

Sustainability Reporting under Global Reporting Initiative – Performance of the Companies in India

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ABSTRACT

As the public awareness is increasing, societies are expecting an increasing amount of accountability from the corporate sector. The firms are being increasingly made to realise that it is not only their profitability which is relevant but also the sustainability. The realisation that business organisations impact the environment and the society has brought an increasing pressure on the firms to report on these parameters.

This pressure has led to the emergence of a more comprehensive framework for reporting which extends beyond finance and covers environmental and social parameters too which is called as sustainability reporting. Various frameworks at the national and international level are available to the companies for this reporting.

Global Reporting Initiative is one such framework at the international level. The progress of Indian Companies under GRI was slow initially from 1999 i.e. when GRI was introduced. However, over the period of years the performance of Indian companies as far as reporting is concerned has been increasing.

The present paper attempts to study the performance of companies in India under the GRI framework.

1. Introduction

Expectations of the society from the corporate sector have been undergoing a continuous change with the change in social environment. Corporate reporting is a method of fulfilling the expectations from the society. Increasing level of awareness about environmental protection and social well-being has widened the scope of corporate reporting beyond financial reporting. NGO's, Regulators and society at large are now interested in knowing the performance of firms beyond profits on environment and society. This has given rise to non financial reporting. Sustainability reporting is a form of non financial reporting wherein the firms report on their sustainability performance going beyond the profitability. It includes reporting on economic, social as well as environment parameters..

According to IIRC (International Integrated Reporting Council firms use six types of capitals- financial, Manufactured, Human, Intellectual, Social, and Natural. Thus a firm has to be accountable for the effective use of all and has to report on each. Thus the need for sustainability reporting which integrate the reporting on environment and social parameters with the economic aspects.

Brundtland Commission (1987) defined Sustainable Development as "the development which meets the needs of the present without compromising the needs of the future generation to meet their own."

TBL (Triple Bottom Line) , a concept introduced by Elkington in 1997, also emphasized that the business organisations along with the economic value they add should also focus on environmental and social value they add and destroy.

The emergence of the concept of sustainable development brought forth the issue of corporate sustainability. The contribution or otherwise of the corporate sector to sustainability started being communicated to the stakeholders through their sustainability reports.

Sustainable Reports are "public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions. Such reports describe the company's contribution to sustainable development."(World Business Council for Sustainable Development)

Sustainability Reporting is "information that communicates how flows of material, resources and services between corporations, capital markets, society, the economy and the environment affect the ability of corporate, economic, social and environmental systems to continue and flourish." (Sustainability Reporting – Practices and trends in India A study by GRI Focal Point India and Thought Arbitrage Research Institute)

2. Materials and Methods

The present paper attempts to study the performance of the Indian Companies in relation to the filing of reports with GRI.

For the purpose of this study the GRI database has been used to collect the data.

3. Growth of Sustainability Reporting

Over the years various frameworks or guidelines for sustainability reporting- national, international, general and specific have been developed. The most prevalent ones being

CDP (Carbon Disclosure Project), GRI(Global Reporting Initiative , DJSI (Dow Jones Sustainability Index.) , SASB (Standard Accounting Standards Board), IIRC (Integrated international Reporting Council), CDSB (Climate Disclosure Standards Board, GRESB (The Global Real Estate Sustainability Benchmark)

“Carrots and Sticks” , a Study Report prepared by KPMG International, GRI and UNEP in 2016 has reported that instruments requiring or encouraging reporting on sustainability information has grown from 64 in 19 countries in 2006 to 180 in 44 countries in 2013 and to a commendable 383 in 64 countries in 2016. These include regulatory as well as voluntary instruments. There has been a strong growth in Corporate Sustainability Reporting in Europe, Asia Pacific and Latin America. India features in the group of countries which has more than 10 such instruments available for reporting.

KPMG’s Survey of Corporate Responsibility Reporting , 2015 , reports that in Asia Pacific, countries like India , Indonesia, Malaysia and South Korea have a high rate of sustainability reporting driven by regulation.

Rob Gray (2006) points out that a steady increase in social and environmental reporting suggests that managers see a business case for such an activity.

