predict future cash flows. In other words, the qualified information have been provided through the presentation of these reports that have an impact on investors, lenders, creditors and shareholders positively in point of buying, selling, holding decisions (FASB, 2008; IASB, 2008). In this view, investors, lenders, creditors and shareholders are indicated as the major users of financial reports as well. In the light of these, it could be argued that there are three main roles or objectives of financial reporting which might be specified as;

- To present actual financial outlook and performance of businesses.
- To help providers of financial capitals and boards in the matter of evaluating financial performance of business.
- To enable mainly current or potential investors and other participants to make decision on business (helps to predict future).

Briefly, financial reporting has been an effective way to communicate with the mostly investors and shareholders, and other participants of business on financial issues easily which leads businesses to fulfill responsibilities against society. In this case, each business that operates in the stock exchange markets, is obligated to present financial outlook of business, which are generally based on standards such as IFRS or US GAAP (Druckman and Freis, 2010; Eccles and Saltzman, 2011). In a word, reporting and disclosing of financial information has been mandated by regulators and some important organizations. In addition, the common reporting languages have been created by means of these standards as well which makes it easier to compare financial reports.

On the other hand, as mentioned in the first chapter of this paper, shareholder based approach has been remarkable part of corporate governance that concentrates on maximizing the value of shareholders. In terms of businesses, producing of financial reports have been played a considerable role to support shareholder based approach. On the side of financial reporting is the view that the firm is a "nexus of contracts" among boards, managers, employees, suppliers and other actors whose core purpose is maximization of returns to investors (White, 2010:29) which is a main objective of shareholder based approach or theory as mentioned before.

Today, reporting and disclosing of financial information has still a prominent role which is regarded as a basis of capitalist system, and still based on accounting standards (Eccles and Spiesshofer, 2015). Accordingly, it could be claimed that financial reporting has indicated as a significant component of corporate reporting for many decades. There is no doubt that the popularity of financial reporting will continue in the following decades as well.

2.4.1.2. The Standards of Financial Reporting and its Importance

Financial reports have been used as one of the most crucial indicator by both businesses and other users of these information. In the view of outside, these reports can be seen as papers which include many numbers and explanations. However, these reports are not as simple as they seem which is prepared in harmony with a layout as well as linked with set of standards. In this manner, it is stated that this could be a reasons that caused to increase expectations of investors and shareholders in terms of better quality and transparency. As a matter of fact that financial reports that are prepared by high-quality and transparency, represent financial performance of a business in a proper manner, which is essential to form of fair and well-functioning capital markets (Eccles and Saltzman, 2011). As argued by Hearth and Albarqi (2017), high-quality financial reports have positive effects on investing decisions of participants, and the efficiency of capital markets are moved in a positive direction as well. In this manner, the positive relationship is existed between level of disclosures and accuracy of users' decisions (Hope, 2003). All these above are indicated that many essential matters have been impressed and directly connected by the quality of financial reporting.

The set of standards should be followed by businesses which could be a factor that increase the quality of financial report, and enables to achieve objectives of report. In the business world, a number of regulators and standard setting organizations, auditing institutions such as KPMG, Deloitte, PWC as well as accounting professionals that strive to ensure about the quality of financial reporting, have gained importance. In this regard, the Financial Accounting Standards Board (FASB) (operates in the U.S.) which follows rules-based U.S. GAAP, and principles-based IFRS is issued by the International Accounting Standards Board (IASB), which has been set universal accounting and reporting standards. These regulators as well as other organizations critically support and contribute to businesses in the matter of producing high quality financial reporting (van Beest et al. 2009; Eccles and Saltzman, 2011; Eccles and Spiesshofer, 2015). In addition to this, IFRS have been a more prominent than other standards, which is mandated by huge amount of countries. In the literature, it is argued that the adoption of IFRS is recommended to improve quality of these reports and to meet qualified financial reports (Jiao et al., 2012; Yurisandi and Puspitasari, 2015) which has a potential to provide higher reporting quality than rules-based standard (U.S. GAAP) or other standards as well (Barth et al., 2008). Furthermore, the adoption of IFRS is a way to improve comparability of reports and forecast accuracy (Horton et al., 2013), to reduce information asymmetries (Armstrong et al., 2016), and to contribute transparency as well as to decrease information cost which means that the liquidity, competiveness and efficiency of businesses are increased (Choi and Meek, 2005; Ball, 2006). The importance of standards have been highlighted which should be strictly abided by businesses. Also, in Turkey, IAS and IFRS has been issued since 2006 under the name of Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) in order to comply with common reporting languages. In short, the superiority of IFRS has been proven which support businesses in many perspectives. Also, it means that more comparable, transparent and accountable financial reports are provided to satisfy reporting needs of investors, shareholders and businesses, which is regarded as bedrocks for corporate governance as well as corporate reporting.

On the other hand, what determines the quality of these reports? In order to respond this question some qualitative characteristics of financial reports have been determined by FASB (FASB, 2008) and IASB (IASB, 2008) under the name of

Conceptual Framework for Financial Reporting which are important to usefulness of information. According to IASB (2008) and FASB (2008), these characteristics are classified as “fundamental qualitative characteristics” which are defined as “relevance and faithful representation”, and “enhancing qualitative characteristics” which are identified as “understandability, comparability, verifiability and timeliness”. As it name implies, enhancing qualitative characteristics assist to improve fundamental qualitative characteristics. Also, these are crucial to create common characteristics all around the world. These are being mentioned in following paragraphs.

2.4.1.2.1. Relevance

Each participants of businesses that are mentioned before as well as capital markets, have their own capabilities to evaluate and make decisions on the performance and actions of businesses. Also, the additional information have been required which have provided by financial reports. In this sense, it is expected that the decisions of users have been affected by financial reports (Hearth and Albarqi, 2017). This is one of the fundamental characteristics of financial reporting which is shown that the quality of relevance of financial reports have been met. Besides, FASB (2008:17) has been indicated that information is relevant if it is capable of making a difference in the decisions made by users in their capacity as capital providers. In addition to these, it could be said that the relevance of financial reporting has been occurred when the predictive and confirmatory value has been existed.

2.4.1.2.2. Faithful Presentation

Financial reports have been considered as a tool which present many remarkable financial issues of businesses. While producing financial reports, businesses must be objective, and reflect the consistent information as well as situations. This concept has the value of explaining how well the obligations and economic resources, including transactions and events, are fully represented in the financial reporting (Hearth and Albarqi, 2017:5). Accordingly, all necessary information that is useful for users of these reports, must be included in a complete and precise way. Faithful presentation is another fundamental characteristic of financial reporting which should be collaborated with the relevance to satisfy expectations of society.

2.4.1.2.3. Understandability

In the businesses environment, various kinds of financial reports are being prepared periodically which could be complex, long and hard to interpret sometimes. However, it is an unacceptable and a confusing condition from the users' point of view. In other words, these kinds of reports are not specified as an understandable. On the other hand, the way to present information and to use language as well as accessibility of information could be regarded as some factors that lead to increase understandability of financial reports, which are accepted conditions by users of these reports. In this sense, understandability is enhanced when information is classified, characterized, and presented clearly and concisely (FASB, 2008:21). This is one of the enhancing qualitative characteristic of financial reporting which is more likely to way to attract investors and providers of financial capitals.

2.4.1.2.4. Comparability

The users of financial information, and especially investors and providers of financial capitals should be always intended to consider some matters such as risks, opportunities, policies and strategies. To make a comparison between alternatives which could be indicated as a method to determine these matter below as well as helps to see unique characteristics of businesses. Therefore, comparability is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena (FASB, 2008:20), which makes it easier to compare financial performance, cash flow, and other related conditions of any businesses. As indicated by Cheung et al. (2010), reflects different financial conditions have been covered by different accounting information which should be represented by financial reports in a comparable and easily interpretable way. This is clearly demonstrated that comparability of financial reports is an essential elements which is connected with understandability as well. An effective and a consistent decision is probably made by means of comparability of financial reports that might be the best way to create values. In addition, in terms of businesses, deficient points might be improved and changed easily through the agency of comparability.

2.4.1.2.5. Verifiability

Businesses must present true and verifiable information which means that the objective information must be reflected by financial reports without a doubt, bias and material mistakes. According to characteristics of financial reporting, this is named as a verifiability of reports. FASB (2008:22) is defined that verifiability is a quality of information that helps assure users that information faithfully represents the economic phenomena that it purports to represent.

2.4.1.2.6. Timeliness

It has been mentioned before that financial reports have the greatest significance to impress users of information as one of the well-known tool of corporate reporting. In the contrary case, in the marketplace, many financial reports are ready to use for decision making process of users of information which have potential to affect and change their decisions as well. In this sense, it is vitally crucial to disclose financial reports in a timely manner. According to Hearth and Albarqi (2017:5), timeliness illustrates that information must be available to decision makers before losing its powerful and good influences. Also, this could be a reason of why these kinds of reports have been issued periodically. Shortly, it is known as an enhancing qualitative characteristic of financial reporting which is required for usefulness of financial information and reports.

2.4.2. Sustainability Reporting

Corporate reporting refers to all necessary reporting practices that are implemented on a compulsory or a voluntary basis. The financial reports come to mind first when corporate report is mentioned. According to past paragraphs, financial reporting have been one of the most useful tool to present financial results of businesses which role is still being continued by these reports. However, it does not cause to ignore the truth that financial reports are not good enough to cope with changing conditions, trends and problems of business environment. In this context, it has been specified before that apart from financial reporting, non-financial reporting have gained acceptance in the literature. These days, sustainability reporting is one of the most popular part of non-financial reporting, but it should be beneficial to comprehend the roots of term sustainability primarily.

2.4.2.1. The Origin of Sustainability: Environmental, Social and Governance Issues

As a matter of fact that today's businesses should not only intend to improve the wealth of shareholders and investors, but also it has never been forgotten that there are many responsibilities against the stakeholders. These responsibilities have led to emerge the social responsibility concept which have been debated in the literature (Bowen, 1953; Mason, 1960; McGuire, 1963). According to Carroll (1979), these responsibilities have classified as economic responsibilities against the shareholders; legal responsibilities against the governments and laws; ethical responsibilities against the societies; and discretionary responsibilities against the nature and all societies. Also, the term "total social responsibilities" were used by author to refer all responsibilities. These responsibilities might be pointed out as basis of the importance of non-financial information. In the next periods, social responsibility concept led to development of a new concept that is sustainability (Pirnea et al., 2011) which is one of the main subject of this paper, will be detailed.

In the view of paragraph above, it might be claimed that the environmental, social, governance issues or responsibilities should be critically considered by businesses. On the other hand, in the 21st century's business environment and the capitalist system, the needs of societies are unlimited, but the resources are limited to meet these needs. This could be stated as reasons of why both financial and non-financial outcomes have existed. In addition, there are some crucial matters such climate changes, air pollutions and governance of businesses that should be considered. As it noted by Krzus (2011), economic challenges; environmental challenges such as climate change and water scarcity; and societal challenges such as human rights and governance issues that must be realized and considered by businesses. In this sense, each steps have been taken by businesses and their operation might have direct or indirect effects on these issues or they could be affected by these issues as well. According to Maher and Andersson (1999), it is expected that businesses must be operated in line with the social responsibility. In a word, businesses have some critical responsibilities against society and environment which lead them to adaptation of social, environmental and governance issues together. In addition to this, John Elkington who is well-known in the literature, introduced "Triple Bottom Line" (TBL) concept. People, planet and profit has been defined as a triangle which must be considered by businesses (Elkington, 1994; Elkington, 1997). This triangle that was argued by Elkington, could directly be associated with social, environmental and economic matters as well as the governance issues of business that has been mentioned before. On the other hand, it was indicated before that the criticisms on and deficient point of financial reporting caused to shift interest towards the non-financial side. Today's economies have begun to be knowledge-based and information-based, but these have not been a part of accounting information (Eccles and Serafeim, 2015). This view has been supported by the investigation of Ocean Tomo Release (2015) (figure 2.3.) as well which has already resulted in growing interest on intangibles. Therefore, social, environmental and governance impacts of businesses which means that company specific non-financial information depending on these issues have started to be reported for the all stakeholders (Rupley et al., 2017; Eccles and Saltzman, 2011). In the literature, these reports have mainly named as ESG disclosure till the sustainability reporting which will be mentioned in the following part.

2.4.2.2. The Birth of the Term Sustainability

Social and environmental reporting have been on the agenda of businesses as well as have been a piece of literature for many years (Hogner, 1982; Buhr, 2007). Furthermore, the paragraphs below have obviously revealed that social, environmental, and economic and governance issues have taken its place in the literature, and more and more businesses have started to be reported these information voluntary. In addition to ESG issues as well as disclosure, the term sustainability has increased its awareness in the literature. Today, social and environmental issues might be remembered first when the word “sustainability” is used. Accordingly, it could be argued that sustainability is an umbrella term which encompasses the all social, environmental and governance issues, and adaptation of these issues into strategies and operations of businesses. In this manner, the term sustainability has many different dimensions, and it is expected that its definition may vary on depending on different disciplines. However, as noted by Newman et al. (2008:1), sustainability is essentially about enabling a long-term future. Also, the authors added that all these issues should be considered together to provide holistic view. This could be regarded as basic definition as well as aim of sustainability. Nevertheless, it will be appropriated to consider how this term has emerged and been popular in the literature.

The word “sustainability” was first used in forestry sector, in Germany, in 17th century (Kuhlman and Farrington, 2010). Also, as claimed by Kidd (2005:16), the word "sustainability" which was first used in connection with the capacity of ecosystems to support animal population. In the light of this statements, the protection of natural resources and environment were probably the idea that behind this phrase which means that the environmental concerns have been represented by term sustainability. However, there were little interest on the environmental issues which led to ignore socio, economic and ecological matters (Quental et al., 2011). On the other hand, this term has been used in ecology generally to refer a situation that should be sustained over a time period (Brown et al., 1987; Du Pisani, 2006), but it has been adapted to many different conditions as well. As it emphasized by Brown et al. (1987), the term sustainability have been used in the literature to cover different perspectives and many crucial matters such as biological resources, agriculture, energy, society, economy, and the most importantly sustainable development on all these critical issues. These could be stated as dimensions of sustainability which should be considered by businesses. Although, this term had used to refer mainly environmental concerns during the history, these concerns were not issued globally until the 70's.

It could be said that the fundamental developments on the sustainability has been started as a consequence of the efforts of United Nations (U.N.) since 1970. These efforts have brought about increasing awareness on environmental issues as well as sustainability. In this sense, the U.N. Stockholm Conference on the Human Environment, held in 1972 which was notable to uncover these substantial issues. During this international conference, the major concerns on environment, and ecological crisis was debated which resulted in the declaration of U.N. report. The following statement that was stated in U.N. report (1972), is well-suited to highlight the main idea of this conference, and report respectively. Accordingly, it was emphasized in this report;

> *"A point has been reached in history when we must shape our actions throughout the world with a more prudent care for their environmental consequences. Through ignorance or indifference we can do massive and irreversible harm to the earthly environment on which our life and well-being depend. Conversely, through fuller knowledge and wiser action, we can achieve for ourselves and our posterity a better life in an environment more in keeping with human needs and hopes . . . To defend and improve the human environment for present and future generations has become an imperative goal for mankind-a goal to be pursued together with, and in harmony with, the established and fundamental goals of peace and of world-wide economic and social development."*[4]

This statements have been shown that term sustainability did not used clearly to express environmental concerns, but it was regarded as one of the leading point of sustainability concept. Also, many principles have been issued, and this conference resulted in the establishment of United Nations Environmental Program (UNEP) which could be stated as a significant milestone to formalize environmental concerns. Furthermore, this was crucial point to increase awareness on environment

[4] United Nations (U.N.), (1972). Declaration of the United Nations Conference on the Human Environment. Stockholm. pp. 91-92.

and development problems (Kates et al., 2005). As implied by Du Pisani (2006), the ecological crisis that was mentioned in the report of U.N. (1972), led to shape term sustainability as well as to emerge sustainable development. These would be reasons which led academics to start to examine sustainable development in the next periods.

Apart from these advancements, the World Commission on Environment and Development (WCED) was established in 1982 under the oversight of U.N., which became an independent organization in the next years. Sustainability was first issued as a concept in the report of the U.N. World Commission on Environment and Development, in 1987, which was also named as Brundtland Report "Our Common Future". In the literature, it has been stated that the roots of sustainability concept dates back to the Brundtland report (Kuhlman and Farrington, 2010), and the popularity and acceptance on this concept has been started to increase respectively by the agency of this report (Quental et al., 2011; Christofi et al., 2012). In addition, the new term sustainable development was debated in this report which defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987:43). Also, in this concept, businesses are regarded as a main part of society which consider the corporate citizenship and interests of all stakeholders (IoDSA, 2016). No doubt, subsequent definitions of sustainability has been inspired by statement of WCED. In a decade later, economic and social development, and environmental issues have been adapted as elements of sustainable development (U.N. 1997). Besides, U.N. World Summit on Sustainable Development (WSSD) took sustainable development into consideration in terms of governance of businesses. Furthermore, 17 sustainable development goal and 169 target has been set by United Nations Development Program which are located in the appendix 1. These sustainable development goals should be adopted by business in accordance with their needs. All these led to birth of sustainability concepts as well as sustainable development which will never lose its importance easily.

