A Study on Sustainability Disclosures and Reporting Trends in India: An Analytical Validation

Namita Rajput, Kamna Chopra* and Vipin Aggarwal

Sri Aurobindo College (M), University of Delhi

Abstract
Changes in the environment across the globe are posing challenges to businesses and it is drifting them to look beyond financial performance, i.e. to incorporate environmental and social concerns into their strategic core business management. Sustainability reporting is achieving thrust worldwide as a significant communiqué tool and a viable solution for sustainable development, for companies to disclose their sustainability plans and performance and enhance stakeholder confidence. The objective of the paper is to examine sustainability reporting practices, factors obstructing reporting in India. To achieve the objectives of the study 120 annual reports, 70 sustainability reports and many websites were scrutinised on sustainability performance on their environmental, governance, social, and economic parameters. There are around 80 Indian companies from various sectors that have been reporting, and there are about 60 companies who follow the GRI Guidelines on reporting and many are reporting time bound targets also. There are also disclosures on the integration of sustainable practices with operations, though they are yet to mature. Environmental and social impact evaluation and its measurement are presently in a nascent stage, and lack information on impact indicators. From regulatory impetus and reinforced belief among Indian businesses regarding sustainability issues, sustainability reporting is expected to rise. Sectors showing a lead in reporting initiative include construction and building material, metals and mining, oil and gas and chemicals while sectors like transportation, finance, trade and retail and communications and media have very modest or no reporters.

Keywords: Sustainability reporting, social, economic impact, Environmental, finance.
1. Introduction

‘What you can’t measure, you cannot manage.
What you can’t manage, you cannot change’

—Peter Drucker, Writer, Professor and Management Consultant

In order to drive business the changing global environment is challenging companies to look apart financial performance. The hour to integrate environmental and social issues within the business strategy is increasingly realised by business leaders. An upcoming trend is the inclusion of Corporate Responsibility elements, especially climate change, into the CEO agenda. Sustainability reporting is acquiring momentum globally as an important communication tool for companies to unveil their sustainability plans and performance and augment stakeholder confidence. Sustainability means different things to different people; therefore, a universal definition of sustainability is indefinable. The Brundtland 8 Commission (1987) states that sustainable development is “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Sustainability is, therefore, more of a journey than a destination wherein values, ideals and measurement metrics are in a constant state of evolution. The journey for sustainable development started with environmental concerns, and climate change has now become one of the largest developmental challenges. The Brundtland Commission had discovered through stakeholder interaction that no single environmental issue can be seen in remoteness. Given the economic influence of climate change, it is a key governance issue. The reporting scenario in India is still in emerging stage with nearly 40 companies releasing their sustainability performance. Construction and building material, metals and mining, oil and gas and chemicals are the sectors that lead the reportage initiative in India while sectors like transportation, finance, trade and retail and communications and media have rare or no correspondents. However, positive signs have been shown by industries accepting this concept and recent policy developments such as ‘National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business’ will boost the reporting efforts in India. Global economic considerations, innovation, employee motivation and cost savings are some of important business drivers for companies to accept sustainability; in India it has been seen that strengthening reputation, brand and ethical considerations induce companies to accept this concept. But still Indian companies still have not integrated sustainability into mainstream business strategy and operations. Indian companies have been reporting on sustainability since 2001 by using the GRI Framework, following the Carbon Disclosure Project (CDP) or completing the UN Global Compact’s Communication of Progress (CoP). The process of progression for most companies has been to pledge the reporting process under the CDP or the UNGC CoP, and later evolve into reporting under the GRI Framework, which is based on both principles and standard disclosures, including performance indicators. However, a small number of companies report under all the three reporting norms. There has been increase in number of companies reporting on sustainability but
A Study on Sustainability Disclosures and Reporting Trends in India