4. Sustainability Reporting in India emergence and growth

The notification of EIA for 32 specified sectors Ministry of Environment and Forests in 1994 can be considered as the initial step in the field of corporate sustainability reporting and more specifically environmental responsibility reporting in India after the EPA (Environment Protection Act) , 1986. The progress which followed in the area at the national level includes the following among others:

- 2002- The, the Environmental Accounting Guidelines were issued.
- 2003-Guidelines for Corporate Responsibility for Environmental protection.
- 2003 – SEBI notification on Quarterly compliance Reports
- 2006 -EIA requirement was extended to another 7 sectors making it 39 in total in the year 2006.
- 2009 - The Ministry of Corporate Affairs issued Voluntary Guidelines on Corporate Social Responsibility
- 2010 -The Sustainable Development and CSR Guidelines for Central Public Sector Enterprises (CPSE’s) were issued.
- 2011 – National Voluntary Guidelines were issued, which were a revision of the Voluntary Guidelines on Corporate Social Responsibility, 2009.
- 2011- A Guidance Note on Non Financial Disclosures, 2011.
- 2012 – Business Responsibility Reports were made mandatory for top 100 listed companies by SEBI.
- 2013-Department of Public Enterprises Issued Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises.

- 2013- The Companies Act 2013 is the world’s first to mandate a statutory expenditure and reporting of 2% of profits on CSR activities for companies with a specified net worth or profits.
- 2015 -SEBI expanded the applicability of BRRs to 500 companies.

In addition the firms from India have also been complying with International Agreements and frameworks which include the following among others.

- CDSB (Climate Disclosure Standards Board) Reporting Framework
- PRI (Principles for Responsible Investment) Framework
- IIRC (International Integrated Reporting Council) Framework
- GHG (Greenhouse Gases) Protocol
- CDP (Carbon Disclosure Project)
- UNGC (United Nations Global Compact) COP (Communication on Progress)
- GRI (Global Reporting Initiative) Framework
- DJSI (Dow Jones Sustainability Index)

5. Global Reporting Initiative (GRI) - History

GRI was founded in Boston in 1997 by CERES (Coalition for Environmentally Responsible Economies) and the Tellus Institute, an US non profit organisation with the active involvement of UNEP 9United Nations Environment Programme. The Former CERES Executive Director Dr. Robert Massie and Acting chief Executive Dr. Allen White pioneered a framework for environmental reporting in the early 1990’s. As a result GRI Project Department was set up in 11997 to develop the framework.

In 1998 – GRI established a multi stakeholder steering Committee to develop the organisation’s guidance. On the advice of the committee the framework’s scope was broadened to include social, economic and governance issues along with environmental issues. This guidance thus became a sustainability reporting framework, guidelines at it’s heart.

2000- 1st version of Guidelines was launched representing the 1st Global framework for comprehensive sustainability reporting.

2001- On the advice of Steering Committee, CERES formed GRI into a separate independent non profit institution.

2002- Relocated to Amsterdam, Netherlands and was formally inaugurated as a UNEP collaboration organisation.

2002- Second generation guidelines G2 was unveiled at the World Summit on Sustainable Development in Johannesburg.

2006- Third generation Guidelines G3 was launched with over 3000 experts from business, civil society and labour movements participating in G3 ‘s development making it a true multi stakeholder based framework.

2007-To establish regional presence GRI started setting up regional offices known as GRI Focal Points. In 2007 the first Focal point was set up in Brazil.

2011- G3.1 was launched. These set of guidelines were expanded to include guidance on reporting on gender, community and Human Resource related performance of the reporting entity.

2013- The G4 guidelines were issued. G4 focused on the Materiality concept and effective Stakeholder engagement in assessing and reporting the sustainability performance of the entity.

2016- The first Global Standards for Sustainability Reporting developed by the Global Sustainability Standards Board (GSSB) were issued.

Over the years GRI has also launched sector specific Sustainability Reporting Guidelines for sectors like Finance, Non Government Organisations, and Food Processing etc.

It has also joined hands with International Standards and Organisations like Indian Standards Organisation, Carbon

Disclosure Project, United Nations Global Compact, and World Business Council for Sustainable Development.

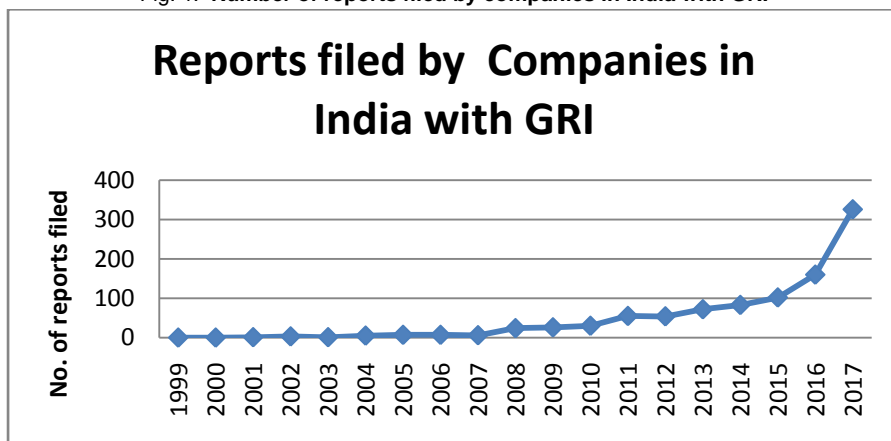
6. Indian companies and reporting under GRI

