COMPARATIVE REVIEW OF SUSTAINABILITY REPORTING FRAMEWORK IN INDIA WITH GLOBAL REPORTING INITIATIVES (GRI)

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Abstract-
Changes in the global environment increasingly challenge business around the world to look beyond financial performance, and to integrate social and environmental concerns into their strategic management. The concept of sustainable development has become critical to business today and sustainability reporting has become mainstream. The literature recognizes that sustainability reporting practices differ from country to country, between developed and developing countries and between types of industry. The aim of present study is to perform comparative review of sustainability reporting framework in India (i.e National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business, The Business Responsibility Report (BRR) disclosure framework by the Securities Exchange Board of India (SEBI)) with voluntary sustainability reporting framework at International level (i.e Global Reporting Initiative). It was observed that though sustainability reporting framework in India covers the issues and standards pertaining to the sustainability but the GRI framework is more elaborate and explanatory as compared to the NVGs and SEBI BRR.

Keywords- Sustainability reporting, Sustainable development, Global Reporting Initiative (GRI) and National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business, Business Responsibility Report (BRR)

I. INTRODUCTION

In 1962, Freidman stated that there is only one type of responsibility for business which is to increase profits and corporations are only responsible to their shareholders and not to society as a whole. However, since at least the 1970’s, interest has changed in examining the role of organization in society. The role of business worldwide and specifically in the developed economies has evolved over the last few decades from classical ‘profit maximizing’ approach to a socially responsible approach, where businesses are not only responsible to its stockholders but also to all of its stakeholders in a broader inclusive sense.

Globally there have been calls that business organizations should give back to the society in which they operate. The basis of these calls are that the activities of business corporations have impacted negatively on the communities and individual in form of pollution, resource depletion, waste, poor product quality and safety records, the rights and status of workers (Gray, Kouhy & Lavers 1987). As a result of continuing changes, corporate sustainability (CS) and corporate social responsibility (CSR) activity has grown rapidly (ACCA 2007). Sally Uren, CEO, Forum for the Future (2013) highlighted that “Experiencing the need for change is the first step towards mainstreaming sustainability”. The concept of sustainable development has become critical to society and business today and sustainability reporting has become mainstream, driven by the potential business value generated through enhanced stakeholders reporting and communication (KPMG & G100). The literature recognizes that sustainability reporting practices differ from country to country (Adams, Hill & Roberts, 1998) and between developed and developing countries (Imam, 2000).

Furthermore the nature and patterns of sustainability reporting vary between types of industry (Gray, Javad, Power & Sinclair, 2001).

Commonly, sustainability is considered to have three elements: environmental, social and economic sustainability and sustainable development can be measured in terms of these three dimensions (ACCA 2007). The practice of measuring and disclosing organization’s economic, social and environmental impacts on society in a written report and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development is known as sustainability reporting. It is also known as sustainability accounting, social accounting, social and environmental accounting, corporate social reporting, corporate social responsibility reporting, or non-financial reporting that focus on the disclosure of non-financial information about a firm’s performance to external parties such as capital holders, mainly to stakeholders, creditors and other authorities regarding the activities that have a direct impact on society, environment and economic performance of an organization.

With the heightened interest in sustainability reporting, the idea of standardization, simplification and globalization of this data began to take root. As such, a number of international reporting guidelines and standards were developed to serve as frameworks for social and environmental accounting, auditing
and reporting. Internationally, there are several initiatives like United Nations Environment Programme Finance Initiative (UNEP FI), the Global Reporting Initiative (GRI) etc, which have helped in increasing awareness levels regarding sustainability reporting & disclosures.

Governments in India has also started to scrutinize the activities of companies operating in various industries under the different dimensions of sustainable development. The National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of business by the Ministry of Corporate Affairs in July 2011 in India is a step toward Sustainability.

Against this backdrop, the purpose of the present paper is to review and compare sustainability reporting frameworks in India with the sustainability reporting framework at International level. This paper is structured in to six parts. It begins with a brief introduction followed by a brief overview on sustainable development/ sustainability in second section. The third section provides a discussion on sustainability reporting. Fourth section discuss in detail framework of sustainability reporting i.e National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities (NVGs), SEBI’s Business Responsibility Report (BRR) and Global Reporting Initiatives (GRI). In the fifth section, there is a comparison between above mention framework of sustainability reporting and final section i.e six concludes the paper.

