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Corporate Sustainability Reporting: A Study of Economic Sustainability Aspect by Selected Indian Corporations

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Corporate Sustainability,
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A B S T R A C T

The changing global environment has forced the corporations now to change the way of dissemination of information regarding their operations on corporate social responsibility and corporate sustainability issues. Corporate sustainability reporting is getting very popular in these days but still in India it is just at nascent stage. But research proves that its importance is growing year after year. As far as Indian scenario is concerned there is only limited number of companies which are showing their sustainability plans and performance to the various stakeholders. Indian corporations are following Global Reporting Initiative (GRI) guidelines to prepare the sustainability reports. The present paper is an attempt to analyze the growth of sustainability reporting in India and the information which is used to be disclosed by the corporations with the help of such reports from the economic aspect of the sustainability reporting. While reporting the economic aspect in the sustainability reports the organizations used to disclose the various policies and strategies which they have formulated or planning to formulate for the efficient and responsible use of the available resources of the organization which will not result into any environmental damage to the society. This research paper also shows that the companies are presenting their sustainability performance to the various users with the help of websites and also through published reports. In this research paper the case studies of some companies like TCS, Reliance Industries, and WIPRO are discussed which helps us to know the practical application of sustainability reporting in India. The areas of economic sustainability reporting are tried to be explored in this research paper. The data has been collected through secondary sources like published literature on the corporate sustainability and also from the websites of the companies and annual reports, sustainability reports and other related published material by the companies.

Introduction

The concept of corporate sustainability reporting is becoming popular in the today's

business world. As we all know that the companies are engaged in the corporate

financial reporting practices in one or the other way so that the valuable information of the corporations whether it is quantitative or qualitative is disseminated to the various stakeholders. The corporate financial reporting is an old concept as compared to the corporate sustainability reporting. This concept has gained popularity in the period of 1990s when business organizations started incorporating financial accounting data with the non financial information (Hohnen, P., 2012).

The corporate sustainability reporting is considered as a voluntary action adopted by the corporations to depict the awareness and responsible behavior towards the social, environmental, economic and performance governance as a part of their strategic behavior and planning to the various stakeholders under a single master report (Jose, P D. and et al., 2013).

This kind of reporting intends to make available the information quantitative as well as qualitative to its stakeholders that how efficiently and effectively an organization is performing for its objectives (PWC, Sustainability Report, 2013). The practice of corporate sustainability reporting is voluntary in most of the parts of the world. In India also it is not mandatory for the companies to prepare sustainability reports. In spite of all this a large number of corporations are involved now in this practice. But as far as growth rate of reporting is concerned it is progressing at a slow rate (icsi, Sustainability Report, 2013).

Why corporate sustainability reporting is emerged as a common practice of 21st century business?

The growing awareness among the general public and internal users of the organization

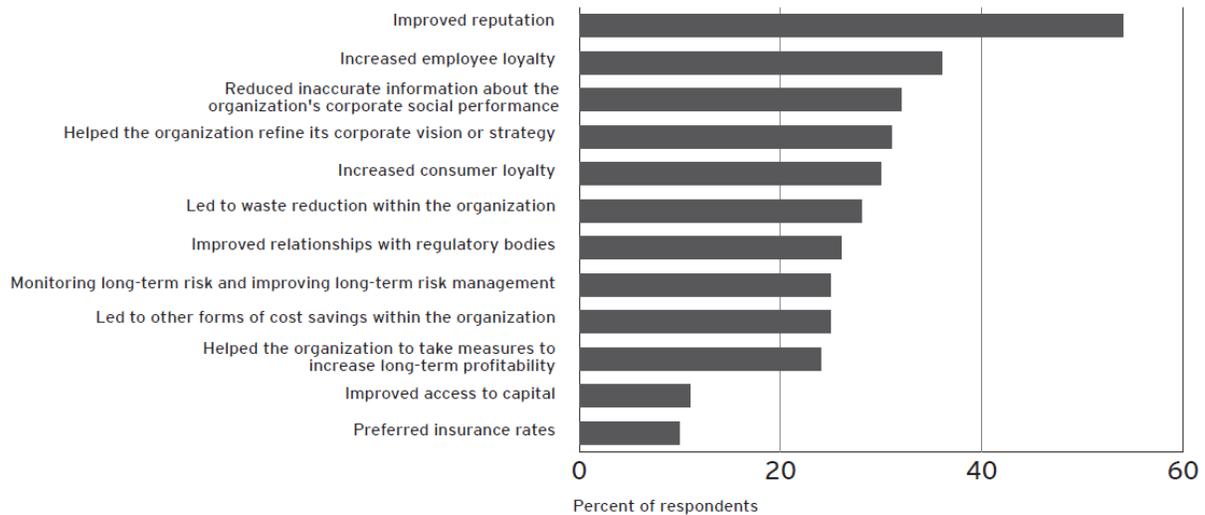
makes the organizations more responsible towards its various stakeholders. To ensure transparency in the operations most of the organizations are adhering to the system of corporate sustainability reporting.

This type of reporting ensures transparency, effective corporate performance and accountability. The executives are able to take effective managerial decisions for their employees, customers and other stakeholders. Ethical behavior is also an outcome of the corporate sustainability reporting on the part of organizations.

The scarce resources of the corporations are managed and used efficiently because the corporations will mention all these points regarding the usage of their resources in their reports to the stakeholders. The things just not only stop here but it also aids to improve the industrial relations of the corporations.