India showed a slow growth in sustainability reporting under GRI till 2007. However, from 2008, the number of Indian companies filing the sustainability reports under GRI guidelines has increased from 8 to 91 companies in 2015 and 126 companies in the year 2016. (Study Report of GRI, IIMB, and TCS and GRI Database)

The GRI Focal Point India was established in January 2010, and is hosted by BSI Group India. Focal Point India operates at the heart of the CSR and sustainability landscape in India. The Focal Point has an important strategic collaboration with the Indian Institute of Corporate Affairs (IICA), an independent think tank under the Ministry of Corporate Affairs, Government of India through the IICA-GIZ CSR initiative.

The support of the GRI Focal Point India provides Indian corporations a chance to shape GRI's continuously developing Sustainability Reporting Framework, as well as standards and the emerging regulatory landscape for sustainability reporting in India.

Fig. 1: Number of reports filed by companies in India with GRI

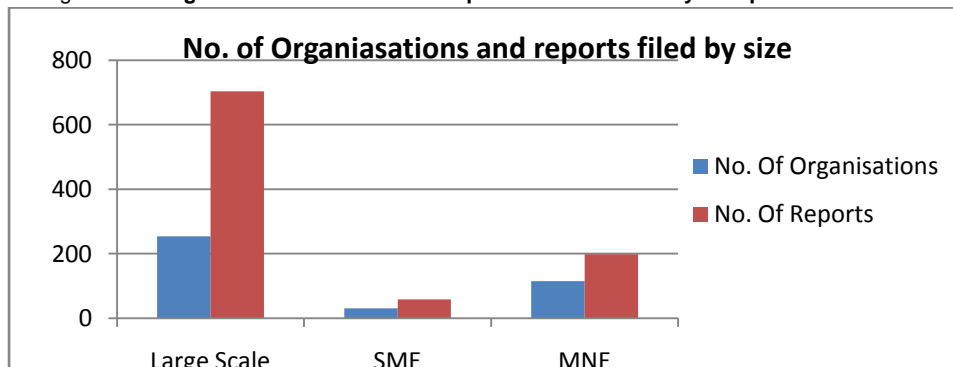


Source: Data obtained from GRI database

As can be seen from the graph above the no of companies filing their sustainability reports with GRI has been increasing in the recent years. The graph depicts the figures from 1999 to 2017. The first report from an Indian company was filed in

2001 and Tata Steel was the pioneer. Continuing with single digit figure reports being filed till 2007, the number jumped to 24 in 2008, grew slowly till 2015 and has started increasing at quick rate from thereon.

Fig 2: No of organizations and the no of reports filed With GRI by Companies from India.

