Corporate Sustainability Reporting in India – A Disclosure

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Abstract: Companies have adopted Corporate Sustainability Reporting because it enables them to align their long-term objectives with corporate sustainability and social responsibility. Organizations are no longer focused on profits, but rather maintaining their goodwill in the competitive market. Corporate sustainability also helps in achieving greater credibility among the employees, business partners and government regulators Over a period of time the number of CSR and sustainability reports published by organizations across globe has also been increased which shows that organizations taking sustainability reporting as a powerful tool in their decision-making as well as in their corporate policy and strategy. In view of the above the present study aims at to understand the extent to which corporate sustainability reporting exists in India with respect to the guidelines imposed by GRI.

Keywords: Corporate Sustainability Reporting, GRI, disclosure JEL: M41

I. INTRODUCTION

Sustainability reporting is an initiative to incorporate and improve an organization's commitment to sustainable development to both internal and external stakeholders. Growing importance of ethical, social and environmental reporting in pursuant to corporate financial reporting demonstrates the increase importance of Sustainability reporting that many believes ensures a system which manages sustainability and reporting with robustness in the following aspects: Transparency, Traceability Compliance. Corporate Sustainability Reporting enables companies to align their long-term objectives with corporate sustainability and social responsibility. Organizations are no longer focused on profits rather maintaining their goodwill in the competitive market. Corporate sustainability also helps in achieving greater credibility among the stakeholders. Over a period of time the number of CSR and sustainability reports published by organizations across globe has also been increased which exhibits that organizations taking sustainability reporting as a powerful tool in their decision-making as well as in their corporate policy and strategy.

In view of the above in the present study an attempt has been made to understand the extent of sustainability practices in India and the various parameters with regard to sustainability reporting.

II. LITERATURE REVIEW

Hess (2014) in his study concluded that mere existence of leading standards such as Global Reporting Initiative (GRI) would not ensure effective policy mechanism unless a proper system be in place that can effectively utilize the information and cause organisations to change their policies and practices. José and Saraf (2013) spoke about the initiatives that were taken in the areas of education, health care, community livelihood and infrastructure development. They found that disclosures in sustainability reporting were limited and disclosures on CSR finances and donations were also nonexistent. Hahn and Kuhnen (2013) in their study provided a review of 178 articles dating from 1999 to 2011 related to business, management, and accounting. Ioannou and Serafeim (2012) concluded the impact of MCSR laws and regulations on companies and sustainable development has become a higher priority for them. There has been a significant increase in employee training after adopting of MCSR laws by companies. Finch (2005) findings reflected that the main motivation for companies is to communicate with its stakeholders the performance of the management with regard to achieving long-term objectives of the organization and overall success of the firm. Schonbohm & Hoffman (2012) showed that most of the companies do not publish meaningful and transparent information. Almost half of the companies in TecDAX do not publish any information about the society, economy and environment. Hence sustainability reporting fails to have a desired positive effect on the company and can create a negative image for the company. Lingán & Wyman (2013) studied about different groups form civil society and investor's community advocating governments to adopt an international framework which would help in the implementation of international policies that require large corporations to publish sustainability reports. Certified General Accountants Association of Canada in a survey of 3000 companies listed in the Toronto Stock Exchange and TSX Venture Exchange. They examined external reporting practices, as well as the driving forces, key stakeholders, issues, and future expectations of these companies with respect to corporate sustainability reporting. Taib et al in their paper determined that after 2008 (after the global financial crisis) there was an increase in the disclosure of activities underlying the ethical practices, the reasons they found was increase in public demand for more transparency and ethical practices.. The results showed that the UK companies' disclosures were higher than the US companies' in relation to community, diversity, environment and ethical practices. Goyal (2014) has studied about Pressure on corporations to disseminate information about their environmental actions and they found their impact is increasing. He found that GRI guidelines and sustainability reporting (SR) guidelines promote a 'managerialist' approach to sustainability rather than an ecological and eco-justice informed approach, potentially causing them to fall into an evaluatory trap as determined by Dumay (2010) et al. Gehman (2011) summarized the history of the Global Reporting Initiative (GRI), from its earliest gestation in 1997, to its initial realization in 1999 and 2000, to its current status in 2009. The study also analysed (a) the topics and

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indicators covered by the current G3 guidelines, (b) the number of GRI reports published by country, and (c) the number of G3 reports published by application level and year.