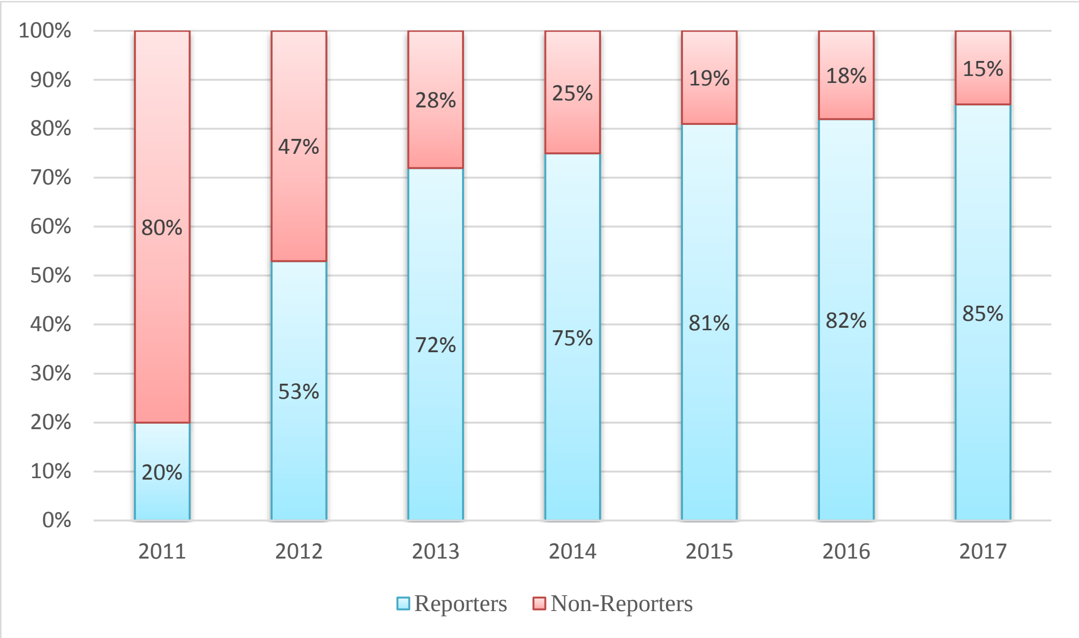
2.4.2.3. The Purpose and the Importance of Sustainability Reporting

The paragraphs below has clearly demonstrated that the origins of sustainability trace back to decades ago which has a long history. Even though, the term sustainability was used first many years ago, reporting of these information is more recent than its history. Sustainability reporting evolved in the mid-1990s as a means for business organizations to manage and balance their productive efforts with those of the environment and their surrounding communities (Christofi et al., 2012:158). However, it has already reached its peak point in 2000 (Fărcaş, 2015). On the other hand, social and economic, and environmental issues are specified as the main components of sustainability concept which are directly connected with people, profits and planet which has been mentioned by Elkington in his studies. In this context, the purpose of sustainability reporting is to provide a broad range of stakeholders with information on a company’s performance across a wide range of environmental, social, and governance (ESG) performance dimensions (Eccles and Spiesshofer, 2015:3). Furthermore, the social and economic issues, policies, programs and performance have been represented by sustainability reporting as well (CPA CANADA, 2015). In other words, the main role of this type of reporting is to create a sustainable business and environment, and helps to communicate with society on environmental, social and economic matters, which should cover both positive and negative impacts and performances on these matters (GRI, 2013a). Therefore, it could not be wrong to say that these reports are indicated as the combination of social, environmental, economic and governance issues which aim is to inform mainly stakeholders and other users of reports about the impacts and performances of business on these critical issues.

Although, the non-financial information have been handled by sustainability reporting for the use of mostly stakeholders, these reports might have a direct or an indirect impact on financial results. In this point of view, the pivotal role has been played by sustainability reports which have gained acceptance of many investors as well (Ioannou and Serafeim, 2015). Accordingly, in addition to stakeholders, the attention of investors have been begun to be attracted by sustainability reports which shows the importance of sustainability reporting. Additionally, the research of

Governance and Accountability Institute in 2017 on S&P 500 companies that is being shown by figure 2.4., has indicated that the number of companies that comply with sustainability reporting, has been increased over the years. This could be associated with the importance of sustainability reporting as well.

Figure 2.4: S&P 500 Companies Sustainability Reporting



Source: Governance & Accountability (G&A) Institute, 2017.

In 2011, 20% of S&P 500 companies reported sustainability on environmental, social and governance matters. However, the number companies that adopt their businesses to sustainability reporting, have reached 85% in 2017. In this sense, it is claimed that today's businesses are more sensitive on environmental, social and governance issues than previous years. This is an evidence that the importance of sustainability reporting has been improved to provide these information as well.

Sustainability reporting is a significant tool for many reasons. According to Cheng, B. et al. (2014), the better sustainability performance as well as reporting of these issues that facilitate to access finance. In addition, as stated by Gray (2006), businesses that take social and environmental concerns into account, have better financial performance and conditions. In this manner, it has been found that there is a positive relationship between sustainability reporting and profitability of businesses as well (Whetman, 2018). Also, in the organization, there are many internal and external factors that have direct or indirect effects on the overall performance of businesses. In this context, it has already mentioned in the study of Christofi et al. (2012), voluntary sustainability reporting could be regarded among these factors which is a way to contribute better corporate performance. In the literature, it has been always stated that all stakeholders of businesses have demanded more transparency in line with the principle of corporate governance. In this point of view, sustainability reporting is a crucial tool for both internal and external environment of businesses which will probably meet the demand of stakeholders in the matter of increasing transparency (White, 2005, GRI, 2013a) that enables to improve accountability and corporate image as well (Whetman, 2018). In addition to these, almost all the important points of sustainability reporting in terms of both internal and external environment of business has been summarized by GRI which is demonstrated by table 2.3.

Table 2.3: The Importance of Sustainability Reporting

Internal	External
- Provide better understanding on risks and opportunities. - Try to establish link between financial and non-financial performance. - Effects on long-term management strategy, policy, and plans. - Decreases costs and increases efficiency. - Allows to compare and evaluate sustainability performance internally and externally. - Enables to manage and communicate on environmental, social and governance issues.	- Helps to reduce or alleviate negative impacts on environmental, social and governance, and to increase awareness on these issues - Encourages investment and contribute to reputation of company. - Makes it clearer to comprehend the organization’s true value, and tangible and intangible assets for external stakeholders. - Allows external environment to understand how business affects, and is affected by, expectations about sustainable development.

Source: Based on GRI, 2013b.

In terms of Turkey, all these conditions, and the roles of sustainability has been taken into consideration by Turkish businesses as well. According to BIST sustainability index in 2017, 44 companies have already operated in this index which have showed the importance of issues in Turkey. In addition, the GRI framework has been adapted by many Turkish businesses in the matter of preparing sustainability reports.

On the other hand, in the view of chapter one, shareholder based approach has been associated with the financial reporting which assists investors and shareholders regarding on maximizing their wealth. However, as indicated by stakeholder based approach, the interests of shareholders, investors, stakeholders and other participants must be aligned in order to create value. According to Massie (2010), it has been achieved by taking account of environmental, social and governance factors which means that the adoption of sustainability reporting. In this context, the sustainability reporting could be associated with the stakeholder based approach. Finally, all these are vitally important to meet basic principles of corporate governance which leads to build trust among participants of businesses. Term sustainability as well as reporting of these non-information have already been important actors in the literature which encourage increasing number of businesses in the matter of complying with sustainability reporting.

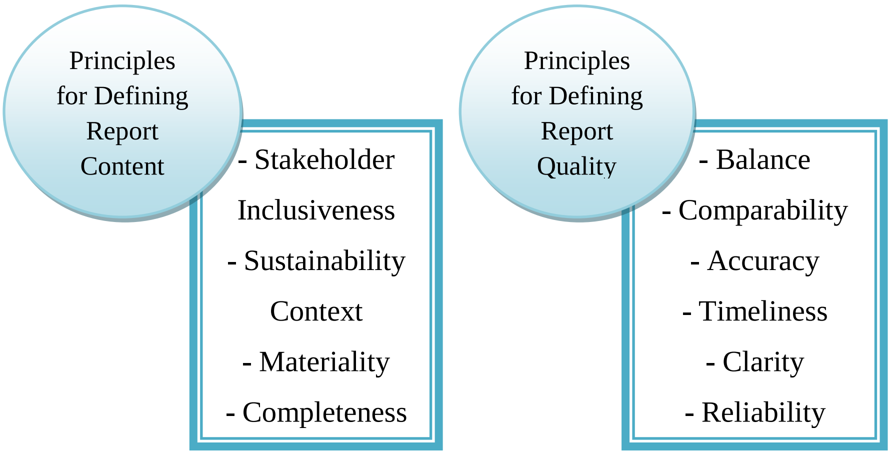
2.4.2.4. The Role and Principles of GRI in Sustainability Reporting

It has been indicated previous parts of this paper that the demands of societies have already geared towards to non-financial side of businesses as well as reporting of these information regarding on providing more transparency and accountability. Sustainability reporting has emerged as a voluntary reporting approach, but as illustrated by figure 2.4., growing number of businesses have willingly complied with this type of reporting. In this sense, it could be appropriated to follow set of principles or standards. Sustainability reporting which have not been well prepared until the 1997, did not have any guiding principles till the establishment of Global Reporting Initiative (GRI). It might be clearly seen that after the establishment of

GRI, sustainability reporting has started to be a more meaningful and useful tool for business environment.

It has always been prominent to comply with set of standards, principles or measures in order to create comparable, and common reporting languages (e.g. IASB/IFRS, FASB/US GAAP). In this context, GRI is a well-known organization, which main role is to constitute a language that is understandable by all users of information as well as enables to evaluate reported information (Brown et al., 2009). Moreover, internationally agreed disclosures and metrics enable information contained within sustainability reports to be made accessible and comparable, providing stakeholders with enhanced information to inform their decisions (GRI, 2013a:3). If this universal and common standards, principles or metrics do not exist, these reports may mean nothing. Also, according to Manetti and Becatti (2009), the assurance of sustainability reporting is a vitally critical responsibility, and it is suggested that the standards should be improved to determine weakness of sustainability reports. The usefulness of sustainability reporting has been guaranteed thanks to this view as well. In this sense, the usefulness and quality of reports have been increased by the agency of GRI (Willis, 2003). For this reason, these reports have continuously developed and improved by GRI. All these critical roles have been undertaken by GRI which has been driving force behind businesses in the matter of preparing sustainability reports that helps each business to advance their transparency, accountability, and the most vitally sustainability on the issues of social, economic, safety, human rights, environmental and so on. However, all these are possible, if businesses comply with the GRI principles. According to last revised version of GRI G4 in 2013, the main principles of sustainability reporting can be categorized into two groups which are “Principles for Defining Report Content” and “Principles for Defining Report Quality”. These principles will be shown in the figure 2.5.

Figure 2.5: The Principles of Sustainability Reporting



Source: Based on GRI, 2013a.

These principles support business to constitute the content of report, and to generate quality report which are important for usefulness of information. These principles will be explained briefly in subsequent paragraphs.

2.4.2.4.1. Stakeholder Inclusiveness

There are number of stakeholders around businesses who might affect the operations, performance, and results of businesses. On the contrary, stakeholders are capable to be affected by these conditions of businesses as well. Accordingly, the current and potential stakeholders should be defined by businesses to meet their needs. In this sense, stakeholder inclusiveness is a principle which is explained by GRI (2013a:16) that the organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

2.4.2.4.2. Sustainability Content

The individual performances or outcomes should not only be considered by businesses in the matter of sustainability, but also they should consider the broader perspectives. Accordingly, it is expected that businesses discuss the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level (GRIa, 2013:17). In a word, businesses should be taken the whole picture into account in order to be gain acceptance.

2.4.2.4.3. Materiality

As noted before that the operations, performance as well as outcomes of businesses have direct or indirect effects on many considerable issues. Social, economic and environmental issues might be regarded as one of those which must be considered by each business to contribute future generation. Therefore, these issues must be covered by sustainability reporting.

2.4.2.4.4. Completeness

In terms of stakeholders, many necessary information which is owned by businesses. In this sense, stakeholders are expected that these non-financial information must be present in an objective, a consistent and a complete manner. According to GRI (2013a), this is one of the principle of sustainability reporting which is related with the presentation of all material aspects (e.g. social, economic and environmental effects of businesses) in order to help stakeholders in point of making accurate decisions on operations, performance and outcomes of businesses.

2.4.2.4.5. Balance

The operations and performances of businesses might not always produce positive results. Accordingly, the both positive and negative performance as well as outcomes must be covered by sustainability reporting.

2.4.2.4.6. Comparability

In the marketplace, many companies operates which lead stakeholders to compare performances and outcomes of businesses with previous years or its current and potential competitors. In this regard, highly comparable non-information should be provide by sustainability reporting. Also, the reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations (GRI, 2013a:18).

2.4.2.4.7. Accuracy

A number of data is covered by sustainability reporting on mainly environmental, and social and economic matters. In order to gain confidence, the certain information should be provided by businesses. As stated by GRI (2013a:18), this principle refers that the reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance.

2.4.2.4.8. Timeliness

The necessary information of businesses are always reported at specific times which is substantial for stakeholders to make decisions on time. Accordingly, the organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions (GRI, 2013a:18).

2.4.2.4.9. Clarity

Businesses have different kinds of participant which lead them to consider interests of each stakeholder. Therefore, the organization should make information available in a manner that is understandable and accessible to stakeholders using the report (GRI, 2013a:18).

2.4.2.4.10. Reliability

The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information (GRI, 2013:18).

2.4.3. Integrated Reporting

Integrated reporting (IR) which has been emerged in accordance with the changing demand of society and business environment, is called as a new type of corporate reporting. It has been indicated before that financial reporting has its own strong and weak points. In the following periods, environmental concerns as well as term sustainability have started to increase its importance. In this sense, the deficiency of financial reports, and demands on non-financial information have caused to arise non-financial reporting practice. Although non-financial reporting have gained acceptance in the literature, it is hard to create link between these financial and non-financial information. Accordingly, these information should be combined and evaluated together to tell how value is created for business environment. This role has been undertaken by IR which could indicated as an integration process of both financial and non-financial information. In other words, financial reporting and sustainability reporting have been covered by IR. On the other hand, IR is a tool which should be complied by businesses to express more than a simple integration. This new type of corporate reporting will be addressed in the chapter three within its all details.

CHAPTER THREE
INTEGRATED REPORTING

Throughout the history, new trends, needs, demands and problems that have always brought changes and evolutions with it which is still continued in the 21st century's business world. In terms of business environment, these matters have always resulted in emergence of new solutions and approaches. In this sense, corporate governance regime as well as corporate reporting practices have existed in the business literature.

The companies and organizations have operated in the both domestic and international marketplaces for many years as well as for many reasons. In the light of previous chapters, the well-established corporate governance system has been the most critical regime in order to support the operations, and to sustain presence of businesses while considering the interest of all stakeholders and other participants of businesses. On the other hand, corporate reporting practices which have been a significant part of well-functioning corporate governance regime, enable to communicate with society on required information. Financial accounting information have been useful to generate financial reports which have emerged in point of meeting the needs of users of financial information. However, as indicated in the previous chapters, these reports have started to be inadequate in accordance with advancing conditions of business environment, and demands of societies. At this point, these necessary financial information have supplemented by voluntary non-financial reporting practices.

The various reporting practices have been covered under the name of corporate reporting that mainly includes financial and non-financial information. However, these reporting practices have been issued separately which led to some problems. As a matter of fact that there are two sides of a coin and generally the different stories are told by each side of a coin. Accordingly, the one side of a coin could be represented by financial reporting, and other side might be referred to as non-financial reporting. Accordingly, these reports cannot be separated from each other because the whole picture is created by both sides of a coin. Even though the different stories have been issued by financial and non-financial reporting, these reports are the products of a same business as the coin example. This could be regarded as a main idea of today's new reporting approach which is known as an integration of basic types of current reporting practices, which is called as Integrated Reporting. This is the third chapter of this study that purpose is to point out advancements of IR.

3.1. THE TERM INTEGRATED REPORTING, INTEGRATED REPORT AND ITS SCOPE

Many developments, problems and changes have been observed in the business environment since the Industrial Revolution and some important events. Financial crises, scandals and environmental concerns have regarded as some of those which have already brought about the adoption of corporate governance, corporate reporting as well as IR in today's business environment (Ioana and Petru, 2017). Financial reporting and non-financial reporting have been a major components and drivers of corporate reporting practices which have taken into consideration for many years. However, in the 21st century, nothing is perfect, and of course current reporting approaches have some missing aspects as well (see chapter two). In this instance, these deficient sides of current reports, demands of users of information, and other problems that have led to open ways to go an integrated approach, have been issued by chapter two. According to IIRC (2011:1), "a global consensus on the direction in which reporting needs to evolve, creating a framework for reporting that is better able to accommodate complexity, and, in so doing, brings together the different strands of reporting into a coherent, integrated whole". After a long journey of corporate reporting, now the integrated reporting is being taken its place as a new tool of corporate reporting.

Financial reports fail to the tell complete story (Ioana and Petru, 2017) which are not good at reflecting the value creation story over time (EY, 2014a) as well as sustainability reports have some weaknesses in the matter of linking required information (King, 2011). These are some points that make it harder to understand relationship between these reports and performances. During the history, reporting practices have been a substantial role to keep in touch with the all key stakeholders of businesses (OECD, 2014). In a word, these problems could be solved by a new reporting approach again which should help to complete whole story thanks to an extraordinary integration. Accordingly, imperfect aspects of both financial and sustainability reporting have already led to arise a new approach that is known as IR (Jeyaretnam and Niblock-Siddle, 2010a).

In a basic meaning, IR could be defined as a process that results in the combination of the current reporting approaches, which enables to present essential and substantial information together in a single and brief report. However, it is wrong to define IR as a new form of sustainability reporting or CSR (CPA CANADA, 2015). Therefore, the definitions of IR, integrated report as well as its scope that has been accepted by and taken part of the business literature, will be given in the subsequent statements of this study.

Financial and non-financial performances as well as information is provided by means of IR in one report to the all users of information, which have been never done by other form of reports before (Eccles and Krzus, 2010b; Eccles and Saltzman, 2011; Krzus, 2011; Perego, 2016; Hoque, 2017; Melloni et al, 2017). This definition might be true for some degree because IR goes beyond an ordinary integration. In other words, it is far from being a simple integration of financial and sustainability reports (Eccles and Krzus, 2010b; Krzus, 2011). The following definition that has been made by King (A4S and GRI, 2010), demonstrates that how IR exceed the limits of traditional reporting practices. Accordingly,

> *"Integrated Reporting builds on the practice of Financial Reporting, and Environmental, Social and Governance - or ESG - Reporting, and equips companies to strategically manage their operations, brand and reputation to stakeholders and be better prepared to manage any risk that may compromise the long-term sustainability of the business".*[5]

Financial and non-financial reporting that has been covered in the chapter two, are stated as a basic components of IR process. All these issues are taken place in IR, and this process end with the creation of an integrated report which has already changed the definition of corporate reporting.