II. SUSTAINABLE DEVELOPMENT/ SUSTAINABILITY

The most commonly accepted definition of sustainable development is that given in Our Common Future, otherwise known as the Brundtland Report. As per the Brundtland Report, sustainability means “meet the needs of the present without compromising the ability of future generations to meet their own needs”. The stress is on the long term sustainability of business and environment through using the natural resources carefully (Padhi, 2008).

Over the last decades, sustainability has become very popular in modern economics. All terms such as CSR, Corporate Citizenship, Corporate Sustainability or Social Responsibility seem to go in the same direction. Commonly, sustainability is considered to have three elements: environmental, social and economic sustainability and sustainable development can be measured in terms of these three dimensions (ACCA 2007). The economic impact might be the effect on local employment and livelihoods by the organizations operations; the social impact might include staff terms and conditions or projects in the community; the environmental impact might include the quality of waste water discharged or greenhouse gas emissions from operations.

Atkinson (2000) holds sustainability to be one of the key concepts to have emerged from sustainable development whereas, Starik and Rands (1995) equate sustainable development with ecological sustainability, and state that “the test of an organization’s ecological sustainability is the degree to which its activities can be continued indefinitely without negatively altering the limiting factors that permit the existence and flourishing of other groups of entities, including other organizations”. According to International Financial Corporation (IFC), “Sustainability is about ensuring long-term business success while contributing toward economic and social development, a healthy environment, and a stable society.” whereas, The Australian government defines sustainability as, "encompassing strategies and practices that aim to meet the needs of the stakeholders today, while seeking to protect, support, and enhance the human and natural resources that will be needed in the future."

PricewaterhouseCoopers define sustainability as aligning an organization’s products and services with stakeholder expectations, thereby adding economic, environmental and social value. Whereas, KPMG International, one of the ‘Big Four’ accounting firms in the world, defines sustainability as “adopting business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural, that will be needed in the future.” for which, sustainability reporting serves as a platform for businesses to communicate and articulate such goals and strategies to its stakeholders. (KPMG, 2011)

As per Thomas Jefferson Sustainability Council (http://www.tjpdc.org/),’’Sustainability may be described as our responsibility to proceed in a way that will sustain life that will allow our children, grandchildren and great-grandchildren to live comfortably in a friendly, clean, and healthy world, that people:

- Take responsibility for life in all its forms as well as respect human work and aspirations;
- Respect individual rights and community responsibilities;
- Recognize social, environmental, economic, and political systems to be inter-dependent;
- Weigh costs and benefits of decisions fully, including long-term costs and benefits to future generations;
- Acknowledge that resources are finite and that there are limits to growth;
- Assume control of their destinies;
- Recognize that our ability to see the needs of the future is limited, and any attempt to define sustainability should remain as open and flexible as possible."

There are numerous reasons advised in the literature for an organization to engage in sustainability practices such as: to build, maintain or enhance corporate reputation (Nik et al. 2004; Hanifia and Cooke 2005; Amnus and Susela 2008; Rettab, Anis et al. 2009; Rahul 2010; Solomon and Linda 2002; Bichta 2003; Dwyer 2003; Navickaite and Juozas 2007), to reduce a company’s cost of equity capital (Dhaliwal, Zhen et al. 2011), to gain competitive advantage (US & UK: Cheah
et al., 2007), to enjoy tax benefits (Ahmad 2006; Zulkifi and Azlan 2006), to gain employees commitment (Rettab, Anis et al. 2009), and to reduce cost and company risk (Sangle 2010).

III. SUSTAINABILITY REPORTING

The practice of measuring and disclosing organization’s economic, social and environmental impacts on society in a written report and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development is known as sustainability reporting. It is also known as sustainability accounting, social accounting, social and environmental accounting, corporate social reporting, corporate social responsibility reporting, or non-financial reporting) that focus on the disclosure of non-financial information about a firm's performance to external parties such as capital holders, mainly to stakeholders, creditors and other authorities regarding the activities that have a direct impact on society, environment and economic performance of an organization. ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, corporate social reporting etc.). Despite the definitional requirement that “sustainability” include all aspects of a company’s “environmental, social and economic performance”, it is common in the literature for the term “sustainability report” to be used when referring to any form of non-financial report/social reporting (Kolk, 2003).