The available literature indicates that GRI represents an important phenomenon and presents researchers with a potentially rich data source. But its potential appears largely untapped especially in India. The present study, thus, aims at to understand the extent to which corporate sustainability reporting exists in India with respect to the guidelines imposed by GRI.

III. RESEARCH DESIGN

Global Reporting Initiative has various parameters based on which the companies have to report based on which they would get certified for their sustainability reports. The parameters imposed by Global Reporting Initiative are cross-checked with the sustainability reports issued by the companies to see if they have actually followed the guidelines to the dot. This study is unique in considering all the elements of the sustainability reporting as indicated by the GRI are analyzed comparatively across the various sectors. Secondary data are used which are available in the form of companies corporate sustainability report issued as per Global Reporting Initiative. The reports for the top 30 companies are available (till the report writing) on the company websites as downloadable files. The G3 guidelines brought into effect by Global Reporting Initiative are also available from their website. Based on the analysis of the sustainability reports with reference to Global Reporting Initiative the results are derived and they are presented in tabular as well as graphical representation.

IV. DATA ANALYSIS & INTERPRETATION

The reports collected are crosschecked with the guidelines issued by GRI to understand the extent to which the companies prepare their sustainability reports. Based on the information available, a list of 6 main parameters is prepared covering almost all aspects of economic, environmental, Labour, Human Rights, Social and Society. These parameters have further sub-variables which are analyzed with the sustainability reports of the companies.

Table 1. Sector-wise Sustainability Reporting Companies

Sector	No. of Companies
Automobile	3
Cement	5
Chemicals	1
Computer	4
Energy & Power	7
Engineering	1
FMCG	4
Telecommunication	1
Non-Reporting	74

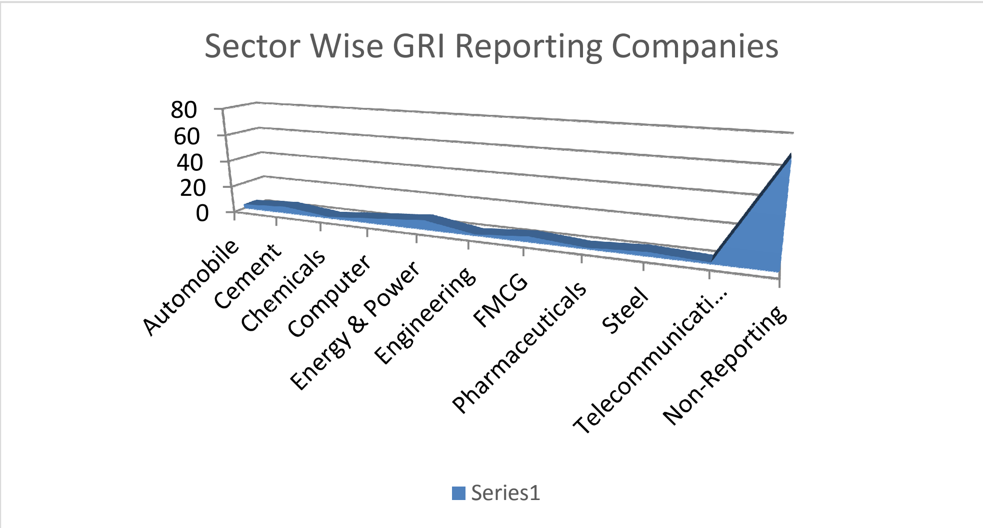

Fig.1 Sector wise GRI Reporting Companies

From the above fig., it's evident that only 30 companies have actually published sustainability reports, which match guidelines issued by GRI. The reason behind this being sustainability reporting is not compulsory as a result companies aren't focusing too much on publishing reports. A few companies are following integrated reporting where they combine financial/annual report as well as sustainable reporting. Hence it eliminates the need for a separate sustainability report from the company's point of view.

