Sustainability Reporting in Corporate India: An Emerging Phenomenon

Punita Malik
Research Scholar, Department of Management Studies
Deenbandhu Chhotu Ram University of Science and Technology, Murthal

Prof. Dr. Rajbir Singh
Professor, Department of Management Studies
Deenbandhu Chhotu Ram University of Science & Technology, Murthal

Introduction
Sustainability concerns have gained prominence in recent years with the controversies of high profile companies like Volkswagen’s emission scandal (2015) or Nike’s use of child labor in Pakistan and Indonesia (2019). These controversies have not only triggered a global crisis of investor confidence but have also heightened the global attention and pressure on businesses to operate in a sustainable manner. In fact, in the wake of the Covid-19 pandemic, the United Nations have upheld the core promise of 2030 Agenda for Sustainable Development and asserted the businesses to recover in a more advanced manner by building sustainable and inclusive societies in order to withstand future shocks (UNGC, 2020).

Thus, the presence of a range of stakeholders has moved the concept of sustainability from the margins of academic discussions to the middle of corporate boards and political agenda. Sustainability is evolving as a core philosophy of companies with over 90% of CEOs highlighting that sustainability has become a fundamental concern in their business operations (Loprevite et al., 2020; Wang, 2017).

Today companies need to justify their activities to a critical public and they should no longer confine themselves to communicating only the economic dimension of their operations. They ought to disclose on the non-financial aspects of their business. Therefore, reporting on the sustainable actions of a company has become a new trend in corporate reporting which integrates financial, environmental and social performance of the company.

Further the formation of United Nations Global Compact (UNGC) in 2000 and the set up of United Nations Agenda of Sustainable Development Goals in 2015 have been fuelling the need for worldwide adoption, enforcement and establishment of corporate as well as governmental approach towards sustainability. But the developed nations were more prompt in implementing it than the developing ones.
Thus, the paper aims to review the literature on how sustainability reporting gained recognition internationally and its latent emergence in India and other such developing nations. The paper attempts to illustrate how corporate India is embracing this new trend in reporting.

**Sustainability and its Reporting**

The principal inspiration behind the concept of sustainability originated from the 1987 Report of the Brundtland Commission presented at the United Nations World Commission on Environment and Development. It defined sustainability as meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability found its place in the literature in the 1980s that began from defining the concept of sustainability to developing frameworks for sustainability reporting.

It was the 1950s, when the notion of business was first associated with something non-financial. Howard Bowen in his book ‘Social Responsibility of the Business man’ propounded the term ‘corporate social responsibility’. By the 1970s it became a part of business ethics and traditional financial reports were complemented with social reports (Leite and Padgett, 2011). The 1980s saw the publication of first environmental report and the concern towards environmental issues like emissions and waste generation was evident. By the late 1980s, the academic focus shifted towards defining the new phenomenon of sustainability (Brown et al., 1987). However it was in the 1990s that business reports were covering social and environmental dimensions jointly. This led to the development of Triple Bottom Line in 1998 that covered the three business dimensions of society, environment and economy simultaneously (Elkington, 1998; Kolk, 2005). This became the foundation of sustainability and made it more substantive and comprehensive than corporate social responsibility.

The World Business Council for Sustainable Development (WBSD) defined the sustainability reports as public reports by companies to provide internal and external stakeholders with a picture of the corporate position and activities on economic, environmental and social dimensions. The definition by KPMG (2017) focuses more on the balanced reporting aspect and states that sustainability reports include quantitative and qualitative information on their economic, social and environmental performance in a balanced way.

The formation of Global Reporting Initiative in 1997 and UNGC principles in 2000 further led to the development of guidelines on sustainability reporting. The coming years saw sustainability reporting as a core business strategy (Hahn and Kuhnen, 2013; Siew, 2015; Wu et al., 2018). As given by Global Reporting Initiative (GRI), 2006, “sustainability reporting (SR) is the process of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development” (Yadava and Sinha, 2015).

The reasons behind the prevalence of such non-financial reporting are many like regulatory requirements, reducing potential costs of litigation, improving stakeholder relations, good publicity, enhancing brand value and promoting ethical business practices (Seiw, 2015; Goel and Misra, 2017).