[5] The Prince Accounting for Sustainability Project (A4S), and Global Reporting Initiative (GRI). (02.08.2010). Formation of the International Integrated Reporting Committee (IIRC). *Press Release.*

Integrated report is one of the most substantial outcome of a process that is named as IR (IIRC, 2011) which has been progressing on the way of becoming the primary report in the business environment. On the other hand, IR as well as integrated report is also named as “One Report” in the literature by Eccles and Krzus (2010a). It has been mentioned in this study of Eccles and Krzus that the concept of one report has two different meaning. Accordingly, the first meaning is used to cover information that are provided by a single document, and the second meaning is indicated that it is a presentation of financial information in collaboration with non-financial information as well as their effects on each other. One report leads to change the viewpoints of business environment from the narrow range financial objectives to the wider range business strategy (Eccles and Krzus, 2010b). Nevertheless, there could be a number of reasons behind this naming as well. Initially, the information should be presented in a holistic way or approach to the all users of information (e.g. investors, shareholders, stakeholders) in order to see and evaluate the bigger picture that covers the relationship between financial and non-financial performances (Druckman and Fries, 2010; Jeyaretnam and Niblock-Siddle, 2010a; Eccles and Serafeim, 2015; ACCA, 2018). According to King III Report on Corporate Governance (IoDSA, 2009:54), IR “means a holistic and integrated representation of the company’s performance in terms of both its finance and its sustainability”. From the point of view of business environment, both past and predicted future performances will be disclosed together, which might be triggered to attract attentions of providers of financial capitals and stakeholders. In this regard, all critical parts of current stand-alone reports have been handled by IR to meet more cohesive and efficient reporting practices (Stent and Dowler, 2015). Furthermore, it is the most reasonable way to shape the strategic picture of businesses in a more succinct manner that enables to comprehend how value is created and sustained by business (Adams and Simnett, 2011). However, only a small part of holistic approach has been covered by these views. Furthermore, business model of companies as well as their performances, strategies and long-term targets have been considered by an integrated report also (Jensen and Berg, 2012; de Villiers et al., 2014; Ioana and Petru, 2017) that combines financial, economic, governance and social information, and sustainability activities in one report (Hughen et al., 2014; Rupley et al., 2017).

On the other hand, the term IR and integrated report is not interchangeable with each other. In the view of the previous statements, an integrated report might be stated as an end product of the consideration of all these matters that mentioned below, by means of IR process. In this regard, IR and integrated report has already been defined differently by IIRC. In a more comprehensible sense, ***integrated reporting*** is "a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation" (IIRC, 2013a:33). This definition of IIRC is well-suited to confirm the idea which is regarded integrated report as an output of this process. Besides, an ***integrated report*** covers "concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" (IIRC 2013a:7). In this sense, integrated report is stated as a consequence of connectivity and integrated thinking as well (EY, 2014a). Also, it has been stated by IIRC, integrated report can be a stand-alone report or may be located as a part of another report. In doing so, a holistic view on business is provided by taking all these issues into account as well as through the agency of integrated thinking. These definitions are demonstrated that there are many critical issues within the business which must be considered in connection with each other. This critical process is called as IR, and results in producing and disclosing an integrated report.

All aspects of businesses have been considered by IR in a complete way since the contributions of IIRC, in order to meet needs and expectations of business environment. In the view of the definitions that have made on IR and integrated report, it might be said that the different and critical aspects of business, social, environmental and governance matters as well as current reporting approaches have been considered together. In addition, shareholder and stakeholder based approach has come to the fore as the most reasonable approaches in terms of both corporate governance regime and corporate reporting practices (see chapter one and two). As argued by Massie (2010) and Ioana and Adriana (2014), these main approaches should be combined by IR as well which covers the reconciliation of the both shareholder and stakeholder based approach in order to consider the interests and benefits of all users of information. Therefore, IR has been emerged on the grounds of the both shareholder and stakeholder based approach of corporate governance, and corporate reporting practices.

Finally, the effective and efficient report must be based on information which are connected with each other to provide full picture of businesses. IR which enables to link all vitally critical matters of business in a report, is a way to meet expectations of society, users of information, and internal environment of businesses as well. All these definitions that have made on IR, have helped all business environment to comprehend how this process and integrated report is required as a last ring of corporate reporting. Apart from these, the effective and efficient integrated report should be based on integrated thinking as well as tell the whole value creation story, which will be explained in the following.

3.1.1. Integrated Thinking and Value Creation

IR that has started to be an integral part of today's businesses, might be taken shape around a process or a system that continuously operates to promote value creation and tell this story. In this process or system, one of the most vital role has been undertaken by integrated thinking regarding on promoting the IR process and generating the best integrated report, which will be discussed in the following.

It has been put forward by the definitions of IR, the holistic picture on all aspects of business has been presented by IR as a new form of corporate reporting approach. On the other hand, IR reflects integrated thinking as a vitally critical components of business related issues (IIRC, 2011; Churet and Eccles, 2014; ACCA, 2018). In this sense, it could be said that the holistic view is provided by means of integrated thinking. The possible outcome of one report is to encourage businesses to the integrated thinking or vice versa. Even if the time sequence of the IR and integrated thinking might be changed, these are strictly connected with each other and should move together. Accordingly, integrated thinking is located in the center of IR (Stent and Dowler, 2015), which considers the connectivity and interdependencies between various business related elements that have potential effects on the value creation over time (IIRC, 2013a; IoDSA, 2016), and helps to adapt them into IR process, and translate them into an integrated report eventually (Krzus, 2011; EY, 2014a). In this context, connectivity, interdependencies as well as integrated thinking is emphasized as main pillars of an integrated report which help to contribute and explain the story of value creation. From point of view of this statement two critical matters have been revealed as well which are integrated thinking and value creation.

It has been argued that IR is a method to encourage integrated thinking so that the whole picture of business has been presented, which is one of the best way to take some crucial elements into account such as non-financial information and six capitals (Eccles and Spiesshofer, 2015). Moreover, as noted by Churet and Eccles (2014), the tip of the iceberg is represented by IR, but the base of iceberg is below the surface which is called as "Integrated Thinking". In the below of this iceberg, many issues have waited to be associated with each other by means of integrated thinking. In this sense, it is claimed that integrated thinking has foremost role to produce an integrated report. In line with this idea, it has been argued by Velte and Stawinoga (2016) that integrated thinking which huddles all corporate reporting and corporate governance related issues together, improves the meaning of reports. On the other hand, another explanation have been made by IIRC to evaluate integrated thinking from a broader perspectives. Accordingly, integrated thinking is defined as "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects" (IIRC, 2013a:2). In this context, effective knowledge management is required between key players (e.g. directors, executive and operational managers, financial and sustainability reporters, risk managers, internal auditors, etc.) which is encouraged by integrated thinking (IIA, 2015). Today's businesses operates in a multidimensional environment as well as globalized business world. In this manner, these operating and functional units, and the capitals of businesses should be considered by corporations and other size companies in within all its details because significant contributions are made to the value creation process by means of integrated thinking of these issues. On the other hand, integrated thinking is defined as a process to monitor, manage and communicate the value creation process of business as well as how this process will turn into a long term value (IIRC, 2011). In this way, value will be created and sustained by means of the process of integrated thinking which comes along with the success over time.

It has been mentioned in the literature that one of the main aim of IR is to express the value creation story of business over time (IIRC, 2013a; Perego et al., 2016; Melloni et al., 2017). To reach this aim, an important role have been played by integrated thinking because the six capitals have been taken into consideration in order to contribute value creation process. Furthermore, as stated in the previous chapter, the importance of intangible assets have been improved over time. At this point, this could be indicated as a reason that leads to increase expectations of society in the matter of linking capitals of business with other important issues. There is no doubt that all these led to change the meaning and story of value creation process in a more understandable manner. In this context, IR enables to communicate on all aspects of business that creates value by means of considering and linking all capitals into business model, governance such as financial, human, social, intellectual, manufactured as well as natural capitals (Adams and Simnett, 2011; IIRC, 2013a; CPA CANADA, 2015; Eccles and Serafeim, 2015; Morros, 2016; Zhou et al., 2017). According to IoDSA (2016), in addition, other critical matters such as corporate citizenship, stakeholder based approach, and sustainable development has been main subjects of integrated thinking. At the end, all these are regarded as substantial issues to constitute an integrated report. In a word, integrated report is a new type of corporate reports which tells the whole story of business by means of considering all critical issues in connection with each other.

To sum up, IR is based on integrated thinking in order to promote value creation process of business. In addition to this, the capitals and value creation process is regarded as one of the most important parts of this chain which will be examined in the following parts as well. IR is an endpoint of the iceberg which means that IR is a consideration of many components and processes. Adaptation of integrated thinking into IR is one of the most suitable method to provide holistic view on business and especially on its strategy, performance, governance, sustainability and so on. An integrated report is constituted by the presentation of all these required information and processes which role is to create value as well as to provide numerous benefits to all business environment. In addition, a well-functioning corporate governance regime will be probably established and sustained which increase efficiency and effectiveness of business in point of performance and decision making, by means integrated thinking.

3.1.2. The Need for Integrated Reporting, Its Aims and Major Points

In the business world, companies have always experienced new problems, changes, and developments for many years. On the side of corporate reporting, these matters have forced businesses to considering more than just reporting of financial information (Lynch et al., 2014). Therefore, the landscape of corporate reporting have changed towards to the integrated approach since a last decade. As a matter of fact that there are number of reasons behind the adoption of IR, and some reasons have already issued in chapter two (see headline 2.3.3.) about why businesses need an integrated approach. These reasons were mainly emphasized on the deficient points of and disconnections between both financial and non-financial reporting. From this point of view, as noted by Hughen et al. (2014), companies need this new reporting approach; to get rid of inefficient relationship between existing reports; to convey complete picture of business and how value is created over time; to integrate financial reporting into sustainability reporting. Besides the negative aspects of current reporting approaches which have already led to adoption of IR, there are many reasons behind why an integrated approach is needed by today's business environment. Accordingly, these reasons have already been defined by IIRC (2011:2) which will be clarified below;

- Globalization,
- growing policy activity around the world in response to financial, governance and other crises,
- heightened expectations of corporate transparency and accountability,
- actual and prospective resource scarcity,
- population growth, and environmental concerns.

All these issues have started to take place on the agenda of the both internal and external environment of businesses since the last decades, which could be regarded as some leading reasons of the idea of an integration. Moreover, as mentioned by

Krzus (2011), business environment need an integrated approach which is required to deal with information relevance, complexity as well as challenges of the 21^{st} century's business world such as financial crisis, scandals, and failures. Furthermore, two major challenges of today's business world which have specified as the financial stability and sustainability, have been addressed by IR (IIRC, 2013c). Additionally, in today's corporate world, three shifts have been appeared which are "from financial capitalism to inclusive capitalism; from short-term capital markets to long-term, sustainable capital markets as well as from siloed reporting to integrated reporting" (IoDSA, 2016:4). These shifts have been signs that business environment needs a new approach which is called as IR. In this instance, an integrated report does not only consider to the contribution of financial assets of business, but also consider and meet expectations of society, environment and all stakeholders in order to create a sustainable value for business world. All these could be stated as reasons that have triggered to the need for an integrated approach.

On the other hand, all these reasons that have revealed the need for an integrated approach, help to comprehend main aim of IR as well. In a broader sense, the main aim of IR is to combine all aspects of business together to present how business has contributed to the short, medium and long-term value creation (IIRC, 2013a; 2013b; Zhou et al., 2017). In addition, IR aims to change that by giving intangibles and externalities a place in corporate reporting (EY, 2014a:12). Moreover, the basic definitions of IR that have been made in the previous parts of this paper, have reflected the some aims behind this approach. In addition to these, some other aims of IR is listed in below which is to;

- Improve the quality of information which contributes to efficient capital allocation and the decision making process of investors and shareholders,
- Encourage a cohesive, efficient and effective reporting approach,
- Increase accountability and stewardship,
- Consider integrated thinking and decision making as an integral part of value creation,
- Provide concise and clear communication on all aspects of business as well as on value creation over time,
- Present external factors which affect or affected by business,

- Point out relationship between resources (also named as capitals), external factors and business model,
- Meet the information needs of all business environment (e.g. investors, shareholders, stakeholders) (IIRC, 2011; IIRC, 2013a).

Accordingly, it could be summarized that the basic aim of IR is to embrace all business environment as well as to take all business specific factors into consideration through the agency of its unique features and methods. In accordance with the aim of corporate reporting, IR could be regarded as the most significant communication tool as well. The integration of all business related elements that enables to explain how value has been created over time, and to communicate for the all users of information on these matters.

In the light of the previous paragraphs, the existing reporting approaches have failed to meet the needs and expectations of users of information. Therefore, some aspects and aims are expected to be different than the current corporate reporting approaches in order to meet potential needs and expectations of society. In this context, it could be claimed that IR differs from current reporting approaches (e.g. financial and non-financial reporting) in many ways. In this instance, a guide has been issued by IIRC in 2011 to provide better understanding on IR, which has indicated that eight major differences have come into prominence between IR and other types of corporate reporting. These differences will be intended to summarize in the table 3.1.

Table 3.1: The Different Features of Integrated Reporting

Features of Reporting	Traditional Reporting	Integrated Reporting
Thinking	Isolated	Integrated
Stewardship	Financial capital	All forms of capital
Focus	Past, financial	Past and future, connected, strategic
Timeframe	Short-term	Short, medium and long-term
Trust	Narrow disclosures	Greater transparency
Adaptive	Rule bound	Responsive to individual circumstances
Concise	Longer and complex	Concise and materiality
Technology enabled	Paper based	Technology enabled

Source: Adapted from IIRC, 2011:9.

Actually, this table could be appropriated to emphasize the major point of IR rather than a comparison. These major points might be pointed out as a sign of how the benefits are being provided. On the other hand, if it is needed to be compared, it could be claimed that all features of traditional reporting practices have been taken into consideration in the simplest sense than IR, which could be related with the isolated thinking and the needs of the time as well. In this manner, the superiority of IR against other types of reporting practices are indicated by means of Table 3.1. It would not be wrong to match the superiority of IR with integrated thinking. Also, changing trends and needs of business environment as well as the main aims of IR could be easily understandable by table above. Briefly, the 21st century's business world have already led to change in needs and trends of users of information, and the aims of reporting approaches have been changed as well. IR has approved by huge amount of businesses all around the world to handle with the complex situations of business environment. In accordance with the main idea, IR might be called as the most inclusive and useful practice among the other types of corporate reporting practices.

3.2. THE ROOTS AND BRIEF HISTORY OF INTEGRATED REPORTING

Corporate governance regime have been embraced by almost all businesses for many years ago. As a consequence of corporate governance system, corporate reporting practices have gained acceptance in the business environment, and financial and non-financial reporting have been issued by businesses respectively. These days, the popularity of an integrated approach has already been increased that has been a way to assess all necessary information from a broader perspectives, which is known as IR. However, the idea of the combination of required reports, information, and performances are not as new as it looks.

It has been stated in the literature that the idea of integrated reporting was first mentioned by Clark C. Abt in 1977, in his book that was named as “The Social Audit for Management”. This could be pointed out among the ideas that triggered business environment to consider an integrated approach. On the other hand, in the business and accounting literature, it is possible to see some examples of combination systems. As noted by de Villiers et al. (2014), in the business environment, remarkable changes and evolutions have been experienced for last 20 years which have led to associate management with financial and non-financial performances, and Balanced Scorecard, Triple Bottom Line, Sustainability Reporting, and IR has evolved as the most important approaches in this context. In a word, these have been critical tools that the implications of financial and non-financial performances have been tried to be shown in a common manner before the development of IR. In this sense, the roots and development of IR dates back to corporate reporting (Stent and Dowler, 2015) as well as these approaches, even though it has been appeared more recently. These tools or approaches that contribute to development of IR will be explained as following;

Balanced scorecards is stated as a measurement tool, a reporting practice or a control mechanism that enables to determine and evaluate performance of businesses by means of using set of metrics which provides holistic view on financial and non-financial issues (Kaplan and Norton, 1996). The adoption of balance scorecard helps to present past performance that is an outcome of financial information as well as future has been shaped by taking advantages of non-financial measurements

(Nørreklit, 2003). In the view of these statements, this approach could be a beneficial in the matter of measuring performances of both internal and external environment of businesses. Although this approach is long-term oriented, and good at evaluating non-financial performances, the most considerable matters such as social, environmental as well as sustainability have not been covered (de Villiers et al., 2014). In other words, it fails to create an integration between all these crucial issues.

It has been said before that the Triple Bottom Line has been introduced by Elkington in the mid 1990's. The environmental, social and economic dimensions have been added to traditional reporting practices by this approach. The new approach has been created that based on sustainability concept (Adams et al., 2004). According to Fărcaş (2015), the consideration of "people, planet and profit" (that has been mentioned by Elkington) has been a starting point of an integrated approach. In the next periods, social and environmental issues have started to be covered by sustainability reporting as a new approach which has been a primarily tool of IR.

All these are indicated that throughout the history, different aspects of businesses have tried to be associated with each other. Besides, it could be said that financial and non-financial information, performances, and the most importantly reports have been determined for these approaches as well as IR. Therefore, these approaches could be leading ideas behind IR, but IR is based on a perfect combination which is intended to express more than all these approaches.

The similar ideas were existed in the literature, and these could be specified as the roots of IR. On the other hand, there were two important initiatives that might be indicated as a pillar of emergency of IR which are Novo Nordisk and Institute of Directors in Southern Africa, their roles will be explained in the following paragraphs.

The first integrated report was issued in 2002 by Danish company Novozymes (Fărcaş, 2015). This initiative of Novozymes was followed by Novo Nordisk in 2004, United Technologies, Natura and Philips in 2008. In the next periods, the term "integrated" was first used by Allen White in his discussion on Novo Nordisk's "integrated, balanced, and candid reporting" in 2005 (Eccles and Saltzman, 2011) even though the roots of IR dates back to some similar approaches. The creation of a culture which covers the integration of all business related matters, have been started to be desirable in today’s business world. However, this culture has already been created in 2004, and is being continued by Novo Nordisk which have resulted in the implementation of this initiative, and they have become a leading company in this regard (de Villiers et al., 2014). There is no doubt that this approach of Novo Nordisk has been considered and inspired by many businesses.