Majority of the literature dealing with Sustainability aims to achieve a harmonious integration of the economic, ecological, and social aspects of a firm’s activities. In an aim to attain this ‘true’ level of sustainability at the corporate level, Elkington (1997) presented the groundbreaking concept known as the triple bottom line (TBL) as an ‘integrative measurement’ of a company’s economic, environmental and social performance. Rubenstein (2003) considers that TBL is synonymous to CSR. Elkington (1997) stated that Corporate Social Reporting has been developed to extend the traditional model of financial reporting which emphasizes a company’s economic prosperity, to incorporate social and environmental dimensions. The traditional form of corporate reporting takes a narrow view of assessing an organization’s performance and position. It excludes much information about the broader impact of a corporation’s activities, for example, destruction of the ozone layer, social cost of involuntary unemployment, etc. Whereas Kok et al, (2001) defined Social reporting as ‘the obligation of a firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of a society at large independent of direct gains of the company.

Gray et al, (1987) defined corporate social reporting as ‘the process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large. Mathews (1993,) defined corporate social reporting as: “Voluntary disclosures of information, both qualitative and quantitative made by organizations to inform or influence a range of audiences. The quantitative disclosures may be in financial or non-financial terms.” According to GRI (2002), a sustainability report should demonstrate an organization’s contribution to sustainable development through the presentation of policies, targets, outcomes and data covering all aspects of its environmental, social and economic performance. Ultimately, sustainability reporting should achieve comparability, credibility, timeliness, and verifiability to elevate it to the same level as financial reporting (ACCA, 2004).

IV. SUSTAINABILITY REPORTING FRAMEWORK

With the heightened interest in sustainability reporting, the idea of standardization, simplification and globalization of this data began to take root. Proper disclosure of non-financial performance was very much needed and as such, a number of international reporting guidelines and standards were developed to serve as frameworks for social and environmental accounting, auditing and reporting. Internationally, there are several initiatives like United Nations Environment Programme Finance Initiative (UNEP FI), the Global Reporting Initiative (GRI) etc, which have helped in increasing awareness levels regarding sustainability reporting & disclosures.

India has a long rich history of close business involvement in social causes for national development. In India, Corporate social responsibility (CSR) is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as sustainability/ sustainable development. In India as in the rest of the world there is a growing realization that business cannot succeed in a society which fails (Bajpai, 2001). Mohan (2001) highlighted that the last decade of the twentieth century in India witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. The Twelfth Five Year Plan for India has emphasized the need for faster, more inclusive and sustainable growth for the period 2012-17 and accordingly, has made this the theme of the 12th Plan document. There are a multitude of policy driven, investor driven and stakeholder initiatives, in India as mentioned in table-1 below that are focused on promoting Responsible Business action and its measurement and disclosure.

Table-1: Sustainability in India- Recent milestones

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>2011</td>
<td>Launch of India’s National Voluntary Guidelines (NVGs) based on a revision of the Voluntary Guidelines</td>
</tr>
<tr>
<td>2012</td>
<td>The Securities Exchange Board of India (SEBI) releases a circular which mandates inclusion of</td>
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Business Responsibility Reports (BRR) as part of the Annual Reports of top 100 listed companies based on market capitalization of the NSE and BSE

2013 Release of Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises

2013 CSR Bill - section 135 of the company’s bill asks that all companies that have a “net worth of more than Rs. 500 crore / turnover of more than Rs. 1,000 crore / Net profit of more than Rs. 5 crore will be required to spend at least 2% of the average net profits on CSR activities.”