Further it improves transparency in operations which makes a company ethical and legitimate, ensures favorable investment climate that can help in acquiring national and international listings (Bhatia and Tuli, 2018; Loh and Tan, 2020; Bae et al., 2018; Carp et al., 2019).

SR is quite popular nowadays but in its earlier stages companies showed reluctance to extend their disclosure regime as they doubted substantial public or stakeholder interest in social and environmental performance, there was confusion about what to report and how to report and the perception of low cost to benefit. It is expected that public policy and greater standardization of reporting would provide it the required importance to be taken seriously by the managers (Stubbs et al., 2013).
The various advantages might prompt the companies to prepare such non-financial reports without actually engaging in sustainable actions and increase the chances of green wash (Laskar and Maji, 2018). This has also necessitated the formulation of proper frameworks and guidelines which would not only help in preparing such reports but also in assessing their credibility. Efforts are being made internationally to bring non-financial reporting at par with financial reporting and developing norms for social and environmental disclosures as well (Goel and Misra, 2017). Global initiatives by various stakeholders gradually led to the development of frameworks and guidelines that could account for sustainable actions of the companies. Presently there are three kinds of sustainability reporting (SR) tools (Siew, 2015):

- Frameworks: GRI, SIGMA Project, GHG Protocol, UNGC, Carbon Disclosure Project
- Standards: AA1000, SA8000, ISO 14001, EMAS, ISO 9001
- Ratings and Indices: DJSI, FTSE4 Good Index, Bloomberg ESG Disclosure Scores

Global Reporting Initiative (GRI)

Among the various guidelines and standards for sustainability reporting, Global Reporting Initiative (GRI) is the most widely accepted set of guidelines (Siew, 2015; Wu et al., 2018) as it is based on foundations that consider social, economic and environmental dimensions that directly relate to UNGC principles and prescribe fair reporting even when it negatively reflects on a company. The confirmation of such prevalence has been highlighted in various studies across different countries. It provides a common ground for sustainability reporting and it aims to create reports that complement rather than substitute for other company reports like financial reports. GRI has been very successful in terms of adoption rate, comprehensiveness, prestige and visibility because its scope of reporting is larger, more inclusive and its target audience comprises multiple stakeholders rather than investors alone (Hahn and Kuhnen, 2013; Yadava and Sinha, 2015; Laskar and Maji, 2016; Loprevite, 2020).

It was founded by US based NPOs CERES (Coalition for Environmentally Responsible Economies) and Tellus Institute in 1997. After collaborating with United Nations Environmental Programme in 1999, they came up with the first SR guidelines called Global Reporting Initiative (GRI) in 2000. Thereafter, GRI got turned into an independent organization with its base in Amsterdam and it kept providing updated guidelines for SR in collaboration with UNGC, United Nations Environment Programme (UNEP), Organization for Economic Cooperation and Development (OECD) and other international regulatory bodies (Wang, 2017).

Concurrently, the Government of India has also brought in many regulations from time to time like in 2012, Securities and Exchange Board of India (SEBI) made it mandatory for the top 100 listed companies to prepare Business Responsibility Reports (BRRs) using the National Voluntary Guidelines. In 2013, the New Indian Companies Act was passed to make Corporate Social Responsibility (CSR) spending compulsory for listed companies. In 2016, SEBI mandated BRRs for top 500 listed companies and in 2019, it extended it to top 1000 listed companies. Still, there is a need for the regulatory and academic bodies in India like SEBI, Institute of Chartered Accountants of India (ICAI) or Indian Institute of Corporate Affairs (IICA) to come together to devise a comprehensive framework for better evaluation and comparison of reports of different companies (Yadava and Sinha, 2015; Godha and Jain, 2015; Jain and Winner, 2016; Aggarwal and Singh, 2018). This requires more and more academic research and contribution by CEOs, NGOs, and other such stakeholders in order to refine the already existing frameworks and aligning them with international standards to be more relevant.
Sustainability Reporting: The Indian Scenario

Sustainability is a critical issue and more so for developing nations as they are responsible for one-third of the global carbon emissions and are major polluters. Especially in emerging economies like India, China and Indonesia, where there is huge consumption of fossil fuels and carbon intensity along with social issues of poverty, corruption and malnutrition (Bhatia and Tuli, 2018). Despite these problems being a much grave issue, it is still in the initial stages in most of these countries and has not gained the required momentum.