South Africa has played a remarkable role to the development of an integrated approach as well as introduce this concept by the agency of IoDSA (de Villiers et al., 2014; EY, 2014a). In this sense, it is believed that the adventure of IR has started with the establishment of Institute of Directors in Southern Africa (IoDSA) in 1994, in South Africa. Four reports have been issued by this organization until today under the oversight of Proffesor Mervyn King who is well-known because of his contributions to the corporate governance, sustainability reporting as well as IR. Among these reports King III and IV have come into prominence in the matter of IR. According to IoDSA (2009:12), in King III, we have therefore recommended integrated sustainability performance and integrated reporting to enable stakeholders to make a more informed assessment of the economic value of a company. In a word, businesses have been inspired and encouraged by King III in the matter of preparing and publishing integrated reports. As a consequences of King Report on Corporate Governance for South Africa which is also named as King III, the idea has been revealed that the financial information and sustainability reporting should be combined by businesses. Also, the Integrated Reporting Committee of South Africa (IRCSA) was established in 2009. In the next periods, the concept of IR that has been developed and introduced by King III (IoDSA, 2016), has been adopted by Johannesburg Stock Exchange in South Africa (EY, 2014a; Steyn, 2014)). In this manner, companies that have listed on Johannesburg Stock Exchange, have mandated to prepare and publish a report that includes combinations of financial and non-financial information. In other words, South Africa was the first country that led businesses to disclose IR on a mandatory basis (Hanks and Gardiner, 2012). Also, in 2011, the first document in the world which purpose was to guide businesses to adapt IR, were issued by on Johannesburg Stock Exchange in South Africa as well. In 2016, the guidance of IoDSA has been revised in a more comprehensive manner which called as King IV. All these steps have been taken by South Africa as well as

IoDSA has substantial to create sustainable economic, social and environmental society (Eccles and Saltzman, 2011). Accordingly, all these steps could be regarded as milestones to spread idea of IR all around the world which has been supported by IoDSA's King Reports.

The IR has been an important part of corporate reporting for all businesses in South Africa as well as it has started to increase its popular all around the word. In this regard, principles and standards were issued in the South Africa to guide business before the contributions of International Integrated Reporting Committee (Cheng, M. et al., 2014). However, this approach which has been implemented without any international framework, has only based on national perspectives. The creation of a common reporting language as well as standards will be necessary as in other reporting approaches. In this context, the organization that is named as "The Prince of Wales" has strived to the development of IR. In this context, the Prince's Accounting for Sustainability Project (A4S) was formed by this organization which helped to eliminate disconnection between sustainability reports (de Villiers et al., 2014) as well as was to guide businesses regarding on integrating sustainability into financial and other information (Druckman and Fries, 2010). Also, forming of a conceptual framework on IR has been a critical matters for this organization in the subsequent periods (Fărcaş, 2015). A4S has been one of the most prominent part of IR for many years that resulted in taking shape of IR in today's sense.

Formation of an International Integrated Reporting Framework has been triggered by several initiatives during the history (Busco et al., 2013). There is no doubt that one of the most critical role has been played by A4S and many other organization. In this regard, in 2010, the International Integrated Reporting Committee (IIRC) was founded as a result of the collaboration of A4S and GRI. IIRC has operated globally which is regarded as a key driver of IR process (Ioana and Petru, 2017). IIRC has been backed up by some significant partners as well which are IFAC, IFRS, Association of Chartered Certified Accountants (ACCA) and GRI. In addition to this, the prominent role of IIRC is to produce a framework which is accepted all around the world (Stent and Dowler, 2015). In 2013, the first IR Framework was issued by IIRC to contribute this new approach. Apart from the support of these organizations, in the academic field, "One Report: Integrated

Reporting for Sustainable Strategy" was written by Eccles and Krzus in 2010 as well as "The Landscape of Integrated Reporting: Reflections and Next Steps" was published by Harvard Business School in 2010, in order to contribute and develop IR practices.

As results of all these advancements and contributions, today's IR practice has been revealed. During the history, the critical role has been played by some organizations and academic fields in this sense. The contributions of IIRC and other supporters that have concluded with the acceptance of IR as a new corporate reporting tool internationally (CPA CANADA, 2015). These days, IIRC is still a driving force behind IR in the international level, which helps businesses to meet, and to promote better reporting practices in point of integrating and connected all necessary side of businesses together. All these guidelines, developments as well as the contributions of IIRC which should be followed by companies that are interested in an integrated approach.

3.3. THE ROLE OF INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)

IR has started to be regarded as one of the main concern of business environment. Even though the emergency of IR extents back to a decade ago, it has been newly gained a broad range acceptance by academics and practitioners (Eccles and Spiesshofer, 2015; Velte and Stawinoga, 2016). In the view of previous paragraphs, South Africa could be stated as a first mover in IR practices which has been critical to the development of IR. The followers were inspired and experienced by this initiative of South Africa (Cheng, M. et al., 2014). However, this initiative of South Africa have not gone beyond the national boundaries. In this sense, IR has been a part of business environment in a real manner by means of the contributions of International Integrated Reporting Committee (named as International Integrated Reporting Council in the following periods) (IIRC), which has been a main body of IR internationally (de Villiers et al, 2014).

IIRC was established in 2010 by the supports of A4S and GRI. Also, the International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs (IIRC, 2013a; 2013b). Since 2010, substantial roles have been undertaken by IIRC to contribute business environment. It has been emphasized many times that business world has been faced with challenges, problems, changes and so on. These issues have been intended to be solved by IIRC, which helps to link financial and non-financial information together that makes it possible to evaluate future performance of businesses (Cheng, M. et al., 2014). Moreover, the long-term vision of IIRC is to create a business environment where integrated thinking will be a major part of all businesses related factors and matters through the agency of International Integrated Reporting Framework (IIRC, 2013a). In this sense, it might be put forward that the formation of an international framework has been prominent role of IIRC in order to guide all businesses.

The rapid progresses and developments have been performed by IIRC despite its short history which could be associated to being supported by experienced organization such as IFRS, IFAC, GRI, A4S. In this regard, a discussion paper which is named as “Towards Integrating Reporting: Communicating Value in the 21st Century”, was issued by IIRC in 2011. The explanation of the fundamental concepts of IR, proposal on improvement of International Integrated Reporting Framework, and many other critical matter has been addressed by this paper (IIRC, 2011). Accordingly, the first step was taken by this paper of IIRC in order to introduce IR, and encourage business environment regarding on complying with IR. On the other hand, the reporting of information have been hard without complying with any frameworks, standards and principles, which have resulted in complexity in the matter of the assessment of these reports (Eccles and Saltzman, 2011). In order to deal with this complex situation, some principles, standards have been issued by organizations such as IFRS, GRI throughout the history. Accordingly, a pilot program was started by IIRC in 2011, and after a year, “Pilot Programme 2012 Yearbook” was published by IIRC. Many businesses and investors were part of this program which aim was to share experiences and lessons learned as well as receive feedback, that contribute to constitute an IR framework for future (IIRC, 2012a). This program could be indicated as a vital step regarding on meeting the best framework to be desired. In the next period, feedbacks on discussion papers as well as contributions of the participants of pilot programme that led IIRC to release "Draft Framework Outline" in 2012 (IIRC, 2012b). Also, "Prototype of Framework" was issued after a few months later. In this paper, some repetition and inconsistencies in terminology, concepts and writing styles were addressed by this paper (IIRC, 2012c). The main aim of all these papers is to keep stakeholders informed in point of evolution of IR as well as its major points (IIRC, 2012a; 2012b; 2012c). In a year later, "Consultation draft of the international <IR> Framework" was issued to make subjects more clear that had discussed in the previous drafts and publications (IIRC, 2013b). Furthermore, the second pilot programme of IIRC resulted in publication of "Pilot Programme Yearbook 2013" which aim was to emphasize on the sustainability perspective of IR (IIRC, 2013c). In addition to these paper, "Background Papers: Business Model", "Background Papers: Materiality", "Background Papers: Capital", "Background Papers: Value Creation", "Background Papers: Connectivity" has been released by IIRC which contributes business environment to figure out major concepts of IR as well as encourages in respect of IR practices. All these efforts were resulted in the creation of International Integrated Reporting Framework in 2013 as well as have contributed to the evolvement of IR all around the world. These framework was published in Turkish to guide and support Turkish businesses.

Besides these, many other papers and materials have been addressed by IIRC as well to provide better understanding on IR. On the other hand, IIRC has brought different reporting, accounting standards and guidelines with it such as financial and sustainability reporting, and corporate governance which is a reasonable method to be useful for the advancement of this new reporting approach (Druckman and Freis, 2010). In the light of this, the main role of IIRC have been the supports businesses regarding on adoption of IR by means of the formation of an internationally accepted framework as well as to contribute improvement of IR (IIRC, 2011; de Villiers et al., 2014). Also, as recommended by Willis (2010), all listed businesses as well as private and other types companies will be enforced by IIRC in the matter of the adoption of IR on a mandatory basis, which should be an important role for coming years. IIRC is one of the biggest opportunity for the business environment which has already collaborated with various organizations, businesses, governance as well as the interest of societies. Although, IR is a mostly voluntary reporting approach all around the world, IIRC has been a powerful voice of IR in point of encouraging businesses as well as telling the significant roles of IR.

3.4. THE BENEFITS AND CHALLENGES OF INTEGRATED REPORTING

Corporate reporting practices have been one of the most substantial part of the corporate governance regime for many years. Throughout the adventure of corporate reporting, different reporting practices have been experienced by business environment and users of information in the both financial and non-financial side. As mentioned in the previous chapter, each reporting approach has been beneficial till the new needs, trends, problems as well as criticisms have been existed. In this sense, IR has emerged as a new approach which is regarded as the last ring of the corporate reporting chain up to now. Accordingly, a number of benefits have been provided by IR as well which could be a reason of why the popularity of IR has been increased. As indicated in the literature, IR is not only an ordinary reporting tool, but also the higher benefits are provided by this process and a report to both internal and external nature of business (Steyn, 2014; Ioana and Adriana, 2014; Black Sun, 2014). In addition to the benefits of IR, it is possible to face with some challenges as well which has already indicated by IIRC. These various benefits of IR and some critical challenges are being discussed in this part of the study.

3.4.1. The Benefits of Integrated Reporting

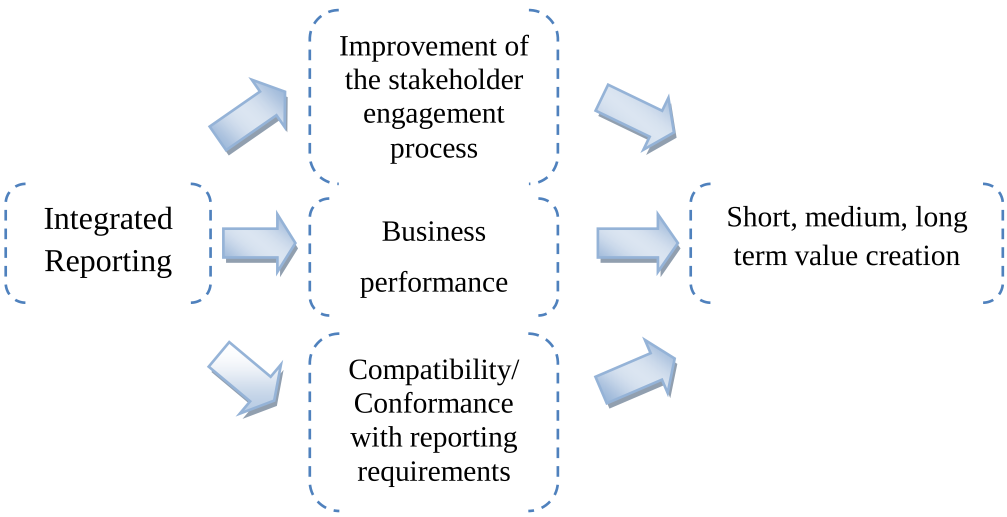
The interests and needs of the different users of information have been addressed by different reporting approach during the history of corporate reporting. While financial reports have mainly used by investors and shareholders, non-financial reports have considered by other stakeholders. However, integrated report has been a major tool of all users of information which provides many benefits to reporting business, and investors and all stakeholders who are interested in businesses related matters (IIRC, 2013a; Zhou et al., 2017). In this sense, the both users of information and businesses have met with efficient corporate reporting practice (ACCA, 2017). There is no doubt that these benefits have been created by means of presenting the more comprehensive picture of business which integrate financial and non-financial performance, strategic components, sustainability, governance into a report. This could be stated as a well-known benefit of IR process as well as integrated report, but there are too many benefits that should be highlighted as well.

It has been claimed by Morros (2016:349), two benefits have located at the top which are;

- Transforming decision-making processes in a way which aligns benefits to business, society and the environment.
- Better risk identification and mitigation.

At this point, it might be claimed that IR has been progressing to be the most superior tool of corporate reporting, which considers all business environment from various perspectives in order to deal with or mitigate problems that have not issued by other types of corporate reporting practices. On the other hand, the major benefits of IR are being illustrated in the following figure.

Figure 3.1: The Major Benefits of IR



Source: Adapted from ACCA, 2014.

These benefits that has been stated in the figure 3.1., could be mainly associated with the internal benefits of IR. However, many benefits for the external environment of business could be created through the internal benefits. The companies need to create sustainable values in addition to the financial gain they already create for themselves, their shareholders, and the society and also to present non-financial information to their stakeholders (Ioana and Petru, 2017:426). This is what has been advocated by corporate governance regime as well. In the view of these, it could be argued that IR is based on the same idea with the corporate governance system. Accordingly, the benefits of IR is classified into three groups which are internal benefits, external markets benefits and managing regulatory risk (Eccles and Krzus, 2010a; Eccles and Saltzman, 2011). In a word, the significant contributions have been made to create the best business environment which is preferred by each participants of business. These benefits of integrated reporting will be covered respectively in the next paragraphs. In addition to this, if it is needed to mention the third benefits that was mentioned above, it could be said that IR helps to manage regulatory risk and respond the changes of marketplace within its framework and standards.

3.4.1.1. Internal Benefits of IR

IR has started to be primary reporting vehicle of today's businesses which could be associated with the various internal benefits of IR process as well as an integrated report. It has been mentioned that more than 90% believe that integrated approach could be beneficial in terms of businesses (ACCA, 2014). Furthermore, it has been put forward in the previous parts that integrated thinking which is a key actor of IR, is associated with the numerous issues within the landscape of business. Therefore, a significant portion of the benefits are provided by the agency of integrated thinking. First of all, financial and non-financial information are connected together in one report by means of integrated thinking which results in cost saving (Druckman and Fries, 2010), and this is stated as a reason that leads to enhance performance of business (Appiagyei et al., 2016). These could be regarded among the basic benefits of IR, but there are other significant benefits as well. According to Hoque (2017), integrated thinking will probably lead to change in corporate behavior, and to promote business to make better decisions. Better-informed decisions about the relationships between financial and non-financial performance will improve the efficient and effective use of capital and other resources (Krzus, 2011:275). In this context, a number of benefits could be provided by integrated thinking and IR in point of improving the understanding of relationship between key value drivers and strategic goals of business (Simnett and Huggins, 2015). These might be stated as one of the critical internal benefits of IR which could help to keep up with the changing needs of all business environment, and to encourage collaboration between each department of business as well. All these benefits could be associated with the common reporting language that is created by integrated approach and an integrated report.

From another point of view, the term sustainability has been a major part of today's business world which has been an essential component of IR likewise come along with the financial information. The implementation of IR leads business to adopt sustainability concept which contributes to identify risks and build a sustainable business environment (Armbrester et al., 2011). In this manner, this is a way to improve manageability of business which gives rise to increase the ability of business to create value over time, and to provide required information to users (Eccles and Spiesshofer, 2015). Furthermore, IR supports business in the matter of employee, shareholder and stakeholder engagements, promoting better internal resource allocation decision, lowering and managing risk, leading better actions, providing transparency and clarity, improving corporate reputation and combining sustainability into business operations and model (Eccles and Krzus, 2010b; Krzus, 2011; IIRC, 2013a; ACCA, 2017; Hoque, 2017; Ioana and Petru, 2017). By doing all these within IR practices, the better corporate governance regime will be probably build as well (Ioana and Petru, 2017). Besides, the existing users of financial and non-financial reports have been the potential users of IR. On account of this reason, it is expected that the internal decision making process of business moves in the positive direction as a consequence of stakeholder engagement (Eccles and Serafeim, 2015). Accordingly, as it noted by figure 3.1 as well, some benefits could be provided by stakeholder engagement. It has been argued that IR is a tool that helps to present the better picture of business performance (Cheng, M. et al., 2014), which is the most useful way to get rid of the uncertainty on the long-term performance (Zhou et al., 2017) as well as to alleviate information asymmetry (Hoque, 2017). Apart from these, there is no doubt that IR and integrated thinking is a leading force behind the performances of business in many different perspectives, which could be associated with the financial and economic aspects of business as well. Therefore, the positive relationship between integrated reporting and financial performance of businesses have been issued in the literature (Lee and Yeo, 2016; Barth et al., 2017; Zhou et al., 2017). It has been indicated by Zhou et al. (2017) that IR gives rise to increase the quality of information which might be a way to meet an improved information environment for reporting business. Their findings show that this will probably result in the higher quality integrated report which leads to reduce cost of equity capital. Moreover, the positive association between IR disclosure and firm valuation has been noted by Lee and Yeo (2016). They also point out that the business which has high IR perform better than business with low IR in the matter of stock market and accounting performance. In addition to these above, as found by Barth et al. (2017), there is a positive relationship between integrated reporting quality and liquidity, and firm value, and expected future cash flow as well as investment efficiency. In addition, it has been added by authors that higher integrated reporting quality is a way to improve internal decision making which results in better profitability. This could be associated with the improved and better decisions of managers and other key participants of business through IR with higher quality. In other words, better information leads to more efficient markets, because investors and corporations will act on that information - with efficiency measured in terms of financial performance (Wood, 2010:26). On the other hands, IR as well as integrated thinking is one of the fundamental driver of competitiveness that enables to long-term financial performance of business and returns to providers of financial capitals as well (Churet and Eccles, 2014). These findings have indicated the some critical factors which increase the efficiency, effectiveness as well as performance of business in many perspectives. In this context, the positive relationship between firm performance and quality IR has been noted by Appiagyei et al. (2016), which is similar with the one of the main benefit that has been indicated in the figure 3.1. as well.