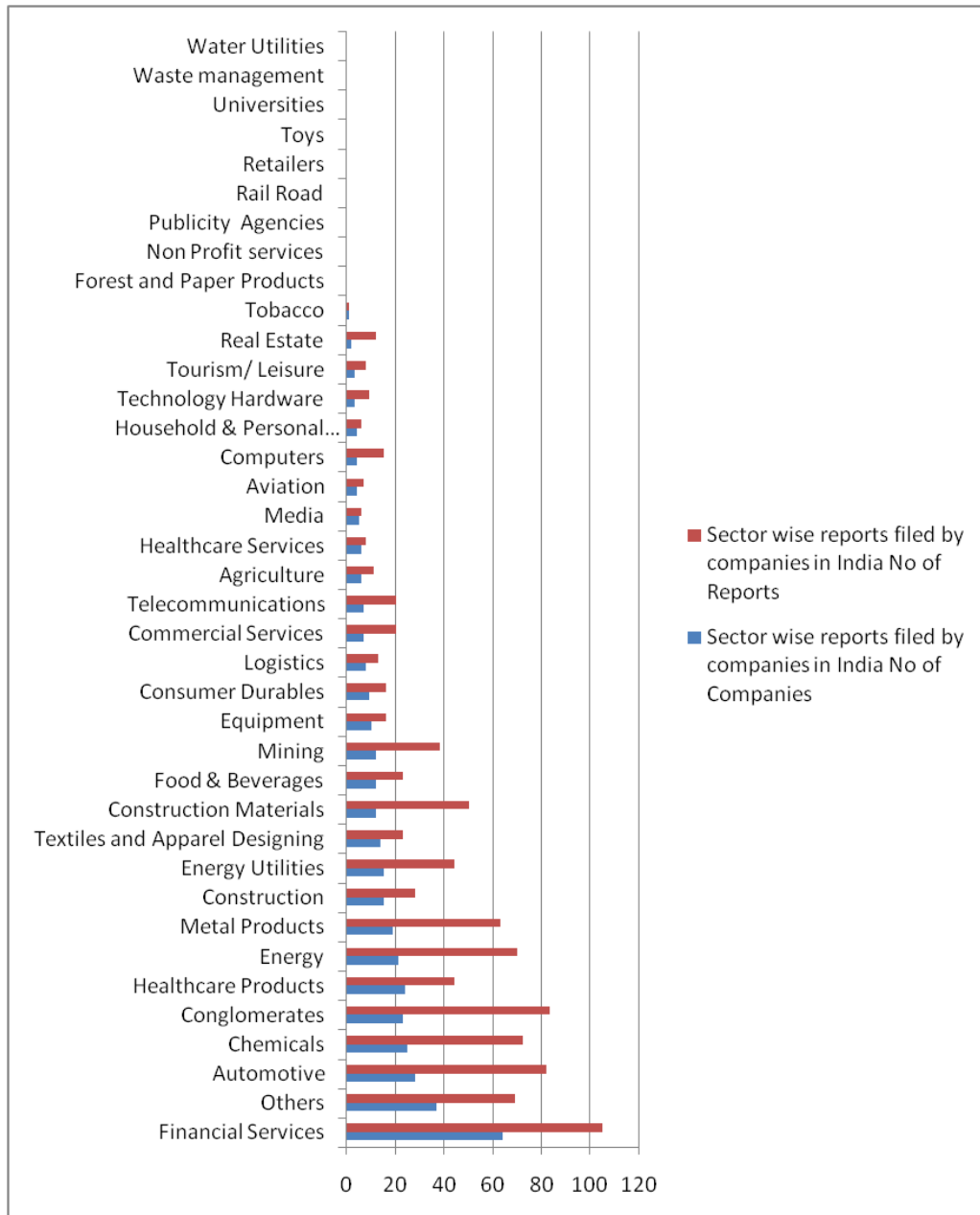


Source: Data obtained from GRI database

Out of the 400 organisations from India who have been filing Sustainability reports with GRI 254 are Large Scale Units and 115 are Multinational Enterprises. What can be considered motivating is however, the fact that even Small and Medium Enterprises are a part of the sustainability reporting landscape

in India. The percentage of SME's is less than 10% of the total but it can be seen from the data that these units have submitted more than one report per unit which is a welcome sign.

Fig.3 Reports filed by Companies in India based on sectors.



Source: Data obtained from GRI database

The GRI classifies companies under 38 sectors. Out of the total, companies from 9 sectors have not started filing their reports with GRI. The Financial services sector has the highest number of companies as well reports being filed with GRI. The other sectors which show a high number of reports being filed with GRI include Conglomerates, Automotives, Chemicals, Energy and Metal Products.

7. Conclusion

Sustainability Reporting has emerged as a mechanism for fulfilling the stakeholders' expectations from the corporate

sector beyond financial parameters. With the advent of the concept, various frameworks have emerged at national and international levels to assist the companies to report on sustainability. India is having some Acts and Instruments contributing to the same.

GRI was the first and is one of the widely used frameworks at the international level. The number of companies from India filing their reports under GRI has been growing from 2008. Even though reporting under GRI started in 199, the first sustainability report from India as filed only in the

year 2001. However the number companies reporting have been increasing. It can be seen that the SME's too are reporting along with large scale corporations and MNE's in India. There are some sectors however which have not entered the sustainability reporting framework under GRI.

With the statutory CSR (Corporate Social Responsibility) spend of 2% for specified companies under the Companies

Act, and the BRR (Business Responsibility Reporting) mandate by SEBI for BSE 500 it can be expected, that companies will become more sustainable in their functioning. This in turn can be expected to contribute more to the improvement of sustainability reporting performance of the companies in India under the International frameworks like GRI.

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