Source: Global Reporting Initiative, Focal Point India (2013)

Sustainability reporting frameworks in India and the worldwide famous reporting framework at International level are discussed below-

A. National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business (NVGs)

The 2009 Voluntary Guidelines on Corporate Social Responsibility, issued by the Ministry of Corporate Affairs (MCA), was a large step towards mainstreaming the concept of sustainability. The Ministry of Corporate Affairs, Government of India formally released the second version of National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business, on 8th July 2011. The 2011 Guidelines aimed to encourage Indian businesses to disclose their responsible business practices based on an apply or explain approach. They strengthened the Indian corporate sector’s ambition to become a global leader in responsible business, and provide a robust framework that may be adopted voluntarily by companies to address the interests of all stakeholders. The NVGs provide broad-based principles on responsible business behavior, associated with the ‘core elements’ which provide a basis for putting the principles into practice. While the 2011 Guidelines identify the areas where responsible practices need to be adopted, the accompanying Reporting Framework provides a disclosure template which can be used to report on performance in these areas. The Guidelines also provide a framework for responsible business action for Indian multinational companies planning to invest or already operating in other parts of the world. Businesses are encouraged to move beyond the recommended minimum provisions articulated in the document and to ensure CSR issues are addressed across the value chain.

The NVGs provide nine broad-based Principles on responsible business behavior, each with recommended Core Elements. They have two basic aims: First, to help companies use their entrepreneurship to effectively contribute to the economic and social betterment of communities; and second, to make their operations sustainable in a manner that enables them to meet their current needs without compromising the needs of future generations. Below are the principles highlighted by 2011 revised guidelines-

1. Principle 1 – Ethics, Transparency and Accountability
2. Principle 2 – Products Life Cycle Sustainability
3. Principle 3 – Employees’ well-being
4. Principle 4 – Stakeholder Engagement
5. Principle 5 – Human Rights
6. Principle 6 – Environment
7. Principle 7 – Policy Advocacy
8. Principle 8 – Inclusive Growth
9. Principle 9 – Customer Value

B. SEBI Business Responsibility Report (BRR)

In order to assess fulfillment of the environmental, social and governance responsibilities of listed entities, SEBI in its decision taken in November 2011 (SEBI Board Meeting, PR No. 145/2011) has made it mandatory for listed companies to submit Business Responsibility Reports, as a part of their annual reports, describing measures taken by them along with the key principles enunciated in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, framed by the Ministry of Corporate Affairs (MCA). This is an important move towards building a culture of environmental and social governance for Indian companies and to encourage them to identify sustainable development as a means to be successful. This requirement is initially only applicable to the top 100 companies in terms of market capitalization, and will be extended to other companies in phases. SEBI BRR reporting framework helps Indian companies implement the NVGs and communicate the same to its stakeholders. It is designed on an ‘Apply or Explain’ methodology and aims at assisting companies to re-examine their processes and align them with the ethos of the NVGs. The ‘Apply-or-Explain’ principle is an enabling measure that encourages companies to do three things:

1. Disclose the current status of sustainability driven performance at whatever stage that may be.
2. Disclose reasons for non-adoptions of any of the principles, which may include non-applicability as per their understanding, or future plans of implementation.
3. Ideally undertake a process of review to identify and manage sustainability gaps and risks in line with the future outlook of the company.

C. Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) began life in 1997 as a joint project of the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Program (UNEP) that aimed to enhance the quality and utility of sustainability reporting (UNEP, 2004; GRI, 2002). The initiative engaged a wide range of groups, including NGOs, business, investor organizations, accounting bodies and trade unions to build a set of globally applicable sustainability reporting guidelines. Its goal was to create a global common framework for voluntary organizational reporting of its economic, environmental and social impacts, with a mission to make sustainability reporting a standard practice by providing
guidance and support to organizations (White, 1999; Willis, 2003). After a period of testing and public comment, the first GRI Sustainability Reporting Guidelines were released in June 2000.

GRI’s Guidelines feature Reporting Principles and Standard Disclosures. The 10 Principles offer guidance on best practice for preparing a sustainability report, and are:

- Materiality
- Stakeholder Inclusiveness
- Sustainability Context
- Completeness
- Balance
- Comparability
- Accuracy
- Timeliness
- Clarity
- Reliability

The Disclosures include items that request information about an organization’s strategy and profile; Disclosures on Management Approach, which concern how an organization manages its sustainability performance and impacts; and Indicators, which are usually metrics for calculating specific sustainability-related data. The Guidelines contents are organized into three Categories: Economic, Environmental and Social. The Social Category is broken down further by Labor, Human Rights, Society, and Product Responsibility sub-Categories. GRI also provides sector guidance. By 2012, GRI had published 10 Sector Supplements versions of its Guidelines that are tailored to address the sustainability issues of specific sectors.