Large companies in developing nations are gradually engaging in sustainability practices. Like in India, companies are speedily moving on the path of sustainability with bulk of companies like GAIL, Infosys, ITC, L&T, ONGC, Reliance Industries, Tata Industries, etc. preparing SRs as per GRI guidelines. But this adoption is primarily in response to factors such as regulations, globalization, to attract foreign investment, to gain foreign loans and aid from international lending institutions and aimed more at publicity than providing accurate and honest information about the efforts of companies towards sustainability (Laskar, 2016).

Although, the recent years have seen a surge in sustainability reporting in Indian companies, it is just for the sake of adhering to regulations and gaining good publicity. In this era of globalization, all the companies strive to have an international presence and gain from the rising trend of ethical investment. Rather than imbibing sustainability in the corporate culture it further led the companies to do ‘green washing’. This necessitates the assessment of reliability and credibility of the information that is reported by the companies.

The Indian studies have explored the difference between quantity of sustainability reporting and the quality thereof and observe a significant difference in the two (Aggarwal and Singh, 2018; Laskar and Maji, 2016). Some studies checked the GRI compliance of sustainability reporting and explored the sectoral differences as well as the dimensions reported the most by the Indian companies (Bhatia and Tuli, 2018; Godha and Jain, 2015; Yadava and Sinha, 2015).

The research on sustainability reporting and GRI has been considerably well-explored in the regions of Europe, US and Japan. Developed nations embraced SR practices as early as 2000, thus empirical studies on corporate sustainability (Duarte, 2015; Bhatia and Tuli, 2018; Laskar and Maji, 2018; Laskar, 2019) and related aspects like disclosure, drivers (Amran et al., 2013; Wang, 2017; Bae et al, 2018; Jha and Rangarajan, 2020; Loh and Tan, 2020) and firm performance, assurance etc. (Hahn and Kuhnhen, 2013; Siew, 2015; Laskar, 2016; Wu et al., 2018; Carp et al., 2019; Loprevite et al., 2020) are also concentrated in these countries. In the developing nations, SR gained recognition only in the later years around 2009. Only a few are publishing sustainability reports like India, China, Malaysia, Singapore and Indonesia (Laskar, 2016; Laskar and Maji, 2018; Bhatia and Tuli, 2018; Laskar, 2019).

India has more prevalence of corporate social responsibility due to its mandatory nature. However, CSR is about how the profits earned have to be given back to the society, while sustainability is about earning those profits in a socially responsible manner. Thus, the core philosophy behind both the concepts is quite different and makes SR more relevant than CSR. (Goel and Misra, 2017; Jha and Rangarajan, 2020; Kumar, 2020). Thus in the Indian context, the primitive research revolved around the CSR but as SR gained momentum in Indian companies, the subsequent research work started converging towards sustainability.

Indian studies have explored the difference between the quantity of sustainability reporting and the quality thereof and observed a significant difference in the two (Aggarwal and Singh, 2018; Laskar and Maji, 2016) implying that SR could just be a symbolic action intended to present companies as being engaged in sustainability issues (Laskar, 2016). This compels for more research into the quality of SR.
Previous work shows that the quality of reporting is significantly influenced by a number of internal company characteristics like company’s age, industry type, firm size, environmental sensitivity (Mathivanan and Kasilingam, 2020; Jha and Rangrajan, 2020; Aggarwal and Singh, 2018; Bhatia and Tuli, 2018). Other factors like, ownership structure and corporate governance have shown negative or inconclusive results in the studies conducted (Kumar and Jha, 2020; Aggarwal and Singh, 2018; Amran et al., 2013) while in some studies they show a positive influence (Wang, 2017; Bae et al., 2018). Thus, many factors have been explored but certain factors like incorporation of CSR into vision and mission, strategic alliance with NGOs can reveal the actual efforts of companies (Amran et al., 2013; Wang, 2017) but they have not been explored in the Indian context. This calls for more intensive research into the underlying factors that can significantly indicate upon the sustainable actions of the companies (Bae et al., 2018; Amran et al., 2013).