A. *Economic Indicators*

Economic performance of organization is essential in determining the sustainability. Results of financial capital management, financial position and the variations of an organization are provided in their respective financial statements. Economic indicator is one of the parameters which fall under Performance Indicators. There are 9 distinctive economic indicators which are from EC1-EC9

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Table 2 Economic Variables & their Percentages

Variables	Percentages	Variables	Percentages
EC1	96.66	EC6	90
EC2	96.66	EC7	90
EC3	93.33	EC8	93.33
EC4	93.33	EC9	76.66
EC5	83.33	-	-

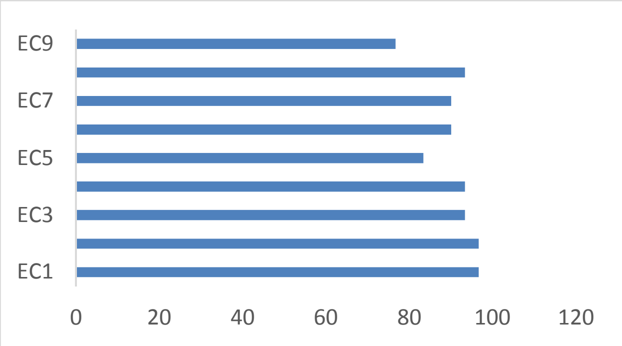

Fig.2 Economic variables & their Percentages

It is evident that among the 30 companies 90% of them report on all the variables that fall under economic indicators of which EC1 & EC2 were highest rated in terms of reporting and the least reported variable was EC9. The companies report on their performance as well as the various CSR activities but the finances spent on it were not disclosed. This might be that a very few companies keep detailed and auditable record of these finances and therefore these companies may be hesitant to disclose such amounts to the public. The companies also do their fair share of philanthropic initiatives taken up by companies ranging from cash donations to programme sponsors.

B. Environmental Indicators

Conserving & protecting the natural surroundings of the local community, water commission, forestry initiatives & spreading awareness about various environment protection measures which are taken up by companies as a part of their CSR activities comes under Economic indicators. Environment performance indicators provided by GRI guidelines with regard to water, biodiversity, energy, emissions and affluent, waste, products & services, compliance, transport etc.

Table 3 Environmental Variables& Percentages

Variables	Percentages	Variables	Percentages	Variables	Percentages	Variables	Percentages
EN1	76.66	EN9	66.66	EN17	83.33	EN25	50
EN2	83.33	EN10	86.66	EN18	86.66	EN26	90
EN3	96.66	EN11	70	EN19	76.66	EN27	70
EN4	96.66	EN12	70	EN20	86.66	EN28	66.66
EN5	96.66	EN13	56.66	EN21	96.66	EN29	66.66
EN6	83.33	EN14	66.66	EN22	96.66	EN30	66.66
EN7	86.66	EN15	30	EN23	76.66	-	-
EN8	90	EN16	96.66	EN24	36.66	-	-