In the light of all these above, it could be said that IR is not only a process to enhance the quality of report, but also is method to increase the quality of management of business. IR has already been one of the most beneficial tool of corporate reporting which has been a method to transform the negative aspects of existing reporting practices into benefits. As a matter of fact that the internal benefits of IR are likely to strengthen relations with all stakeholders, and to meet their expectations as well. In other words, external benefits could be triggered by internal benefits of IR which will be issued following.

3.4.1.2. External Benefits of IR

There are many internal benefits of IR as mentioned by previous paragraph, but it could not be limited as only internal benefits. According to ACCA (2014), huge number of investors have showed their interest to IR, which might be associated with various external benefits of IR. In addition to internal benefits, the external benefits of IR as well as integrated thinking has been addressed in the literature (Simnett and Huggins, 2015). These external benefits of IR have mainly been critical for the all stakeholders and providers of financial capitals. Integrated thinking contributes businesses to move in line with the providers of financial capitals' and stakeholders' needs and interests, which leads to improve ability of business to communicate to the external environment in the matter of both positive and negative performances of business (Eccles and Krzus, 2010b; IIRC, 2011; Ioana and Petru, 2017). In this manner, external stakeholders will be able to find the information they need more easily, without the need to contact the companies with separate requests (ACCA, 2017:10). This might be regarded as an indication that the expectations of external environment is understood and met by IR. Without doubt, all these result in better relationship with external stakeholders as well (ACCA, 2014; IIA, 2015). As indicated previously, the holistic view on business has been provided by IR which is exactly what stakeholders and investors want. In terms of stakeholders as well as investors, the consideration of holistic view on business is a more effective way than taking single issues into account (Eccles and Serafeim, 2015), which improves the content of integrated report as well. In this manner, a possible outcome of the improved information is to provide stakeholders to the better picture and understanding on business's performances, achievements, costs, risks, opportunities and benefits (Eccles and Krzus, 2010b). This is regarded as a result of collective mind which have been seeking by users of information for many years. Also, the additional information have been issued by IR which contributes investors concerning the better assessment of future performance of businesses (Haller and Staden, 2014). In this case, the trust and confidence of the stakeholders are increased by means of IR (IoDSA, 2009; Hoque, 2017), which encourages to more meaningful engagement with external participants (Steyn, 2014). It has been stated that the quality of information which has been increased by means of IR and integrated report, is not only beneficial in terms of internal environment of business, but also has number of benefits for external environment. As stated by Zhou et al. (2017), the quality level of an integrated report is one of the substantial criteria in terms of the capital market participants. In this point of view, a positive relation between integrated reporting quality and expected future cash flows could be attributable to capital market participants being able to estimate future cash flows more accurately (Barth et al., 2017:44). Furthermore, it might be argued that IR leads to create a common reporting languages. In this instance, one of the external benefits of IR is to improve comparability of reports and analysis of investors, which results in the better decisions, returns and capital allocation (IIRC, 2011). In terms of stakeholders and other users of information, there are many benefits of IR that are being listed in below;

- High transparency degree,
- Administrating all the capitals (financial, manufactured, intellectual, human, social relationships and natural),
- Integrative reflection on business,
- Focus on past and future interconnected with strategy,
- Individual replies,
- Conciseness and meaningfulness (Fărcaş, 2015:110).

All these benefits have indicated how IR exceed the limits of traditional and existing non-financial reporting. In this perspective, businesses are more likely to be performed better through the agency of IR as well as integrated thinking. Apart from the internal benefits, all the users of information seem to be met their expectations and reporting needs which have been desired throughout the history.

3.4.2. The Challenges of Integrated Reporting

The previous paragraphs have already showed that there are many benefits of IR, but some challenges have been existed as well. In the literature, there have been some studies which have identified the challenges of IR (Steyn, 2014; McNally et al., 2017). Some challenges have been occurred during the implementation as well as adoption process of IR at the both business and public level (Eccles and Krzus, 2010b). Before the IR, stand-alone financial reporting and sustainability reporting has been regarded as a main corporate reporting tool of business. As indicated in the previous chapter that while the historical data has been represented by financial reporting, today's and future performance has been covered by sustainability reporting. Moreover, the different kind of information has been issued by these reports. If it had been mentioned an ordinary combination in order to decrease the number of corporate reports, it would be easy to create one report that included financial and non-financial information in the different sections without any connection. However, it has been already stated that integrated reporting goes beyond an ordinary integration, and it is not expected to be easy to integrate as well as connect each business specific issues into the financial and non-financial information. In other words, one of the significant challenges is in "connecting the concept[s] of past, present and future" (ACCA, 2017:20). On the other hand, combining sustainability into major business strategy is regarded as a challenge of IR (Jeyaretnam and Niblock-Siddle, 2010b). From this point of view, IR is based on integrated thinking and connectivity between critical matters (IIRC, 2013; EY, 2014a) which could be a solution of the challenges above. At this stage, the close relationships should be developed among all major departments of business as well as each employee should be a part of this process. However, this could be revealed as another challenge in the matter of adopting, collaborating and coordinating each internal participants of business into the IR process. Furthermore, the educated and qualified employees could be required by businesses regarding on preparing an integrated report. In addition these, the both financial and non-financial information have been an essential part of IR, but these information have been addressed to meet the needs of different groups of users of information before the IR. As a result of all these above, the alignment of the interest of both internal as well as external groups of participants is stated among the major challenges of IR (ACCA, 2017). On the other hand, it has been stated by the definitions of IR that many crucial information such as business strategy, governance, financial and non-financial performance have been reflected as a result of IR and integrated thinking process. In this manner, obtaining of these information by main competitors of companies may result in the loss of competitive advantage in the marketplace. Accordingly, the organization considers what advantage a competitor could actually gain from information in an integrated report, and balances this against the need for the integrated report to achieve its primary purposes (IIRC, 2013:22). In a word, the information needs of various users of integrated report should be balanced against the interests of business. Apart from these, many others challenges have been stated by IIRC in terms of business's, investor's and policy-maker, regulator and standard-setter perspectives (abbreviated as the other in the table) which is being demonstrated in the table below.

Table 3.2: The Challenges of IR

Business Perspective	Investors Perspective	Other Perspective
Regulations Directors' duties Directors' liability Commercial confidentiality Capacity building Information system	Revised analytical techniques Investment supply chain	Revising legislation, regulation and standards Liability and business confidentiality

Source: Adapted from IIRC, 2011:21-23.

The table above has showed that there are many challenges within the business environment, but all these challenges should be handled in order to create the best business environment. It might be difficult to change addictions and culture as well as it is not easy to comply with a new approach. However, IR has already defined as one of the superior tool of corporate reporting. To meet benefits as well as deal with challenges, business should follow the guides, principles and framework on this matter. The international integrated reporting framework is one of the best way to address all of these which will be issued in the following chapter as well.

CHAPTER FOUR
THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK AND THE ANALYSIS OF INTEGRATED REPORT

Corporate governance regime that appeared years ago, has contributed to the formation of the best governance system and business environment. On the other hand, corporate reporting has defined as an outward reflection of corporate governance regime. In the history, different reporting approaches have been adopted by business in the both financial and non-financial side which have based on different aims, contents, principles, frameworks in order to create high quality reporting environment. Since the last decade, the significance of corporate reporting and IR has incredibly improved (Ioana and Petru, 2017). In today's business world, IR has already proceeded to be a new tool of corporate reporting. In the view of previous chapter, IR could be defined as one of the most suitable reporting approach to meet needs and to align interest of all business environment. In this sense, it is believed that the popularity of IR will be increased, and more acceptance will be gained in the following years. Without a doubt, IR owes its popularity and usefulness to the integrated thinking concept. In this manner, a clear and understandable framework that is named as "International Integrated Reporting Framework", plays a prominent role to promote the popularity and usefulness of IR. This is the last chapter of this study which is intended to highlight the IR framework, and to analyze the first published integrated report in Turkey with respect to the IR framework.

4.1. THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

Financial and non-financial information have been a major indicator of the performance of businesses throughout the history. In today's business environment, financial information have already combined into non-financial information by means of IR, to provide a more meaningful picture of businesses. Moreover, many important matters such as business strategies, governance and performances have been issued by integrated reports. In this manner, all these aspects of IR have been crucial to meet the needs of both internal and external participants of businesses, and to fill gaps of existing reporting approaches. While similar ideas have been existed in the literature (e.g. balance scorecard, triple bottom line) as well as the IR approach has emerged in the South Africa with the contributions of IoDSA in 2009, IR concept has started to gain acceptance globally after the formation of IIRC and the international integrated reporting framework. During the history of corporate reporting, each reporting approaches have its own principles, frameworks, guides etc. (e.g. US. GAAP, IFRS, GRI) which have always been a good way to understand how the reporting system works. However, IR did not have any framework till the 2013. Accordingly, the lack of an internationally accepted IR framework led business to face with many problems and misunderstanding on this concept (Eccles and Saltzman, 2011). In this context, a vitally critical role has been undertaken by IIRC in point of the formation of the International Integrated Reporting Framework.

Each report that had been prepared by reporting business regarding on specific principles in a single document, were markedly been a candidate of integrated report because there were no single model of this reporting process in the business environment. Accordingly, since the foundation of IIRC, the role has been carried in the matter of keeping light to the reporting business with the well-established and accepted international framework. In brief, IIRC has always intended to develop a framework as well as support business concerning on the introducing IR concept. The first step of the framework was taken in 2011, in the publication of IIRC which named as "Towards Integrating Reporting: Communicating Value in the 21st Century". In this sense, the basic concepts and many feedbacks that had been received by IIRC, and the proposal on the IR framework which was offered to move towards the next steps, was issued in this discussion paper. During the 2012, the works of IIRC was gained momentum, and the "Draft Framework Outline" and "Prototype of Framework" was released by IIRC to inform on the creation of the framework process. The intention is to help with the development of more comprehensive and comprehensible information about an organization's total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model (A4S and GRI, 2010:1). In December 2013, these efforts were finalized, and the International Integrated Reporting

Framework was released by IIRC with the contributions of companies, investors and accountancy profession as well.

In the previous chapter, many benefits of IR was explained which could be associated with the integrated thinking and the IR framework. Therefore, it is obviously stated that the framework is an integral part of IR which is useful to guide the reporting businesses, and to meet needs of both internal and external environment of business. In this manner, it will suitable to emphasize the role and importance of framework that was indicated by IIRC. According to IIRC (2013a:2),

> *"It is intended that the International <IR> Framework, which provides principles-based guidance for companies and other organizations wishing to prepare an integrated report, will accelerate these individual initiatives and provide impetus to greater innovation in corporate reporting globally to unlock the benefits of <IR>, including the increased efficiency of the reporting process itself."*

In this point of view, the more beneficial contextual understanding could be provided by means of the IR framework that increase the quality of reports as well. The explanation above also states that a principle-based approach which has been embraced by IR framework rather than a rule-based approach, supports companies to adopt appropriate principles in accordance with their business and reporting structure. Furthermore, the main objective of framework is to support business in the matter of communicating on business related issues that contributes to the decision making process of stakeholders and providers of financial capitals, in an understandable, succinct, connected and comparable manner (IIRC, 2011; Perego et al., 2016). As put forward by Hoque (2017), the transparency is increased by IR framework which leads to improve quality and clarity of information as well as to mitigate information asymmetries. Also, an integrated report is desired to be flexible and applicable by means of the framework (IIRC, 2013a; CPA CANADA, 2015). The different views above have provided brief ide about the International Integrated Reporting Framework. Since the formation of this framework, a number of businesses that have embraced IR, has significantly increased (ACCA, 2017). Thanks to the unique aspects as well as taking advantages of framework, IR will be the foremost driving force of corporate reporting practices. Accordingly, it is substantial to adopt IR within its framework in terms of reporting businesses, which improves the awareness of business environment concerning on meeting the needs of users of information.

The brief overview has been provided by the previous paragraphs just above. Also, the more information is located in the publication of IIRC about using of framework (see International Integrated Reporting Framework 2013, between paragraphs 1.1-1.20). On the other hand, it will be proper to emphasize the main aspects of the IR framework which has been a crucial source of guidance on IR process globally. A template was formed by IIRC in 2013 about IR framework which is still a valid and accepted framework. According to IIRC, the "guiding principles" and "content elements" that helps to constitute an integrated report, are covered by IR framework. Also, the "fundamental concepts" are pointed out by this framework as well that underpin the principles and elements below. All the main aspects of IR framework will be summarized in the table 4.1. to improve meaning of subject.

Table 4.1: The Overview of the IR Framework

Fundamental Concepts	**Guiding Principles**	**Content Elements**
1) Value creation 2) The capitals 3) Value creation process	1) Strategic focus and future orientation 2) Connectivity of information 3) Stakeholder relationships 4) Materiality 5) Conciseness 6) Reliability and completeness 7) Consistency and comparability	1) Organizational overview and external environment 2) Governance 3) Business model 4) Risks and opportunities 5) Strategy and resource allocation 6) Performance 7 Outlook 8) Basis of preparation and presentation 9) General reporting guidance

Source: Adapted from IIRC, 2013a.

The table above is clearly stated that there are three fundamental concepts which supports the requirement of integrated report and framework, and seven principles and nine content elements are issued by framework to constitute an integrated report. According to IIRC and other organization, integrated report should be strictly based on all these components of the IR framework. The all guiding principles and the content elements must be covered, in order to be able to reference the IR framework, and to be characterized as an integrated report. However, all information could not be disclosed by businesses in accordance with the some conditions. The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information (IIRC, 2013a:8) as well as some information may not be disclosed in apprehension of losing the competitive advantages of reporting business in the marketplace. In this case, as noted by IIRC (2013a), the nature of the unexplained information and the reason of why these information are not issued, and how the unavailable information is going to be captured, must be explained within integrated report (see paragraphs 1.17 and 1.18). These are the basis of IR framework which will be detailed in the following paragraphs in order to analyze integrated report.

4.1.1. The Fundamental Concepts

It has been defined in the previous chapter that the main aim of integrated report is to tell the value creation story of business over time. In order to present this story, the relationship between all aspects of businesses such as various resources, capitals, external factors, stakeholders that affect or affected by business should be explained. Some of these relations have been covered in the previous part of this study. However, according to IIRC, value creation, the capitals and value creation process have been come into prominence as a fundamental concepts of IR framework. The fundamental concepts have been issued by IIRC to reinforce the guiding principles and content elements as well. These three concepts are significant to form of an integrated report which will be located in the paragraphs below.

4.1.1.1. Value Creation

In today's business world, the main aim of the all businesses could be defined as the create value in terms of the both internal and external environment of business, which is vitally substantial to sustain operations and presence of business in the competitive marketplace. Accordingly, it should be good to examine what lies under the meaning of the most used word "value". The meaning of value has been associated with the present value of expected future cash flows and value creation has been understood as the change in that measure of value due to an organization's financial performance (IIRC, 2013b:16). The term value creation has been addressed in many times, in this study while defining the IR which has showed the importance of this matter. In this context, a guide was published that named as "Background Papers: Value Creation" as well as the value creation was issued by IIRC in the International Integrated Reporting Framework between paragraphs 2.4 and 2.9, to provide better understanding on this matter. In the first paper that was mentioned above, ten themes have been used to explain meaning of value creation. Accordingly,

- Value creation takes place within a context,
- Financial value is relevant, but not sufficient, for assessing value creation,
- Value is created from tangible and intangible assets,
- Value is created from private and public/common resources,
- Value is created for an organization and for others,
- Value is created from the connectivity between a wide range of factors,
- Value creation manifests itself in outcomes,
- Innovation is central to value creation,
- Values play a role in how and what type of value is created,
- Measures of value creation are evolving (IIRC, 2013d: 4).

Each theme has pivotal role to contribute business to understand major points of value creation. In a word, the one of the main aim of businesses is to create value which is stated as a consequence of the increases, reduces or transformations of the main capitals by the agency of business activities and outputs (IIRC, 2013). In this sense, the value that is created, might be divided into two groups as well. The value that is created for organization (e.g. maximizing the returns of business and shareholders), and the value that is created for the society and all stakeholders (external environment). Whilst providers of financial capitals are interested in the value an organisation creates for itself, it is understood that the value an organisation creates for others impacts on the ability of an organisation to create value for itself (EY, 2014b:4). In this point of view, a great number of activities, interactions, relationships as well as causes and effects have been considered by IR framework (IIRC, 2013a; IIRC, 2013b), which enable to see the bigger picture. These also could be associated with the idea of integration and integrated thinking of all aspects of business. In addition to this, as a result of the investigation of Black Sun (2014), 95% of the participant companies were stated that the better understanding has been provided on the value creation through the agency of integrated report. In this manner, a number of benefits have been associated with the IR in the matter of value creation, which could be regarded as a reason that will motivates business for the next periods as well. These are basic issues behind the IR process as well as framework which helps to comprehend the value creation over time period.

4.1.1.2. The Capitals

The main aspects of the value creation was indicated by the previous section. In order to create value and maintain the operations, the various resources and relationships are used and affected by businesses. IR makes visible an organization’s use of and dependence on different resources and relationships or “capitals” (financial, manufactured, human, intellectual, natural and social), and the organization’s access to and impact on them (IIRC, 2011:2). As a consequences of this aspect of IR, the performance and outlook of business could be explained from a broader perspective. These resources could be owned by the business itself or be owned by someone else or it could be natural resources as well. All these are referred to as “capitals” in the IR framework. Accordingly, the capitals are defined as the stocks of value which are used by any business to produce goods or services (IIRC, 2013), which is addressed as the outputs of business model in the subsequent parts as well. In brief, these capitals are regarded as a basis of value creation. On the other hand, as noted by IIRC (2013a:4) the capitals are increased, decreased or transformed through the activities and outputs of the organization. In other word, capitals could not be regarded as static that have huge potential to change over time to affect value creation regarding on the both negative and positive manner.