Therefore, Indian studies have attempted to explore many such aspects pertaining to SR but most of the studies seemed inconclusive or neutral due to certain drawbacks like limited study period, inconsistent reporting or inadequate disclosure in the sustainability reports (Godha and Jain, 2015; Laskar, 2016; Laskar and Maji, 2017; Kumar, 2020).

Conclusion

The concept of sustainability reporting is considerably well-explored in the foreign countries and many of the conclusions and results are acceptable in Indian context also. But there are certain aspects which have different implications based on the country, region or sector in which the company operates. Sustainability reporting has started gaining importance in India. But apparently the reports lacked the desired level of quality and disclosure. This problem has been highlighted in past studies and more research is called for into the factors at organizational level that directly influence the quality of such reports like corporate governance, age of the company, nature of industry etc. Moreover, the companies cannot ensure sustainability just by reporting about it, in order to contribute substantially, they need to imbibe it into their operations and culture.

It is also essential for the people working in organizations to be aware and responsible about the sustainable actions as this would lead to more inclusive efforts towards a sustainable society. Lack of understanding of the sustainability concept is a significant impediment to effective goal-setting in organizations and hence is one of the primary barriers. Sustainability is a major concern for not only this generation but also the future ones. Thus, the study intends to contribute to literature and help in contriving this concept into the educational curriculum to make the future managers and employees well versed about it.

The study holds significance for managers, policymakers, regulatory authorities, investors and stakeholders. Corporate managers and practitioners are the people responsible for implementation of such practices as well as reporting about them. Thus, research in this area would help them identify the relevant and important areas to emphasize upon. It would also help them to devise strategies for sustainability which would in turn indicate to the stakeholders regarding the managerial attention to this issue. Other regulatory bodies and policy makers like the government, accounting bodies, stock exchanges need to be aware about any new changes so that they can fill in the gaps, requirements and problems in application by imposing and amending the laws and regulations. The study would help the investors and stakeholders to be well aware about the concept and help in identifying sustainably active companies as ethical investment or socially responsible investment is gaining popularity. Lastly, this study intends to serve as a reference point for companies in other emerging economies like India.
References

1. Adaui, C. (2020). Sustainability reporting quality of Peruvian listed companies and the impact of regulatory requirements of sustainability disclosure. Sustainability, 12.

2. Aggarwal, P., & Singh, A. K. (2018). CSR and sustainability reporting practices in India: An in-depth content analysis of top-listed companies. Social Responsibility Journal.

3. Amran, A., Lee, S., & Selvaraj, S. (2013). The influence of governance structure and strategic corporate social responsibility toward sustainability reporting quality. Business Strategy and the Environment.

4. Atkinson, G. (2000). Measuring Corporate Sustainability. Journal of Environmental Planning and Management, 235-252.

5. Bhatia, A., & Tuli, S. (2017). Corporate attributes affecting sustainability reporting: An Indian perspective. International Journal of Law and Management, 59 (3).

6. Bhatia, A., & Tuli, S. (2018). Sustainability reporting: An empirical evaluation of emerging and developed economies. Journal of Global Responsibility.

7. Bhatia, A., & Tuli, S. (2014). Sustainable disclosure practices: A study of Sensex companies in India. Indian Journal of Corporate Governance, 7.

8. BROWN, B., HANSON, M., LIVERMAN, D., & MERIDETH, R. (1987). Global Sustainability: Toward Definition. Environmental Management, 11 (6), 713-719.

9. Carp, M., Pavaloaia, L., Afrasinei, M., & Georgescu, E. (2019). Is sustainability reporting a business strategy for firm’s growth? Empirical study on Romanian capital market. Sustainability, 11.

10. Duarte, F. (2015). Barriers to sustainability: An exploratory study on perspectives from Brazilian organizations. Sustainable Development, 23, 425-434.