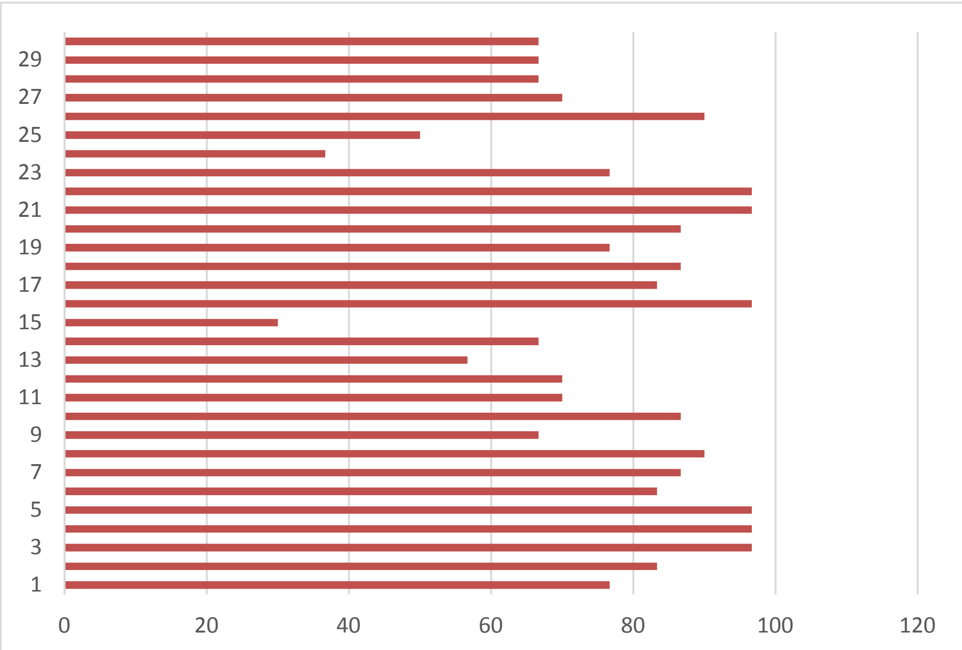

Fig.3 Environmental Variables& Percentages

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As fig., 3 depicts the highest reported variables are EN2-4, 16, 22-23 and the least being EN15. EN2 measures the percentage of materials used that are recycled input materials, EN3 measures direct energy consumption by primary energy source. EN4 indicates indirect energy consumption by primary source. EN16 measures total direct and indirect greenhouse gas emissions by weight. Total weight of waste by type and disposal method and total number and volume of significant spills are measured by EN22 and EN23. EN16 talks about number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

As part of sustainability reporting, companies are looking into greening its operations where a company implements measures for pollution control and environmental conservation. Manufacturing companies have their product fabricated at factories at remote location, which adhere to the environmental laws and regulations. Companies are implementing technologies and measures to help reduce harmful emissions from their base of manufacturing as well as be environmental friendly business. They are also looking for alternative sources of energy. Managing outputs in terms of waste and emissions forms is also another important driver. To be more environmental friendly companies are trying to reduce the use of greenhouse gases such as methane, water vapor, nitrous oxide etc. Companies are also doing their part in promoting forestry by plantation of trees to help control C02 emissions. Renewable energy in the form of solar energy, wind energy are being used by companies which are non-exhaustive in nature. The shortage of non-renewable energy such as petrol, coal, oil is compelling industries to look for alternative fuel sources such as LPG & CNG.

C. Social Indicators

Corporate Social Responsibility (CSR) initiatives are programs implemented by a company for the communities around its premises or for the society at large. These are generally philanthropic in nature-they are conducted voluntarily and free of cost solely for the benefit of the communities and society.

D. Labour Practices

Decent Work Agenda of the ILO has framework aimed at achieving economic growth and equity agenda by way of a combination of social and economic goals, it consists of: Employment, Dialogue, Rights and Protection

Table 4. Labour Practices Variables & Percentages

Variables	Percentages	Variables	Percentages	Variables	Percentages
LA1	96.66	LA6	70	LA11	86.66
LA2	93.33	LA7	90	LA12	83.33
LA3	76.66	LA8	93.33	LA13	93.33
LA4	93.33	LA9	63.33	LA14	76.66
LA5	80	LA10	100	-	-