The capitals are required in terms of businesses to create financial stability and prosperity for stakeholders (EY, 2014a). For this reason, the value is not only created for business, but also is created for other stakeholders. In this sense, the value is created by business by means of different capitals for various stakeholders. According to IR framework, the six capitals are explained which are financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. While financial capital, manufactured capital and intellectual capital has mainly covered by financial reporting in the financial statements, the other capitals such as human capital, social and relationship capital, and natural capital has been part of sustainability reporting (IIRC, 2013e). In doing so, these capitals have been categorized as tangible and intangible capitals as well. However, the effects of businesses on these capitals have not been issued by financial and non-financial reports in a complete way. In this context, it has been mentioned before that some problems have been emerged in the matter of disconnection. In accordance with the main idea of IR (through integrated thinking and connectivity), businesses interact with the all these capitals as well as its environment that contribute to create value over time (Stent and Dowler, 2015). In this sense, the six capitals should be considered together in accordance with the main idea of IR. According to IR framework, these capitals will be examined below;

- **Financial capital:** It mainly comprises debt and equity. Also, it could be stated as the pool of funds which are ready to use for productive purpose (e.g. goods and services). These are provided by financing (borrowed through the agency of banks, financial institutions and so on) or generated as a result of business operations and productivity (owned).

- **Manufactured capital:** the human made, production-oriented equipment as well as tools are regarded among the manufactured capital (IIRC, 2013), which might be owned by business or third parties (e.g. ports and public infrastructure) (EY, 2014a). The physical object such as building, plant, equipment and infrastructure could regarded among the manufactured capital which contributes to the production and provision process of goods and services.

- **Intellectual capital:** Knowledge based intangibles are regarded as intellectual capitals. Intangibles such as capacity to innovate, patents, software and management systems and relational assets such as the quality of relationships with suppliers and joint venture partners (White 2010:31). These intangibles are related with the brand and reputation (EY, 2014a) as well as could be associated with R&D, which is important for the sustainability and future of business.
- **Human capital:** refers to the skills and know-how of an organization’s professionals as well as their commitment and motivation and their ability to lead, cooperate or innovate (EY, 2014a:15). The success of business depends on the capabilities, knowledge, experiences and skills of the participant of business (e.g. employees and managers) which improve ability of business to create value.
- **Social and relationship capital**: Cohesion, cooperation and community among individuals in a network that enhance individual and collective well-being (White, 2010:31). In other world, it is a relationship between businesses and all its stakeholders. These relationship mainly covers shared norms, common values and behaviors (IIRC, 2013a).
- **Natural capital:** The natural resources that are used by people to provide return for their own interests. All renewable and nonrenewable natural resources which are used to provide goods or services such as biodiversity, clean air, solar energy, clean water, mineral, forests, fossil fuels, fisheries, and land, are regarded as a natural capital (White, 2010; IIRC, 2013e).

These capitals have identified by IIRC to provide brief idea on this concepts which is not only restricted as above. While any business may regard brand and reputation as an intellectual capital, this capital could be stated by others as a separate capital or part of another capital. All these should be explained by reporting business in a comprehensive way because these are regarded as a significant contributors of the value creation. Also, these capitals could be categorized differently in accordance with the importance and purpose of businesses as well as the effects of capitals may vary business to business. In addition to these, a paper was published by IIRC in 2013 which named as “Capitals Background Paper for IR” to provide information about this concept as well as the capitals have been issued in IR framework between paragraphs 2.10 and 2.19.

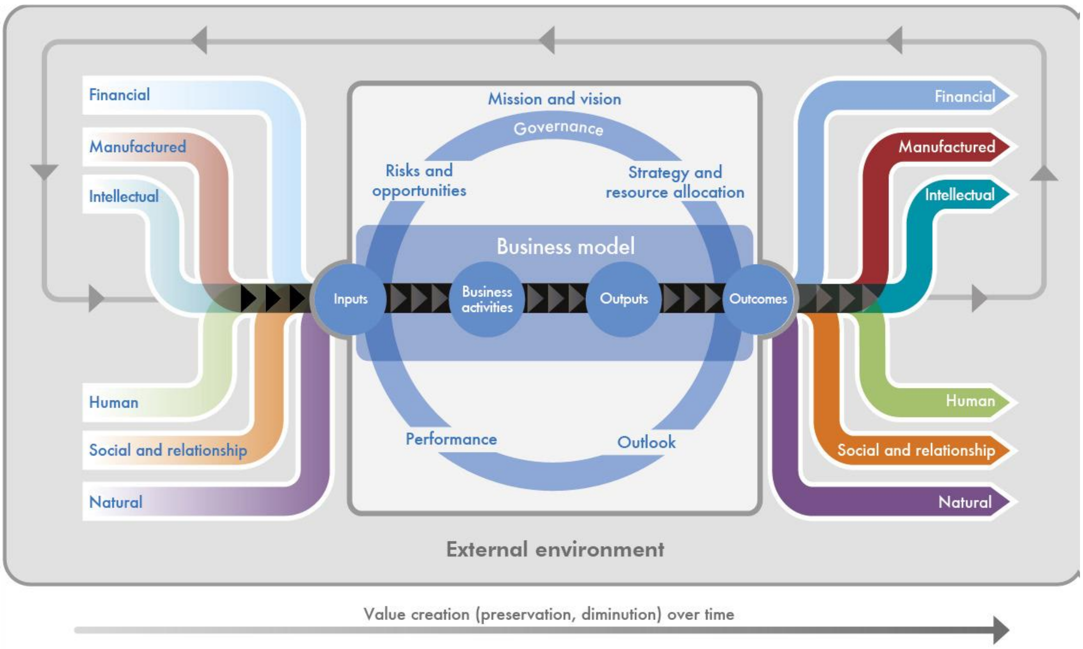
4.1.1.3. The Value Creation Process

The capitals have been covered by section above which is clearly indicated that the major role has been played by capitals in order to create value for both internal and external business environment. As noted by IIRC (2013e:9),

> *“Value is created through an organization’s business model, which takes inputs from the capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over the short, medium and long term, create or destroy value for the organization, its stakeholders, society and the environment”.*

In the view of this statement, all this story could be regarded as a process which results in the value creation. The value creation process that has been illustrated by IIRC in the publication regarding IR framework, is located in the figure 4.1.

Figure 4.1: The Value Creation Process



Source: IIRC, 2013a:13.

According to figure 4.1., this process starts with the using or affecting by capitals, which have already mentioned in the previous part. Also, six capitals are stated as an input of the **business model**, which are increased, decreased or transformed through the business activities. It includes the planning, design and manufacture of products or the deployment of specialized skills and knowledge in the provision of services (IIRC, 2013a:14), and outputs are created subsequently (e.g. goods, services and so on). Lastly, this process ends with the outcomes which might be specified as the both positive and negative consequences of the capitals. All these can be stated as main issues that is located at the heart of this process which is called as business model. Apart from the business model (covers inputs, business activities, outputs, and outcomes) and the capitals, many other critical elements are taken its place in this process. As demonstrated by figure 4.1., external environment, mission and vision, governance, risks and opportunities, strategy and resource allocation, performance, and outlook are defined as the crucial components of value creation process as well. In this value creation process, the **external environment** (e.g. economy, technological developments, social matters, challenges etc.) of business should be analyzed and the **mission and vision** of business should be determined with respect to value that is wanted to be created. Also, the analysis of external environment in line with the mission and vision of business helps to determine **risks and opportunities**. In this instance, the **strategy** of business supports in point of reducing or managing risk and maximizing opportunities (IIRC, 2013a). In accordance with these strategies, **resources allocation** are performed as well. These matters should be supported by **governance** (e.g. it could be a corporate governance regime) which helps to constitute a suitable structure in order to contribute the value creation over time. The **business model** has a prominent role in this process (see figure 4.1.), which is located in the center as a core element of business (IIRC, 2013a). In other words, it is a main mechanism of this process that consists of inputs, business activities, outputs, and outcomes as mentioned before. During all these process, the **performance** of business should be measured and monitored in order to provide necessary information for decision making (IIRC, 2013a). Finally, as noted by IR framework, in order to revise and improve all the components of this process, the

outlook of business should be assessed. The more information on the value creations process might be founded at the IR framework between paragraphs 2.20 and 2.29.

In the light of these, it obviously indicated that the value creation is located in the center of IR. Also, all these could be regarded as the summary of the basic idea behind IR which is known as value creation. The explanation of this value creation story of business is strongly recommended by IIRC that have to be a part of integrated report. In addition to these, the content elements of IR framework are stated as the components of value creation process (bold colored term) as well, which will be detailed in the subsequent parts of this study.

4.1.2. Guiding Principles

The guiding principles of IR framework was declared by IIRC in 2013, which guides reporting business in the matter of the preparation as well as presentation of an integrated reporting. These principles should be followed by reporting business in a complete manner in order to generate a well-established integrated report. In the chapter two, the principles of existing reporting practices such financial and non-financial has been addressed. While some similarities have existed between principles of financial and non-financial reporting, a set of unique principles have been revealed as well. At this point, the required principles have been encompassed by IR framework which are stated as strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability.

4.1.2.1. Strategic Focus and Future Orientation

An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals (IIRC, 2013a:26). Integrated report is not only interested in the historical information, but also the future performance of business is stated as a crucial part. Accordingly, the some important matters such as strategies of business and resource allocation; general outlook of business; risks and opportunities; past, current and expected performance; the situation of capitals should be covered by an integrated report. For example, in addition to the current situations of capitals, the future availability and quality of capitals as well as future strategies and objectives that contributes to the value creation process, should be explained by an integrated report. In addition to these, the risks, opportunities and dependencies that affect the position of business in the marketplace and business model of companies are expected to point out by integrated report. These issues are vitally critical which shape to future of companies and assist to assessment of the users of information.

4.1.2.2. Connectivity of Information

Many important information and performance of business is covered by an integrated report to tell the value creation story. In order to tell this story, all these business related issues and elements must be connected with each other to see entire picture of a business which is stated as a product of integrated thinking as well (see p.87). Also, as stated before, there are many critical components of the business model which should be connected to indicate value creation story. An Integrated report shows the connections between the different components of the organization's business model, external factors that affect the organization, and the various resources and relationships on which the organization and its performance depend (IIRC, 2011:13). In other word, an integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time (IIRC, 2013a:16).

4.1.2.3. Stakeholder Relationship

The value is created for the both internal and external environment of business through the different capitals. In this sense, the interest of the all stakeholders of business should be considered by companies which is a way to create value. Also, this is a reason of why IR has emerged. An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests (IIRC, 2013a: 17). Also, businesses should be in contact with stakeholders in order to learn the issues that are important for the stakeholders. In doing so, the activities and strategies of business could be shaped in accordance with the needs and interest of stakeholders. Moreover, business should identify the important issues that may attract attention of the stakeholders in the next periods. On the other hand, an integrated report is one of the most important method to keep in touch with the all key stakeholders of business which increases transparency and accountability as well as builds trust (IIRC, 2011) which are the most crucial matters that taken into consideration by stakeholders.

4.1.2.4. Materiality

An integrated report provides concise, reliable information that is material to assessing the organization's ability to create and sustain value in the short, medium and long term (IIRC, 2011:13). According to IR framework, the following matters should be covered by an integrated report;

- Identifying relevant matters based on their ability to affect value creation,
- Evaluating the importance of relevant matters in terms of their known or potential effect on value creation,
- Prioritizing the matters based on their relative importance,
- Determining the information to disclose about material matters (IIRC, 2013a:18).

In the view of these above, the information should be disclosed by business in accordance with the needs and interest of stakeholders which should mainly cover matters that affect the ability of business in point of value creation over time.

4.1.2.5. Conciseness

Throughout the history, many long and complex corporate reports were issued which led to decrease efficiency and effectiveness of reports. The one of the most important feature that distinguishes integrated reports from other reports is its shortness and conciseness. An integrated report includes sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information (IIRC, 2013a:21). Also, the matters have been explained in a clear, plain (without a technical term) and understandable manner (without any repetition) as well as the subjects should be addressed in comply with the logical order.

4.1.2.6. Reliability and Completeness

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error (IIRC, 2013a: 21). In order to improve reliability of an integrated report, the stakeholder engagement, internal auditing and independent external auditing mechanism should be used by reporting business. Furthermore, the future oriented information are issued by an integrated report, but it is not possible to prove the reliability of estimated information. In this manner, the basis of assumptions and the methods that are used, should be explained by an integrated report. In this regard, the increases in the reliability might result in the increases of accountability. Also, the information should be handled by reporting business in a complete way both its negative and positive aspects.

4.1.2.7. Consistency and Comparability

The information should be represented by an integrated report;

- On a basis that is consistent over time,
- In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time (IIRC, 2013a:23).

The value is created as a result of a process which is unique for each business. In other word, the value creation process can vary from a business to another. All these process should be covered by an integrated report which increase the comparability between businesses in many different perspectives. It is one of the best method which enables both internal and external environment of business to determine the changes, deficiencies as well as well- functioning sides of businesses.

4.1.3. Content Elements

It has been stated in the previous parts that the aim of an integrated report is to tell the unique value creation story of a business. As illustrated by IIRC (see figure 4.1.), some critical elements of IR framework which enables to explain to the ability of business to create and sustain value over time, has tried to be examined briefly in the part of value creation process. According to IIRC, these elements are strictly linked with each other, which should be presented in a way that reveals the connections between all content elements. This shows that an integrated report moves in the direction of the connectivity principle as well. On the other hand, the eight questions have been determined by IIRC within the IR framework that should be answered by businesses through an integrated report, is related with the each content element. Moreover, the answers of these questions could be used to assess the business's ability to create value. These content elements have been covered by IR framework between the paragraphs 4.1. and 4.62. , the content elements and related questions will be detailed below;

- **Organizational overview and external environment:** "What does the company do and what are the circumstances under which it operates?"

This element includes the organization's mission and vision and provides information regarding its operating structure, principal activities and markets, and competitive landscape (IIA, 2015:24). Business specific information such as its culture, ethics and values should be issued as well. In addition, the information which shows the impacts of external environment (e.g. social, environmental, and governmental) on the value creation process of business over time, should be a part of integrated report.

- **Governance:** "How does the company's governance structure support its ability to create value in the short, medium, and long term?"

In accordance with this element, an integrated report should cover the information that are related with the governance structure of companies, which enables stakeholders to evaluate how resources are managed by business to contribute value creation. Furthermore, it contains an explanation of the organization's leadership and strategic decision-making processes, including the skill set of those charged with governance (IIRC, 2011:15).

- **Business model: "**What is the organisation's business model?"

Integrated reporting should be a tool that support all users of information in point of informing about the effects of business model on the value creation process. Accordingly, as noted by IIRC in the IR framework, the business model could be stated as a mechanism that converts inputs (e.g. capitals) into outputs (e.g. goods and services) as well as outcomes (changes in capitals) thanks to its business activities. In other word, the business model is the vehicle that defines and executes an organization's strategy and maps out the process by which an organization creates sustainable value over time (EY, 2014a:9). The six capitals could be regarded as an integral part of this system which are called as the inputs. On the other hand, the business model is stated as a vitally significant part of IR process as well as an integrated report. The role of business model was tried to be emphasized in the figure 4.1. (pp. 120-121) which showed how it contributed to the value creation process within its unique features.

- **Risks and opportunities: "**What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term and how is the organisation dealing with them?"

The some risks and opportunities are always existed in the marketplace. In this point, the major risks and opportunities which have direct or indirect effect on the capitals, strategies as well as on the value creation process of business, should be determined and issued by an integrated report. The current and potential risks that have arisen within the internal and external factors should be determined as well as their effects on the other content elements and the precautions that is needed to be taken, should be addressed by an integrated report. Moreover, what kind of advantages are taken through the opportunities should be mentioned. The risks and opportunities could be associated with the other content elements as well.

- **Strategy and resource allocation:** "Where does the organization want to go and how does it intend to get there?"

Strategy could be stated as a road map of business which might be associated with the all content elements. The strategy of business should be compatible with the business model in order to contribute value creation process. In this sense, the one of the leading force behind the value creation process could be named as strategy. In a broader meaning, organizations achieve the strategic and business objectives set by those charged with governance through strategic plans, supported by resource allocation and action plans, which highlight the organization's business model and how it creates value over time (IIA, 2015:26). Also, the effects of the risks and opportunities on business strategy should be explained by an integrated report.

- **Performance: "**To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?"

In order to reach its aim, an integrated report is based on an integration among many critical matters. Accordingly, the connection between financial and non-financial performances are established by an integrated reporting. In this regard, the both qualitative and quantitative information regarding on the performances of business are addressed by an integrated report (IIRC, 2013a), which enables to assess what extent the strategy has achieved. On the other hand, it is not only integrated these performances together, but also the association between these performances and other related content elements are created and presented by an integrated report. The past, current and future performance are issued as well that helps to compare performances of business to the both internal and external environment. For example, relationship between performances and resource allocation, vision and mission of business as well as the both positive and negative effects of performance on capitals, should be emphasized.

- **Outlook:** "What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?"

In addition to the risks and opportunities of the business environment, some challenges and uncertainties are existed as well. There is no doubt that these are factors that have potential to affect other content elements, and especially the current and future performance of business. Accordingly, this element builds on the other elements in order to point out expected changes (IIRC, 2011). Also, the expectations of business about the external environment of business and ways that enables to overcome challenges and reduce uncertainties, should be covered by an integrated report.

- **Basis of preparation and presentation:** How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

The preparation and presentation of an integrated report is one of the important matter in order to create a well-established and well-functioning report which meets the needs and expectations of society. According to IR framework (between paragraphs 4.40-4.48), the following process should be followed by reporting business in point of preparation and disclosure of an integrated report. These are; determination process of the relevant issues in accordance with the materiality principle; the explanation of the boundary of an integrated report and how this boundary has been drawn by reporting business; brief description of framework and ways that have addressed to qualify and assess material issues.

The content elements of IR framework has been tried to explain in the paragraphs above. In the light of these paragraphs, it could be said that these elements are connected with each other. In this manner, all these elements should be considered in comply with the idea of integrated thinking as well as the principle of connectivity. Also, IR framework encourages reporting business to act within the content elements which leads reporting business to take relevant, necessary and sufficient information and matters into account in accordance with requirement of the principle of materiality, and reliability and completeness. The information that is provided by an integrated report as a result of the consideration of these elements, enables to see complete picture of business. In doing so, the consistency and comparability of an integrated report will be increased as well as the strategies, objectives and future expectation of business will probably be better defined. Finally, the best business environment will be created where the strengthened relationships will come into prominence. All these paragraphs have indicated how significant role has been undertaken by IIRC to guide the entire business environment in the matters of IR and creating a globally accepted framework.