11. Elkington, J. (1998). Accounting for the Triple Bottom Line. Measuring Business Excellence, 2 (3), 18 - 22.

12. Farooq, M., Zaman, R., Sarraj, D., & Khalid, F. (2021). Examining the extent of and extent of materiality assessment disclosures in sustainability reports. Sustainability Accounting, Management and Policy Journal.

13. Garg, P. (2017). Development of sustainability reporting index with special reference to companies in India. Decision.

14. Garg, P. (2015). Impact of sustainability reporting on firm performance of companies in India. International Journal of Marketing and Business Communication, 4 (3).

15. Godha, A., & Jain, P. (2015). Sustainability reporting trend in Indian companies as per GRI framework: A comparative study. South Asian Journal of Business and Management Cases, 4(1), 62-73.

16. Goel, P., & Misra, R. (2017). Sustainability reporting in India: Exploring sectoral differences and linkages with financial performance. Vision, 21 (2), 214-224.

17. Gray, R. (1992). Accounting and environmentalism: An exploration of the challenge of gently accounting for accountability, transparency and sustainability. Accounting Organizations and Society, 17 (5), 399-425.

18. Hahn, R., & Kuhnen, M. (2013). Determinants of sustainability reporting: A review of results, trends, theory, and opportunities in an expanding field of research. Journal of Cleaner Production, 1-17.

19. Jha, M. K., & Rangarajan, K. (2020). The approach of Indian corporates towards sustainable development: An exploration using sustainable development goals based model. Sustainable Development, 1-14.

20. Kolk, A. (2005). Sustainability Reporting. VBA Journal, 21 (3), 34-52.
21. Kumar, K. (2020). Emerging phenomenon of corporate sustainability reporting: Evidence from top 100 NSE listed companies in India. Journal of Public Affairs.
22. Laskar, N. (2019). Does sustainability reporting enhance firms profitability? A study on select companies from India and South Korea. Indian Journal of Corporate Governance, 12 (1), 2-20.
23. Laskar, N. (2016). Impact of corporate sustainability reporting on firm performance: An empirical examination in Asia. Journal of Asia Business Studies.
24. Laskar, N., & Maji, S. G. (2018). Disclosure of corporate sustainability performance and firm performance in Asia. Asian Review of Accounting.
25. Liete, R., & Padgett, R. (2011). Historical background of corporate social responsibility. Social Responsibility Journal, 7 (4), 528-539.
26. Loh, L., & Tan, S. (2020). Impact of sustainability reporting on brand value: An examination of 100 leading brands in Singapore. Sustainability, 12.
27. Loprevite, S., Raucci, D., & Rupo, D. (2020). KPIs reporting and financial performance in the transition to mandatory disclosure: The case of Italy. Sustainability.
28. Mathivanan, P., & Kasilingam, R. (2020). Regulations on sustainability reporting as a global force in shaping business enterprises: Evidence from India. International Journal of Intelligent Enterprise, 7.
29. Mondal, A., Prasad, R., & Bauri, S. (2021). An Empirical Study in Sustainability Reporting Practices of Indian Small and Medium-Sized Enterprises. Journal of Commerce & Accounting Research, 10 (1), 67-76.
30. Motwani, S., & Pandya, H. (2016). Evaluating the impact of sustainability reporting on financial performance of selected Indian companies. International Journal of Research in IT and Management, 5 (2).
31. Siew, R. (2015). A review of corporate sustainability reporting tools. Journal of Environmental Management, 180-195.
32. Stubbs, W., Higgins, C., & Milne, M. (2013). Why do companies not produce sustainability reports. Business Strategy and the Environment, 22, 456-470.
33. Wang, M. (2017). The relationship between firm characteristics and the disclosure of sustainability reporting. Sustainability, 9.
34. Wu, S. R., Shao, C., & Chen, J. (2018). Approaches on the screening methods for materiality in sustainability reporting. Sustainability, 10.
35. Yadava, R. N., & Sinha, B. (2015). Scoring sustainability reports using GRI 2011 guidelines for assessing environmental, economic and social dimensions of leading public and private Indian companies. Journal of Business Ethics.