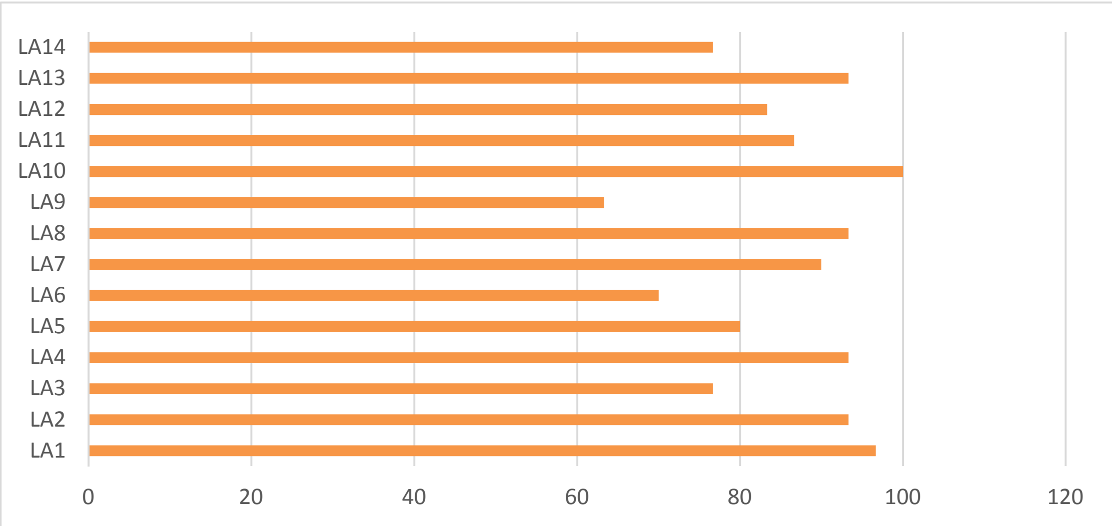

Fig.4 Labour Practices Variables & Percentages

Every company believes that their employees are their core strengths or assets of the organization and have various welfare programs, incentives & bonus schemes and other activities to improve their quality of life of their employees. Employees in turn enjoy working for the organization. Labour Indicators keep track of the well-being of the employees by keeping track of proper education, risk, training and their families. The chart above gives a clear picture about Labour practices indicators of which all the companies reported LA10 (Average hours of training per year per employee by gender, and by employee category) and the least reported being LA9 (Health and safety topics covered in formal agreements with trade unions).

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The companies also implements various initiatives to look out for the safety procedures, safety equipment, creating safety committees, setting standards, conducting meetings, reviewing procedures, and so on. The focus on safety is given more importance in manufacturing and heavy industries sector compared to service sectors. The HR policies with regard to Child Labour which had been abolished as per Child Labour Act, 1986 and the need for employee training on sustainability issues and CSR activities & promoting equal opportunities & diversity among its employees irrespective of caste, religion, creed, color and sex. This is seen more in the Service sectors such as IT & Finance for whom equal opportunities and training are a requirement for recruiting & retaining talent. Heavy industries such as oil & gas, metals have shown the same trend given their need for trained personnel & stringent labor policies.

Companies are also offering healthcare services to people & to spread awareness on healthcare issues such as maternal health, childcare, HIV/AIDS, malaria, diarrhea, cholera as well as for setting up mobile clinics or camps for free check-ups and treatments for various diseases. Companies are also focused on conducting training programs on prevention & cure of various diseases. Some of the initiatives taken up by companies include: Blood donation Camps, Building Hospitals, Eye Check-up camps, Healthcare Training Programs, Combat HIV/AIDS, Malaria & other diseases

E. Human Rights

Human Rights Performance Indicators elicit disclosures on the impacts and activities an organization has on the civil, political, economic, social and cultural human rights of its stakeholders. The Aspects within these Performance Indicators are based on internationally recognized standards, primarily the United Nations Universal Declaration of Human Rights and the ILO Declaration on the Fundamental Principles and Rights at Work of 1998 (in particular the eight core Conventions of the ILO).

Table 5 showing Human Rights Variables & Percentages

Variables	Percentages	Variables	Percentages	Variables	Percentages
HR1	80	HR5	83.33	HR9	46.66
HR2	93.33	HR6	83.33	HR10	50
HR3	80	HR7	83.33	HR11	56.66
HR4	80	HR8	70	-	-