4.2. THE ANALYSIS OF THE INTEGRATED REPORT

This is the last main headline of this study which purpose is to analyze the first published integrated report in Turkey. This analysis will be done within the International Integrated Reporting Framework. This framework was issued by IIRC in December 2013 (IIRC, 2013a) which developed to facilitate the adoption of IR (de Villiers et al., 2014), and it is still one of the internationally accepted framework of IR. The main aspects of the IR framework has been detailed in the previous part. Accordingly, the following integrated report will be strived to examine in accordance with IR framework which will cover fundamental concepts, guiding principles and content elements.

4.2.1. Argüden Governance Academy Integrated Report 2015

Argüden Governance Academy was established as a non-profit organization in Istanbul Turkey, in 2014. Their mission is to support business in the matter of improving the quality of governance in the public, non-profit, private, as well as international businesses which results in the sustainable value creation for the all business environment (Argüden Governance Academy Integrated Report, 2015). Accordingly, the 2015 was regarded as a first operating year of this organization, and an integrated report was preferred to publish at the end of this operating year. As noted by this organization, integrated report was prepared with respect to the fundamental concepts, guiding principles and other critical aspects of the International Integrated Reporting Framework. This is regarded as a reason of why this report is chosen in this study. On the other hand, as noted by Argüden Governance Academy, this organization is among the earliest non-profits in the world and the first organization in Turkey who adopt to the IR framework. In this context, it is expected that the mainly non-profit organizations as well as other businesses will be encouraged by this first initiative. In other words, this report could be an example for the followers. In terms of this study, the analysis of the integrated report of Argüden Governance Academy is required because it is the first published integrated report in Turkey. Also, it could be useful to see how integrated report is adopted by a non-profit organization, which is referred to as other reason of why this report is examined.

Apart from the IR, the corporate governance regime is embraced by Argüden Governance Academy as well. It has been stated in the first chapter of this study that corporate governance regime has regarded as one of the best way to build the management structure and align the interest of all participants of business, and to carry out operations and sustain the presence of business respectively. According to the chairman of the board of directors of Argüden Governance Academy, seven principles of the good governance has been adopted which are defined in page 11 as consistency, responsibility, accountability, fairness, transparency, effectiveness, deployment through participation (crafted) to the society at all possible levels. In this sense, it is argued that in addition to basic principles of corporate governance, some other principles are adopted as well. This could be associated with the characteristic and goals of business. For example, the mission of this organization is to improve governance quality of the different kind of business, and it is good to comply with the principle of deployment through participation to the society at all possible levels in order to build good relationship. These principles could be associated with the today's needs as well. This paragraph could be stated as an additional information regarding on corporate governance.

It is believed that Integrated Reporting is a powerful tool to improve transparency and governance in all kinds of institutions (Argüden Governance Academy Integrated Report, 2015:9). This might be indicated as a reason of why this reporting approach has been adopted by Argüden Governance Academy. Also, to add before the analysis of integrated report, financial and sustainability information has been considered as a necessary aspect of IR. Argüden Governance Academy is a non-profit organization, but it does not mean that there are no cash flows. In this sense, financial highlights (e.g. amount of donations) are issued in the page 48 and their expenditures are shown in the page 29 in the area where their business activities are carried out. Also, the term sustainability is emphasized in accordance with the content elements in many pages. For example, the mission statement is pointed out that "to create sustainable value for the institutions and society", and the vision statement is emphasized that "to create a more sustainable and inclusive future"

(Argüden Governance Academy Integrated Report, 2015:11). Accordingly, it can be argued that the both social and organizational sustainability is aimed. Furthermore, as stated under the business activities section, the sustainable development is a basis of their business activities which is based on the sustainable development goals of U.N. (see appendix 1). Accordingly, these goals are stated as 5.Achieve gender equality, and all empower women and girls, 16.Peace and Justice, and 17.Partnership for the goals. Accordingly, it is stated the basic requirement of IR such as financial and sustainability information is met. Besides, these information are connected with each other by means of guiding principles and content elements which will be identified in the following paragraphs.

4.2.1.1. Fundamental Concepts

According to IR framework (2013a), the capitals and value creation process are revealed as a crucial concepts. The fundamental concepts of the integrated report of Argüden Governance Academy will be addressed below.

4.2.1.1.1. The Capitals

The capitals are used or affected by reporting organization which are defined by Argüden Governance Academy in the page 14 as intellectual capital, financial capital, human capital, and social and relationship capital. In this instance, it could be said that manufactured and natural capital are not considered or are not benefited as an important part of value creation process as well as in provision of services. On the other hand, natural capital could be classified as a critical in terms of sustainability concept. As noted by EY (2014a), the dependency on natural capital should be minimized as much as possible, financial capital should be sacrificed to contribute the human capital in order to reach this goal. From this point of view, natural capital is not issued by this report which may mean that a little or no benefit is provided by natural capitals. Accordingly, this could be regarded as an important point in terms of sustainability. Nevertheless, this organization might be benefited from these capitals directly or indirectly because it is believed that each people and business is in direct or indirect interaction with natural resources. Furthermore, a number of services are provided by Argüden Governance Academy to the third parties, and many publications, books and pages are probably used and huge amount of electricity can be consumed during this process as well as buildings (e.g. office, class etc.) can be seen as a factor which contributes to the provision of services. According to IIRC (2013a), it is not necessary to explain all these capitals. However, the additional information could be added regarding on natural capital especially in this report. In a brief, in order to start the value creation process, the inputs of the business model should be determined by means of capitals. According to this report, the following capitals are indicated with its examples;

- Intellectual Capital: know-how, publications, etc.,
- Financial Capital: donations, grants, etc.,
- Human Capital: advisory council, board of directors, academic board, our team and our volunteers.
- Social and relationship capital: our stakeholders, collaborators, partnerships, etc. (Argüden Governance Academy Integrated Report, 2015:14).

These are indicated as a proof that this organization has been progressed within the IR framework in order to shape the value creation story.

4.2.1.1.2. The Value Creation

The value is created by businesses to meet the needs and expectations of both internal and external environment of business. According to Argüden Governance Academy, value is created for both their organization as well as for their stakeholders. Also, it has been specified by this organization that their mission is to create sustainable value for the both institutions and society (Argüden Governance Academy Integrated Report, 2015). In the light of the previous chapter, the value creation could be stated as a process which should be addressed by reporting businesses to provide holistic view. The content elements of IR framework as well as the capitals has been significant part of the value creation process. In the IR framework of IIRC (2013a), value creation process has been visualized to guide reporting business, which was already given in the figure 4.1. (p. 120). In this sense, it is expected that the value creation story of each reporting business should be illustrated by means of an integrated report. This process is explained and visualized by Argüden Governance Academy within the content elements which will be addressed under the related headline. To sum up, the results of the value creation process that is defined in the page 14, are related with their mission, vision and strategy.

4.2.1.2. Guiding Principles

The seven guiding principles have been announced by the IR framework which have been clarified in the previous paragraphs before. Accordingly, the conformity of this report against the guiding principles of IIRC, will be tried to analyze below.

The foremost role of IR is to combine all necessary information (e.g. financial and non-financial), performance and many other vital matters together. In doing so, the unique value creation story of reporting business will be revealed. As stated in the previous chapters, the length of corporate reports which have been criticized by users of information for many years, which have not been the best way to meet the needs and expectations. At this point, the conciseness has been adopted as a principle of IR. The principle of **conciseness** is embraced by integrated report of Argüden Governance Academy as well. In this report, all required information such as strategy, governance, performance, business model, risks and so on (both qualitative and quantitative information) as well as many other additional knowledge is covered within just 56 pages. In other word, a rich content is presented in a sufficient, understandable and clear manner. Also, it is avoided to use of technical word in order to improve clarity. This had been one of the need and expectation of users of information throughout history. Therefore, this integrated report is indicated that the needs and expectations have been met in this manner. This situation can be explained as a result of the strong connection between information, employees and other critical matters as well. Accordingly, the connectivity of information is stated as another principle of IR framework.

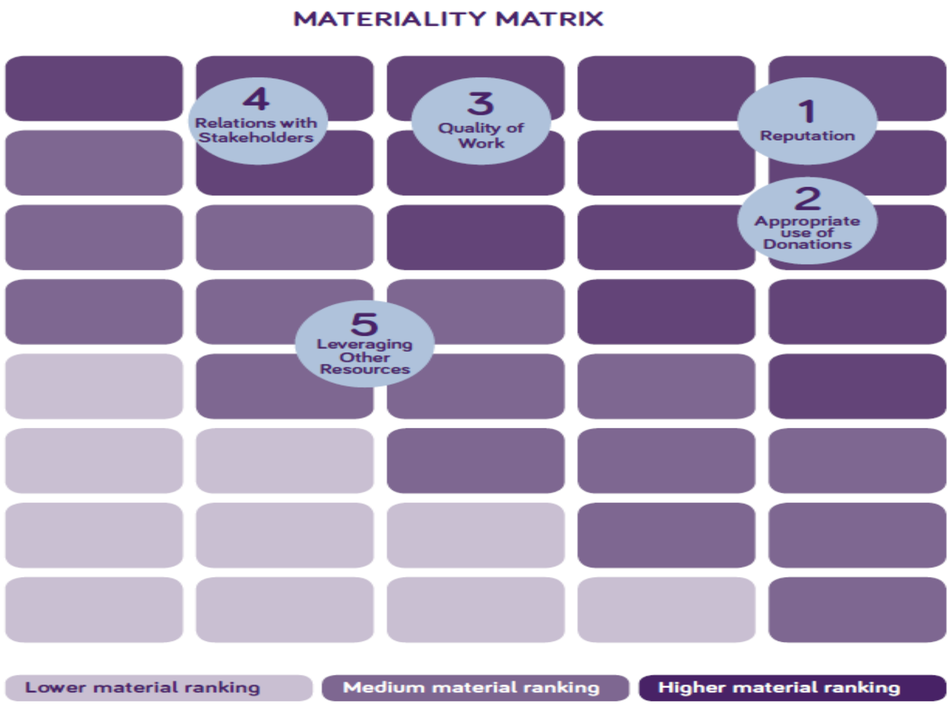
As noted before, IR is founded on “integrated thinking” and “connectivity”, and an integrated report communicates about the connectivity among the different capitals and inputs, and their effects on business (EY, 2014a) which helps to show complete picture of organization (value creation story). It is not only a principle, but also is a leading force behind an integrated report. In this context, it is inevitable to be affected by the connectivity of information in terms of businesses that adopt IR. In this sense, it might be claimed that the integrated report of Argüden Governance Academy is in harmony with the principle of **connectivity of information**. Accordingly, the strong connection between mission, vision, business model, strategy, capitals, created values, and risks is clearly seen in this report between pages 12, 13, and 14. For example, their mission is to improve governance quality in public institutions, NGOs, corporations, and international organizations to create sustainable value for the institutions and society (Argüden Governance Academy Integrated Report, 2015:11). In order to achieve this, four capitals are addressed (see p.133) which are related with their mission. Subsequently, the necessary inputs are determined in accordance with their capitals which is transformed into outputs and outcomes through the business activities. As stated by this report, “business model reflects our approach in public governance and consists of education, research, and communication activities” (Argüden Governance Academy Integrated Report, 2015:32). As result of this process, values are created for both internal and external environment of business. Furthermore, it has been stated that the structure of business has been progressed in the same direction with the strategy. There is no doubt, all these matters above require the connection between information which is already established by Argüden Governance Academy. Besides, as stated by this report, “in 2015, we were able to benefit from the feedback of the Advisory Board members on our activities and their experience on our conference on public governance” (Argüden Governance Academy Integrated Report, 2015:18). In this way, the feedbacks, knowledge and experiences that are shared within the organization, could lead to strengthen connection among different kind of information. In a word, the principle of the connectivity of information has been taken into consideration by Argüden Governance Academy which resulted in the well-established integrated report. Also, it is stated that the quality of corporate reporting increases visibly through the integrated reporting which is associated with the increase quality of information by means of connectivity. All these are clearly seen in the integrated report of Argüden Governance Academy.

In 21st century's business environment, the stakeholders have potential to affect operations, activities of business or to be affected by them. In this circumstance, the effects of stakeholders should be considered in a complete way from the governance system to the corporate reporting. Under these conditions, it is one of the substantial matters to build good relationship between stakeholders and organizations. Therefore, **stakeholder relationship** has emerged as a principle of IR framework. As noted by the chairman of the board of directors, "we place special emphasis on building networks with stakeholders who have similar goals". The significance of the relationship with the stakeholders is clearly stated in this statement which has been addressed by integrated report of Argüden Governance Academy as a separate tittle as well. In this report, it is indicated that the collaboration between stakeholders and organization is important to achieve mission. In addition, it has been emphasized that the partnerships are built with stakeholders on three kind of matters which are stated as knowledge (e.g. information that are obtained or served), impact (e.g. created value), and resources (benefited or supplied). Moreover, as mentioned by this report, "we prefer to work with the most suitable partners for the reputation and sustainability of our programs" (Argüden Governance Academy Integrated Report, 2015:25). Accordingly, the key stakeholders and relationship with them as well as the collaborations that have established in line with the business model, are tried to be explained by this integrated report. Also, the importance of sustainability is pointed out in this part of report. In the view of this report, it is put forward that integrated report is one of the most effective and efficient method to increase stakeholder engagement, and to benefit from stakeholders while creating value for them. Thus, this principle is adopted, and issued by Argüden Governance Academy as a major part of integrated report.

The **materiality** is another principle of IR which is embraced by integrated report of Argüden Governance Academy. The prominent role of materiality is to help to identify vitally important matters that affect the value creation process of business

(Zhou et al., 2017). In this point of view, it is stated that the relevant matters and information are contained and disclosed by this organization which effects on their ability to generate value over time. In the page 15 of this report, the materiality principle is issued as a title as well which explains the determination process of material matters. In this report, material matters are determined by the agency of; “issues in our mission and vision which have the potential to create value; issues with high effect on intellectual, financial, human, social, and relationship capital as determined by <IR> Framework; competencies which are key requirements for us” (Argüden Governance Academy Integrated Report, 2015:15). In this sense, the matrix that is showed by figure below, is created by the reporting organization to indicate material matters and importance order in term of integrated report.

Figure 4.2: Materiality Matrix of Argüden Governance Academy



Source: Argüden Governance Academy Integrated Report, 2015:15.

According to figure 4.2., reputation, appropriate use of donation, quality of work, relations with stakeholders and leveraging other resources are specified as material matters. It is stated that material matters are identified by the contributions of each internal participants of business, which is critical to provide holistic view on business, but the participation of other stakeholders should be appropriate to determine material matters in a more comprehensive manner in order to achieve mission, vision and strategy in a more meaningful sense. This principle could be associated with conciseness as well because the consideration of the material matters lead to the expression of the essence of issues which results in the reduction of the number of pages.

Another guiding principle of IR framework is revealed as **reliability and completeness**. Argüden Governance Academy is a non-profit business organization which is received donations from business environment, foundations as well as individuals. Accordingly, the business activities of this organization is shaped around these donations. In this sense, an impact report is located in the integrated report of this organization between pages 27 and 29. As stated by this organization, “the report exhibits our activities performed in 2015, including the impact we created with a certain real budget and an invaluable leverage effect which regularly register” (Argüden Governance Academy Integrated Report, 2015:27). Also, the financial outcomes and impact report is auditing by Deloitte which is explained in the pages 50 and 51. Therefore, the effects of organization is tried to be reflected in a complete manner by means integrated report. All these are demonstrated that the principle of reliability and completeness is adopted.

The operation of Argüden Governance Academy has started in 2014, and the first integrated report of Turkey was issued in the operating year 2015 by this organization. For this reasons, the adoption of the principle of **consistency and comparability** is not expected. Also, this condition is stated in part of “about this report”, which is pointed out that there is no comparative data from previous years on any of the items covered in this report (Argüden Governance Academy Integrated Report, 2015:5). Moreover, it is added that this principle will be adopted in the next year’s integrated report. In addition to this, the external comparability of integrated report is low in terms of Turkey perspective because there are no enough initiatives on this matter.

Lastly, the principle of **strategic focus and future orientation** is taken consideration as well. It is obviously seen that the future orientation is tried to be emphasized in almost every pages, in their vision statement as well. Furthermore, the strategy is covered in the page 12 which is strictly connected with each material information. To sum up, it could be said that the International Integrated Reporting Framework that was declared by IIRC, is followed by Argüden Governance Academy within its major aspects. Without a doubt, the advantages of these principles have already taken by Argüden Governance Academy during the process of preparing an integrated report which resulted in the disclosing of a well-functioning integrated report. In doing so, the needs and expectations of users of information will be met.

4.2.1.3. Content Elements

In this part of this study, integrated report of Argüden Governance Academy will be examined in accordance with the content elements that has been determined by IIRC. As noted before, some questions should be answered by each business that are interested in IR, in order to ensure about the accuracy of the content of report. In addition, the content elements that are fundamentally linked to each other and are not mutually exclusive (IIRC, 2013a:5). These will be evaluated one by one.

- **Organizational overview and external environment:** “What does the company do and what are the circumstances under which it operates?”

To answer this question, the mission, vision and purpose of the business should be clearly determined. In this manner, these matter are covered in the page 11. Furthermore, the business activities of Argüden Governance Academy are explained between pages 31 and 46. These activities are divided into four groups which are stated as the public governance, non-governmental organizations governance, corporate governance and global governance, and their operations and collaborations are covered in this report as well. In this part of Argüden’s report, required financial information are demonstrated in accordance with other information, and sustainability are emphasized in each critical statements such as mission, vision and strategy. In addition, it could be added that their mission, vision, business activities and capitals are directly related with each other as a result of the connectivity of information. Besides, the risks are determined and illustrated by means of a table in page 47, and it could be said that some of risks are directly associated with the external environment of organization (e.g. political and financial risks). These risks are also addressed as another element, but the relationship between elements are revealed in this context. On the other hand, financial and sustainability information are crucial parts of IR.