V. COMPARATIVE REVIEW OF SUSTAINABILITY REPORTING FRAMEWORKS

- The NVGs guidelines as well as SEBI BRR framework is based on the ‘Apply or Explain’ principle. However, GRI does support the ‘Report or Explain’ approach to sustainability reporting policy, based on the principle that companies should report their performance and impacts or explain why if they do not.

- The NVGs stress that a report should be based on the mission, vision and values of the business so that the report should cover the topics that are most critical and core to the business and its stakeholders whereas GRI guidelines feature the Materiality Principle: ‘The information in a report should reflect the organization’s significant economic, environmental and social impacts, or information that would substantively influence the assessments and decisions of stakeholders’. GRI also provides extensive guidance on using the Materiality Principle in the Technical Protocol.

- The NVGs are applicable to all such entities, and are intended to be adopted by them comprehensively, as they raise the bar in a manner that makes their value creating operations sustainable. If a business endeavours to function responsibly, it would have to adopt each of the nine (9) principles in their entirety rather than picking and choosing what might suit them whereas Users of GRI’s Framework are encouraged to view sustainability reporting as a living process, which does not begin or end with a printed or online publication.

- The NVGs provide extensive guidance on using the Materiality Principle: ‘The information in a report should reflect the organization’s significant economic, environmental and social impacts, or information that would substantively influence the assessments and decisions of stakeholders’. GRI also provides extensive guidance on using the Materiality Principle in the Technical Protocol.

- GRI had published sector specific supplements in real estate, construction, oil & gas, food processing, aviation, financial services, mining and metals, event organizers, electric utilities, NGO and Media whereas there is no sector specific guidelines under the sustainability reporting framework in India.

- GRI has various assurance categories i.e C, C+, B, B+, A, A+ wherein A+ is the highest credible report. However, neither NVGs nor SEBI BRR talk about assurance or application level.

VI. CONCLUSION

Sustainability reporting is in a nascent stage of evolution in India. The various drivers behind the increase in discussion and disclosure of sustainability performance in India are different from other parts of the world. Though India forms a small percentage of all the sustainability reports published worldwide, the trend is catching up. According to the report Carrot & Stick (2013), as one of the fastest growing economies in the world and the tenth largest country by nominal Gross Domestic Product, India plays a strategic role in the global debate on sustainability reporting.

Kolk (2003 & 2005) posits that the level of regulatory enforcement in each country has a comparatively larger and
direct impact on corporate sustainability reporting decisions; for which Ioannou and Serafeim (2012) add that there are various methods regulators may adopt to promote participation. In India, National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business, issued by the Ministry of Corporate Affairs (MCA), was a large step towards mainstreaming the concept of sustainability.

A study by cKinetics (2012) has estimated that Environmental and Social disclosure by Indian businesses could potentially lead to an incremental annual increase in capital flow to be around Rs.4.4 trillion ($80 billion) flowing into the country over the next 10 years.

The CII’s Centre of Excellence for Sustainable Development (CESD) has released the findings of survey of top 200 companies in India, in a report called ‘Business Responsibility India Survey 2013.’ The prime objective of this survey was to provide statistical evidence on BR and CSR practices followed by the top 200 listed companies in India to its various stakeholders. Survey results showed that the Regulatory mandate by SEBI requiring the top 100 listed companies to submit BR Reports based on the NVGs is the leading driver for demonstration on policies.

As a part of this research paper, we compared the sustainability reporting framework in India with the globally accepted reporting framework. It has been observed that concept is similar but difference in the disclosure pattern and depth of sustainability indicator. We also find that though sustainability reporting framework in India covers the issues and standards pertaining to the sustainability but the GRI framework is more elaborate and explanatory as compared to the NVGs and SEBI BRR. Moreover, these frameworks are having different approaches and different disclosure pattern for assessment and reporting.

REFERENCES
[7] cKinetics (2011), “Identifying policy interventions to drive adoption of formal social and environmental reporting which in turn can catalyze demand as well as supply for impact investment capital”.

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