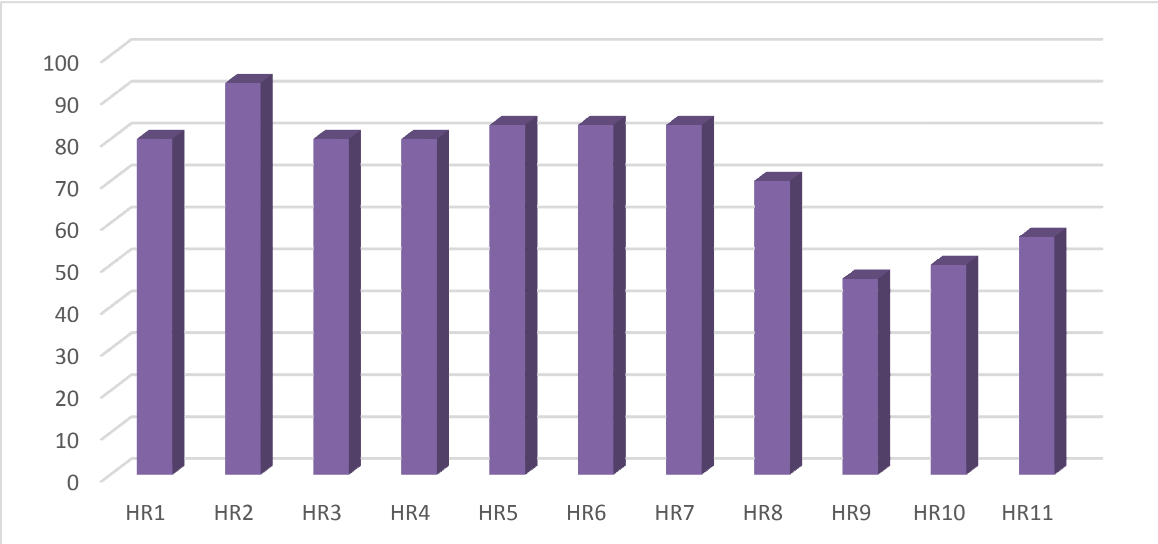

Fig.5 Human Rights Variables & Percentages

Human Rights indicators cover the contracts and legal agreements that include human rights clauses. Human rights screening refers to a formal or documented process that applies a set of human rights performance criteria as one of the factors in determining whether to proceed with a business relationship. According to Fig., 5 90% of the companies have reported on HR2 (Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken). This is particularly important for companies that rely on outsourcing worker. The least reported indicator was HR9 (Total number of incidents of violations involving rights of indigenous people and actions taken) where only 46% of the companies reported on it.

The other parameters depict how much percentile of the employees are trained and the capacity of the organization to implement human rights policies and procedures. It also deals with the number of employees that have received training because it’s said as the employees improve their efficiency the organization also grows. It also measures the number of reported grievances by the employees and the respective corrective action taken thereof and similarly violation of indigenous people’s rights and the action taken. Human rights indicators apply its screening to all aspects of its business and shows how much the organization values

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Human Rights. Organizations can affect human rights directly, through their own actions and operations, and indirectly through their interaction and relationships with others, including governments, local communities and suppliers. Companies should have proper Grievance Redressal System and keep track of the number of reported employee grievances and its solution. If not resolved it can affect the employees performance which affects the organization performance as a whole.

F. Society Indicators

The Society Performance Indicators focus on the impacts organizations have on the communities in which they operate, and how the organization's interactions with other social institutions are managed and mediated. In particular, information is sought on bribery and corruption, involvement in public policy-making, monopoly practices, and compliance with laws and regulations other than labor and environmental.

Table 6 showing Society Variables & Percentages

Variables	Percentages	Variables	Percentages
S01	93.33	S06	60
S02	80	S07	66.66
S03	90	S08	73.33
S04	86.66	S09	46.66
S05	80	S10	46.66