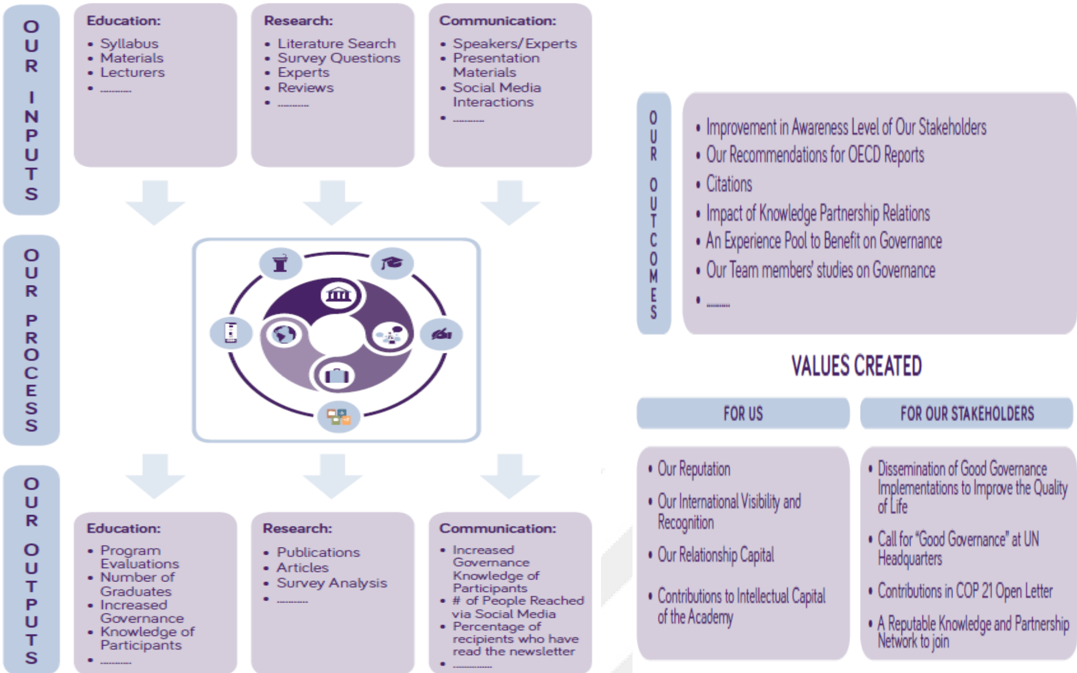
- **Governance:** "How does the company's governance structure support its ability to create value in the short, medium, and long term?"

It has been stated before that the corporate governance regime has been embraced by Argüden Governance Academy. There is no doubt that corporate governance is one of the best way to support ability of value creation. In accordance with this regime, the governance structure of organization is illustrated in the page 11. Also, it is stated that their governance system and directly the ability of value creation is supported by international advisory board, academic board, boards of directors, teams and volunteers. Moreover, the role of advisory and academic board are defined as well as the competencies and professions of each member of the board of directors and teams are detailed, between pages 17 and 24. This is important to comprehend in what extent the value creation process will be supported. Accordingly, this integrated report has been prepared in accordance with the content element of governance.

- **Business model: "**What is the organisation's business model?"

This question is also answered by means of integrated report of Argüden Governance Academy. According to IR framework, business model is located in the heart of the value creation process which is a necessary element to generate integrated report. In this regard, the business model of Argüden Governance Academy is covered between pages 12 and 14. Also, it is illustrated through the agency of visual material which makes it easier to assess major items of the value creation process such as inputs, business activities, outputs and outcomes. The business model of Argüden Governance Academy is showed in the figure 4.3. In addition, in this integrated report, the relationship between business model and other content elements is clearly understood. For example, inputs are determined in accordance with their mission, vision, strategy as well as their capitals.

Figure 4.3: Business Model of Argüden Governance Academy



Source: Argüden Governance Academy Integrated Report, 2015:13-14.

- **Risks and opportunities:** "What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term and how is the organisation dealing with them?"

Risks and opportunities are stated as one of the content element of IR framework. This content element is completely adopted by Argüden Governance Academy in order to comply with the requirement of IR. Actually, this could not only stated as a requirement of IR framework because risks and opportunities should always be taken into account in order to reach strategic goal and objectives and so on. The critical role has been undertaken by this element to contribute to the value creation process in terms of IR. Accordingly, risks that might cause negativity on the value creation process, are defined within the integrated report of Argüden Governance Academy in page 47. These risks are stated as operational risks, political risks, financial risks, reputational risks, compliance risks and strategic risks. As a matter of fact that it is not only enough to determine risks, but also the steps that is needed to be followed, should be mentioned. In this context, each all risks as well as period and management of these risks have been discussed in an understandable way.

Apart from risks, opportunities are clarified in the same page to contribute value creation process. All these are necessary information which should be a part of an integrated report.

- **Strategy and resource allocation:** “Where does the organization want to go and how does it intend to get there?”

The strategy could be regarded as a leading force of business model. In this sense, this matter should be expressed within an integrated report. Accordingly, this content element is adopted by Argüden Governance Academy which is explained in the page 12. In line with their strategy, the value is created for the public sector, NGOs, corporations, and the global arena as well as society. According to their strategy, they prepare and implement education/training programs, to conduct research on governance, and to promote best practices of good governance through events and awards (Argüden Governance Academy Integrated Report, 2015:12). Also, it could be said that their strategy is connected with the mission and vision which leads to business model respectively. All these are way to improve meaning of IR which is considered by Argüden Governance Academy.

- **Performance: “**To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?”

The outcomes of the business activities, performances are explained by the integrated report of Argüden Governance Academy. In this sense, the key performance indicators are illustrated by means of a table in page 30. According to this table, performances are measured in the area of education, research, communication and management which helps to increase both individual and cumulative performance of organization. These areas are related with all other content elements which is showed the connectivity of material information as well. Also, the financial performance of business is indicated by the agency of impact report that is located in the page 29. Financial performance is measured in the same area as the key performance indicator. Argüden Governance Academy is a non-profit organization which results in the explanation of donations and expenditures, because these could be important to evaluate their financial conditions. Furthermore, in accordance with the sustainable development goals that has been issued in the appendix 1, Argüden Governance Academy has committed to mobilize more than $1 million to support the goal 16 - peace and justice, and goal 17- partnerships for the goals (Argüden Governance Academy Integrated Report, 2015:44). In this regard, this could be indicated as a clue on their non-financial performances.

In this part of this study, the integrated report of Argüden Governance Academy has tried to be analyzed. In the light of this analysis, it is noted that the content elements have been applied as indicated in the IR framework of IIRC. On the other hand, it is visible how corporate reporting exceed its limits. Besides to be a reporting tool, it tries to adopt integrated thinking concept into business in order to tell value creation story, which is way to improve efficiency and effectiveness of internal business environment as well as to create a great number of benefits to the external business environment. Despite being the first published integrated report in Turkey, it could be considered as successful one because all critical matters that has been defined by IIRC, has already adopted by Argüden Governance Academy in a complete manner. Therefore, other businesses will be encouraged as well by means of this successful example of IR.

CONCLUSION

In 21st century's world, it is not to be surprised to encounter the changes, new approaches, trends as well as new problems. All these conditions are valid for the today's business environment as well. In this regard, everything is getting more complex within the business environment in comply with these many different conditions (e.g. financial crises, business specific and external problems, environmental concern, new approaches), and competition is increasingly getting tough day by day. In a more comprehensive expression, nothing is static in today's world. It is nearly impossible to be affected by all these matters, and many biggest corporations and other size businesses have tried to maintain their presence under these circumstances. However, against the continuously changing situations of the business world, this is not possible with the old methods and approaches. In this context, many different approaches have emerged throughout the history. Only a few years ago, integrated approach has emerged as a new method in accordance with the changing scope of business environment which is regarded as a last ring of this chain. In this regard, this study is mainly founded on the introducing this new concept within all its major aspects, and its effects on the internal and external business environment, which is called as "integrated reporting" (IR) and results in an integrated report. Furthermore, in order to clarify the fundamental concepts and guiding principles of International Integrated Reporting Framework which was prepared by IIRC, the first published integrated report in Turkey has been analyzed by the agency of this paper. However, in order to provide better understanding on this new approach, it is appropriated to take account of the starting point of this chain. This is one of the most important point that differentiates this study from others, which has helped to draw more meaningful story. From this point of view, corporate governance and corporate reporting which has been considered by this study as a vitally significant part of this chain, has been detailed as a separate chapters.

Corporate governance is regarded as the origin of the chain that is mentioned. Business environment has been changed unceasingly since the first Industrial Revolution. Today, these changes are being continued by means of Industry 4.0., and will be intended to continue in the future as well. These changes came along with the some challenges, problems as well as new approaches for decades ago. Some of these were named as corporate scandals, financial reporting scandals, administrative problems (Agrawal and Chadha, 2005; Kumari and Pattanayak, 2014), agency problems (Berle and Means, 1932; Jensen and Meckling, 1976). In addition to this, the size and number of companies have increased which have led to complexity for many years (Elhabib et al., 2015), and businesses have faced with many complicated situations in the both internal external environment in this manner. Moreover, the trust, transparency, accountability, fairness and responsibility has started to come to the fore in the relationships between both internal and external environment of business. Accordingly, corporate governance is referred to as a regime which strives to consider all these matters. In a word, it is one of the best way to align the interest of business, stakeholders and other participants. Also, it is founded that a number of benefits have associated with the corporate governance regime (Claessens, 2003; Byard et al., Ajinkya et al., 2005; 2006; Pamukçu, 2011; OECD, 2015). All the important aspects of corporate governance regime has been detailed in the chapter one. In the light of these, the findings indicate that the substantial roles are played by the governance system of companies in order to deal with many critical matters. This system should be named as corporate governance. It is strongly recommended that corporate governance regime should be adopted by all businesses in a complete manner even if they are the biggest corporation or small size of business. Besides, it is advised that in addition to the basic principles of corporate governance (e.g. transparency, accountability, fairness and responsibility), some other principles should be considered in accordance with the characteristic of businesses and the changing needs of society. In brief, corporate governance is associated with creating the best governance system as well as the best business environment where the good relationships are existed. In doing so, it will be easier to set strategy, reach goals and objectives, and improve profitability while meeting the needs and expectations of society.

IR has been emerged as a tool of corporate reporting which covers the necessary reporting practices. Also, it is believed that there is a significant relationship between corporate governance and corporate reporting which could be stated as an outward reflection of corporate governance. Accordingly, corporate reporting could be stated as a substantial part of the well-functioning corporate governance regime. In this sense, it has been required to examine corporate reporting as well as its main components. The basic tools of corporate reporting such as financial and sustainability reporting has been examined in the chapter two. These tools are stated as the second and third ring of the chain. Financial reports are regarded as the basis of corporate reporting which is mandated all around the world. However, the non-financial information of business has started to gain importance among the users of information for many reason (Eccles and Sarafeim, 2011). Accordingly, the additional information have been demanded by stakeholders on the non-financial side in order to complement financial information and know more about business (Eccles and Sarafeim, 2011; Ioannou and Serafeim, 2015; Velte and Stawinoga, 2016; Ioana and Petru, 2017). In this sense, financial reports have failed to tell complete story (Ioana and Petru, 2017), and voluntary non-financial reports have started to prepare and disclose by businesses such as ESG disclosure, CSR report and sustainability report. However, these reports have been only a temporary solution. Sustainability reports come into prominence among these reports, but it has founded that some weaknesses have emerged in the matter of linking required information (King, 2011). On the other hand, the increasing number of corporate reports led to complexity in the business environment. Also, the relationship between financial and sustainability reporting has been criticized (Robertson and Samy, 2015). Under these conditions, a great number of stakeholders wanted to comply with a new approach which combines the financial and non-financial information into one single report (Tilley, 2012; de Villiers et al., 2014; Rupley et al., 2017). This approach has already called as IR in the literature. Corporate reporting has been issued as a separate chapter in this study because financial and non-financial performances are major parts of IR. Also, it has been essential to reveal the deficient points of the corporate reporting practices that have led to the emergency of IR. In the light of this chapter, it is put forward that the most important principles of corporate governance such as transparency and accountability is provided by means of corporate reporting practices. In this regard, financial reports which are mandated, are a way to present financial performances of businesses by means of historical data. The more transparency and accountability is provided by non-financial reports as well. According to the chapter two, it is recommended that even though the IR is not embraced by any business for some reasons, the sustainability concepts as well as the sustainable development goals of U.N. should be adopted. Nevertheless, this chapter has been indicated that the deficient points of current reporting practices led to the superiority of IR. In this manner, the more meaningful picture has been drawn on the IR through the chapter two.

The chapter one and two has been substantial to provide roadmap that showing the roads to go IR, and to introduce main components of IR. After these chapters, IR, integrated report and many other related information has been discussed in the chapter three as a last ring of the chain. Although the similar approaches have existed in the literature as well as the first integrated report was published in 2002, the IR practices have started to gain momentum after the formation of IIRC in 2010. In this sense, an internationally accepted framework was issued in 2013 by IIRC. Furthermore, it is not true to define IR as an ordinary integration of the financial and non-financial information. It goes beyond a simple integration of financial and sustainability report (Krzus, 2011) by means of integrated thinking and connectivity. Also, the information should be presented in a holistic way or approach to the all users of information (e.g. investors, shareholders, stakeholders) in order to see and evaluate the bigger picture that covers the relationship between financial and non-financial performances (Druckman and Fries, 2010; Jeyaretnam and Niblock-Siddle, 2010a; Eccles and Serafeim, 2015; ACCA, 2018). For this reason, IR process should be adopted by businesses within all its details. Furthermore, business model of companies as well as their performances, strategies and long-term targets have been considered by an integrated report also (Jensen and Berg, 2012; de Villiers et al., 2014; Ioana and Petru, 2017) that combines financial, economic, governance and social information, and sustainability activities in one report (Hughen et al., 2014; Rupley et al., 2017). Even though some challenges have existed (IIRC, 2011), it has been stated that many internal and external benefits have been associated with the IR and an integrated report as well (Eccles and Krzus, 2010a; Eccles and Saltzman, 2011; IIRC, 2011; ACCA, 2014; Morros, 2016). These benefits have led to improve performance of business (Appiagyei et al., 2016). All these are indicated that it is crucial to comply with IR practices. On the other hand, the International Integrated Reporting Framework has been discussed in the last chapter of this study. It is obviously stated that IR framework is a well-establish guide on this matter which could be associated with the number of benefits as well. This framework should be adopted by business that are intended to prepare IR within all its guiding principles, content elements and fundamental concepts. Furthermore, the integrated report of Argüden Governance Academy has been analyzed in order to provide better understanding on IR and the IR framework. It could be said that this report is one of the good example of IR because the framework of IIRC has been adopted in a complete way, which will help to followers in the matter of preparing IR.

In the light of this study, it is stated that IR can be seen as difficult to implement from the perspective of outside, but a well-established framework of IIRC has already made it easier to understand integrated approach by means of basic concepts, principles and elements. On the other hand, it is believed that there are not enough number of professional and experienced business on this matter in terms of Turkey's perspective. In this sense, IR is stated as a newly emerging concept in Turkey (Ercan and Kestane, 2017). Apart from this, the number of academic studies which detect the importance of IR within its all aspects to be guided for Turkish companies, do not meet the expectations. However, as stated by ACCA (2017), the number of businesses that have embraced IR, has significantly increased. For this reason, this study is vitally crucial to inform businesses and stakeholders who are interested in complying with IR. Besides, in order to provide more meaningful picture on this subject, corporate governance and corporate reporting has been issued in depth which is important in terms of Turkey. Also, integrated reporting goes beyond to be a reporting tool by means of its guiding principles, and content elements which includes mission, vision, strategy, external environment, and governance structure and stakeholder relationship. Actually, all these content elements are directly related with the corporate governance regime. In this manner, it is recommended that a business who are intended to comply with IR, should be build a well-functioning corporate governance regime first. This is a reason of why corporate governance has been taken into consideration in the first chapter. On the other hand, businesses and users of information should be known about financial and sustainability reports because these are the major components of IR. Accordingly, these information have located in the chapter two which have helped to comprehend IR in more understandable manner. In addition to these, the analysis of the integrated report of Argüden Governance Academy has indicated how necessary and critical information have been disclosed by means of IR and integrated thinking. In accordance with the analysis of this report, it is clearly said that IR is a way to improve governance of businesses, relationships with the key stakeholders as well as meet the reporting needs and expectations of users of information. Finally, there is no doubt that the best business environment will be created by means IR. This concept should be adopted by each business, especially who operates in the stock exchange markets.

There have some certain limitations for this study as well. The number of integrated reports that have been published in Turkey, are limited, which have led to reduce comparability of report consequently. Also, it could be stated as a reason which makes it difficult to conduct survey because of the small sample size. On the other hand, many publications and studies have already issued all around the world on the IR, but there have no enough number of studies in terms of Turkey. Therefore, it has been heavily benefited from the foreign sources during this study which made it harder to evaluate IR from the perspective of Turkey.

As a result, it is expected that this paper will encourage the new studies. In terms of the subsequent studies, the relationship between integrated reporting and corporate governance could be examined because these terms are closely related with each other. Furthermore, the role of internal auditing and how it will works with IR should be investigated. On the other hand, as noted many times, these days, the business world is changing and evolving day by day. In this sense, the principles and the contents elements of integrated reporting should not be static as well. In this manner, the new principles and contents elements in accordance with the needs of users of information might be discussed in the future studies.

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APPENDIX

APPENDIX 1: Sustainable Development Goals

1. End poverty in all its forms everywhere,
2. End hunger, achieve food security and adequate nutrition for all, and promote sustainable agriculture,
3. Ensure healthy lives and promote well-being for all at all ages,
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all,
5. Achieve gender equality, and all empower women and girls,
6. Ensure availability and sustainable management of water and sanitation for all,
7. Ensure access to affordable, reliable, sustainable and modern energy services for all,
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all,
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation,
10. Reduce inequality within and among countries,
11. Make cities and human settlements inclusive, safe, resilient and sustainable,
12. Ensure sustainable consumption and production patterns,
13. Take urgent actions to combat climate change and its impact,
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development,
15. Protect restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss,
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels,
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development (U.N., 2015:16).