1.1 Adoption of GRI Sustainability Reporting in India
The GRI Sustainability Reporting Framework provides direction on how organisations can release their sustainability performance. The Reporting Framework sets out principles and standard disclosure items, including performance indicators that organisations can use to measure and report their economic, environmental, and social performance. It is the most widespread framework covering specific performance indicators on ESG issues. The first version of the GRI Guidelines was issued in 2000. A second generation of the Guidelines, known as G2, was disclosed in 2002 at the World Summit on Sustainable Development in Johannesburg. Some Indian companies started reporting on the G2 framework from the year it was launched in 2002. Since then, the number of reporting companies has increased steadily over the years. GRI launched the third generation of its Guidelines, G3, in 2006 and Indian companies transitioned to the G3 Guidelines in 2007; all reports since 2009 are based on the G3 Guidelines. In a recent study by GRI, it has been found that Indian companies are generating the highest proportion of complete reports globally, implying the disclosure of a complete set of information that is significant to the reporting organisation and external assurance. In March 2011 GRI published the G3.1 Guidelines—an update and completion of G3, with expanded guidance on reporting gender, community and human rights-related performance—and Indian companies are acclimating to these new variations in the Reporting Framework. 80 Indian companies from various sectors have been reporting and there are about 60 companies that publicly declare that they use the GRI Guidelines while only 51 sustainability reports are registered on the GRI database. Although the details vary, almost all facets of performance indicators ranging from environment, social and governance have been disclosed by these reports. This study focussed on eight key sectors of India, we observed that metals and mining, oil and gas and construction sector are prominent adopters of sustainability reporting practice.

1.2 Responses to the Carbon Disclosure Project from India
The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation registered in England and holds the major database of primary information on corporate climate change in the world. Greenhouse gas (GHG) emissions, water use and climate change strategies through CDP are being measured and disclosed by organisations from major economies across the world. For selection of companies based on their market capitalisation, annual questionnaire from CDP is being sent for inviting disclosures on GHG emissions and climate change parameters in the chosen countries and the appropriate information on climate change is placed out for augmenting transparency in areas of climate related investment and other risks. These disclosures can be made public or can be restricted to only CDP signatories. Since 2006, CDP has been inviting top NSE-listed companies to respond to their questionnaire. It started with a request to 110 companies in the first year and then
expanded the sample to NSE 200 from 2007 onwards. Companies have now started responding to not just those issues related to investors but also supply chain-related questionnaires. An increasing trend of third party assurance specifies the reliability of disclosures and validates credibility of the organization to its stakeholders. Arising out of the need for verified data, the Carbon disclosure project has recently released a roadmap to increase the number of companies submitting verified data.

2. Results
Trends in external assurance of sustainability reports based on the GRI Framework from India reveals a rise in external assurance from 30% in 2006 to more than 75% in 2013. This upsurge in percentage is substantial, more so when coupled with the rise in number of GRI reports from Indian Industry. It is worthwhile to note that GRI recommends the use of external assurance which is complementary to GRI's Application Level Check that indicates the extent to which the GRI Guidelines have been applied but does not comment on the content or quality of the reporting. Policy Imperatives for Sustainable Business Reporting trends from the Indian industry indicate that sustainability reporting in India is steadily acquiring importance. The increasing adoption of voluntary guidelines signals a real understanding and commitment to address sustainability in business by organisations. Reporting trends of the 110 BSE companies show that the top three sectors that have disclosures related to sustainability which are distinct from their annual reports are: 1. Oil and Gas 2. Information Technology 3. Metals and Mining. Over 40 percent of the companies included in BSE 200 that belong to high environment impact sectors like Oil and Gas, Metals and Mining, and Construction-related industries report on sustainability performance with a separate report or response

3. Conclusion
Unlike financial reporting, the disclosure of sustainability metrics to the market is largely unregulated and predominately voluntary. Awareness and adoption of these guidelines are restricted to the larger organizations. It is imperative to enhance this awareness and outreach for facilitating the widespread adoption of the reporting guidelines and their integration with global practices. Based on an analysis of over 4000 CSR reports, University of Leeds and Euro med Management School, France founded that the reports have been fraught with “irrelevant data, unsubstantiated claims, and gaps in data and inaccurate data” and suggests that missing rigour and voluntary actions results in lower public trust in such reports. It would become important for companies to build a framework for these processes, information systems and controls that match the quality and focus observed in financial reporting.
References