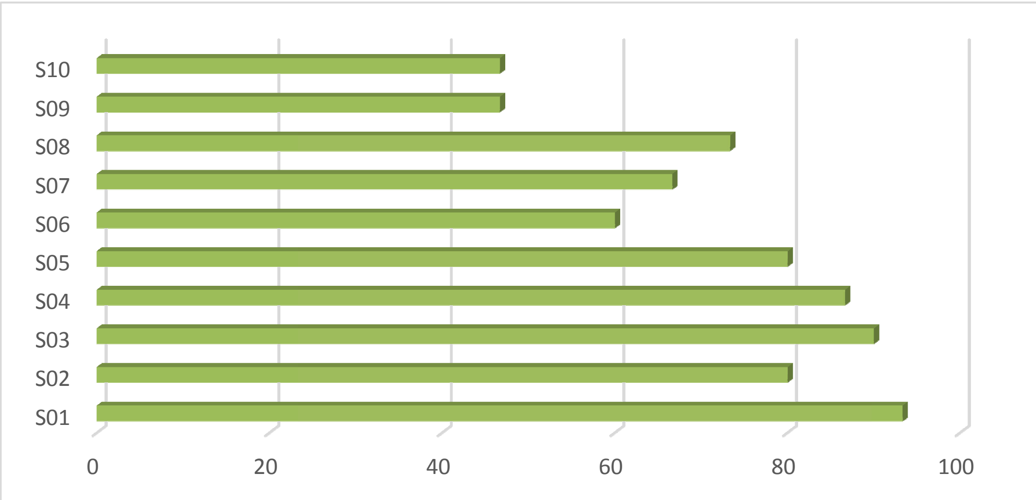

Fig.6 Society Variables& Percentages

Companies can invest in society and the neighboring communities through the provision of training programs to increase the livelihood of disabled people, children & the elderly. Fig.6 shows 90% of the companies report on S01 which deals how to engage with men and women of the society and their expectation from the organization. Companies use the resources of the society so it's their moral obligation to provide their products as per society needs and which doesn't affect the society. The least reported variables are S09 & S10 which deals with identification & prevention of operations that have a negative impact on society. These aren't core indicators of society performance and it's rarely that companies deliver a product that actually affects the society or proves as a health hazard to customers.

The study found that companies involve themselves in various initiatives to promote education among local communities or society at large. Few of the initiatives include: Building Schools, Scholarships, Sponsoring or running schools, Work done for secondary education, Work done for Higher/Technical education Importance is also given to infrastructure development which includes sewerage, roads etc. FMCG sector plays a major role in improving the standards of living among society. FMCG companies that seek to expand into rural markets, focusing on rural development is an excellent example of aligning business objectives and CSR strategies. Social indicators also look into corruption issues, which are prominent in today's world and the number of reported cases, donations made with regard to political party's campaign and any illegal practices followed by the organizations. Companies lose their goodwill or rep as soon as their found associated with illegal practices. Companies have set up policies & procedures to tackle corruption and other issues. Companies have various ways to preserve the heritage and cultural traditions of the communities in which they operate or to expose communities to various forms of arts through promotional events. The measures include promoting local art and culture such as handicrafts, pottery, dance forms, music & textiles and to support them by providing infrastructure facilities or help them sell their crafts to earn their bread.

G. Product Responsibility

The Product Responsibility Indicator set addresses the effects of products and services management on customers and users. Organizations are expected to exercise due care in

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the design of their products and services to ensure they are fit for their intended use and do not pose unintended hazards to health and safety. In addition, communications related to both products and services and users need to take into consideration the information needs of customers and their rights to privacy.

Table 7 showing Product Responsibility Variables & Percentages

Variables	Percentages	Variables	Percentages
PR1	86.66	PR6	76.66
PR2	73.33	PR7	60
PR3	86.66	PR8	56.66
PR4	63.33	PR9	70
PR5	83.33	-	-

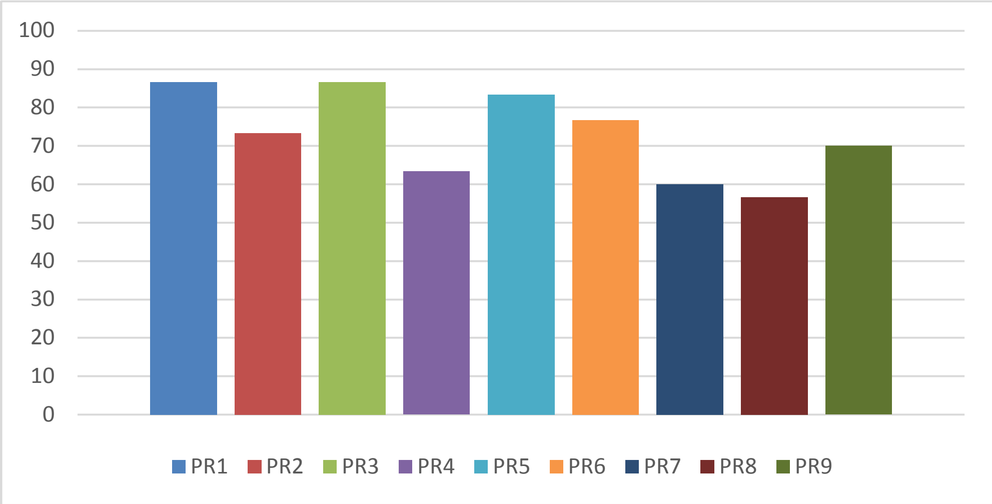

Fig. 7 Product Responsibility Variables & Percentages

The categories of Labor, Human Rights, and Product Responsibility address social impacts associated with specific stakeholder groups (such as employees or customers). The chart above shows that indicators PR1 & PR3 were reported by 86% of the companies which deals with health and safety impacts of products and the extent of product information revealed on the product packaging for the customers to know about the product. The least reported variable was PR8, which indicates the loss of customer data or issues with regard to privacy, which was 56.66%. The other areas covered by the indicators include compliance with standards and rules and regulation and fines imposed for non-compliance with regulations, ensuring customer satisfaction with regard to products.

Customer is the king and with this intention the companies design the product to suite individual needs. If the customer isn't happy with the product the customer will look for alternative products and at the same time inform others about his experience with the product. This discourages others from buying the product. Hence companies should keep such factors in mind and shouldn't take customer complaints lightly. Market surveys must be conducted to study the market and to understand the customer needs and design the product accordingly. The product should be priced for what it's worth and it shouldn't pose a threat to the customers. It should be made available for the customers all times. Proper awareness campaigns must be done to promote the product in the market so that their targeted customers know that such a product exists. Customers are looking for Good Quality products at Good Price. Gone are the days where companies had their focus only on earning profit because now customer satisfaction has become first priority.

V. CONCLUSION

Energy & power sector has the highest number of companies reporting but still a vast majority of the sectors have yet to begin reporting indicating that the transparency and sharing is still not being followed as per the guidelines and this will affect the investor confidence. Reporting on the economic indicators are healthy but for the EC9 which falls short compared to the others. This is indicative of the companies having inhibitions on sharing all the performance indicators. Environmental reporting shows the maximum variance which can be attributed the fact that the companies are not following the best practices as per the norms to protect the industrial environment in general and the societal environment in particular. Not all the labor practices are reported satisfactorily and is a matter of concern, especially considering the ILO taking these practices very seriously. This may have an adverse impact on the labor related issues and the labor welfare in the country. The reporting on the Human Rights indicators are a matter of grave concern. Most of the indicators are poorly reported raising questions about the human rights practices among the companies. This could have an adverse impact in the foreign investments coming through. Also the societal indicators are poorly reported yet again raising the questions on the companies' disregard to the neighborhood in which they operated. This could cause resentment in the communities residing nearby the companies and again will have a negative impact on the investors. One of the important criterions for a company is to ensure their products and services will not affect the end users' safety and the indicator Product Responsibility has been reported insufficiently questioning the efficacy of the products or services.

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These indicators are useful for a wide variety of stake holder. End users of the products/services will get a better idea of the quality and efficacy. Investors will exactly know how their investments are being consumed. The working class will be confident that their safety and other interests are being taken care of. Banks and other financial institutions will have better judgment on the performance of the industrial sectors. Environmental agencies will be able to the pinpoint at the non-conformities in meeting norms by the high risk industrial sectors. Society and communities will be better aware of the dangers that could be posed by the different sectors of the industry.

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