But how effectively the organizations are following this reporting is also depend upon the nature of the economy where organizations are surviving. Whether it is a developed economy or a developing economy will create a lot for the adherence of corporate sustainability reporting by the organizations (Ioannou, I. and et al., 2012). The following diagram helps to clear the importance of corporate sustainability reporting for the various stakeholders of the organization:

The study has conducted to find out the extent of economic sustainability reporting by the selected companies in the paper and also to examine whether the reporting of such companies coincides with the Global Reporting Index (GRI) guidelines or not?



Source: The Boston college Centre for Corporate Citizenship by Ernst and Young, 2013 Survey.

Hypothesis development

1. H1: There is no significant difference between the economic corporate sustainability reporting of the selected companies and the GRI guidelines.
2. H2: The selected companies are reporting maximum information primarily with the help of sustainability reports and also with the use of annual reports for their economic indicators.

Corporate Sustainability Reporting with Special Reference to Economic Aspect of Indian Corporations

Corporate Sustainability Reporting can be termed as the reporting practice of 21st century. This reporting is also named as non financial reporting by different researchers. As far as the Indian corporations are concerned for their reporting, most of these are using Global Reporting Initiative Guidelines which is commonly known as GRI Index (Sharma, A., KPMG). The various expressions of the

business performance and their activities are disclosed by these reports. With the help of this research paper from the various aspects of sustainability reporting we are trying to explore the economic aspect of sustainability reporting.

Economic Aspect of Sustainability Reporting

Economic aspect is differently expressed in the sustainability reports if compared with the annual reports of the corporations. Annual reports also communicate information on this aspect but the annual reports deals with the past behavior of the corporations. As compared to annual reports, sustainability reports also disclose the future needs of the organizations' different stakeholders from the economic point of view (Shepherd, 2008). While reporting the economic aspect in the sustainability reports the organizations used to disclose the various policies and strategies which they have formulated or planning to formulate for the efficient and responsible use of the available resources

of the organization which will not result into any environmental damage to the society (www.wisegeek.org/what-is-economic-sustainability.htm). In this

research paper we have taken some variables to study the economic sustainability reporting of different companies which are tabulated as follows:

| Indicators | TCS | Reliance | Wipro |
|-------------------------------|--|--|---|
| 1.Human capital and knowledge | TCS invests in the training of science graduates to transform them into software professionals and this training program includes computing, core technology skills, TCS processes and tools, communication and team skills, business literacy, cultural awareness in addition to hands on project experience (TCS Sustainability Report, 2013). | Awareness training in Six Sigma has been imparted to the nearly 25% supervisory staff and the company wants to achieve the target of near about 40% in the coming three years. Training is also imparted to the food handlers in the canteens to ensure food and water safety (Reliance Sustainability Report, 2012). | ‘Project Readiness program’ is designed for the fresh graduates joining the company to prepare them to live in the real life lab of operating project environment. For the safety of female employees, there is a campus safety training program designed by the company. For the Sales team a training program is available with the benefits covering IP, FCPA, Antitrust, Anti competitive acts, Discrimination and Work Place behavior (Wipro Sustainability Report, 2013). |
| 2.Community Development | Company has a focus on the areas of Education & Skill Building, Health, Environment and Affirmative Action like company is involved in providing exemplary services with the assistance of Andhra Pradesh government to digitize their operations and to offer an end to end IT solution to fruitfully automate the NREGA scheme in the state of Andhra Pradesh (TCS Sustainability Report, 2013). | Company is following a comprehensive community development program which includes education, healthcare, disaster relief and skills training like in the community health centers the company has created a society named the ‘Dahej Health & Welfare Society’ (DHWS) to run a 50 bedded hospital for secondary level healthcare facilities at Dahej in partnership with the Government of Gujarat (Reliance Sustainability Report, 2013). | A not-for-profit trust named ‘Wipro Cares’ which works with the proximate communities through partners like concentration on the education needs of children who are needy in some sense e.g. children with hearing disability, children of migrant laborers etc (Wipro Sustainability Report, 2013). |
| 3.Supply Chain Sustainability | The company instigated a network flow based | All raw materials are transported in a secure | Suppliers are also expected to follow sustainability |

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|------------|--|---|--|
| | <p>“Optimized Empty Tank Container Repositioning System” linking clients operational systems which results into revenue rose by 12%, margin rose by 10% for next 3 years, and a considerable amount of carbon emissions was avoided (TCS Sustainability Report, 2013).</p> | <p>manner in order to make sure the safety of customers, carriers, suppliers, distributors and contractors. Company ensure adherence to EU-REACH regulations aimed at ensuring that every chemical substance that is manufactured in or imported into Europe is safe to use (Reliance Sustainability Report, 2012).</p> | <p>standards. From the socio-economic point of view of local material procurement, 50% of the construction material is procured from the local suppliers. Nearly the 80% suppliers are based in India (Wipro Sustainability Report, 2013).</p> |
| 4. Profits | <p>Dividends are paid every year with a minimum payout ratio of 30% (TCS Sustainability Report, 2013).</p> | <p>Dividend payment is made as per the shareholders aspirations and Company’s policy to pay sustainable dividend is linked to long term growth objectives of the company (Reliance Annual Report, 2013).</p> | <p>Dividends are paid to the shareholders every year and the rate of payment is increasing year by year (Wipro Sustainability Report, 2013).</p> |

Economic performance indicators as per gri guidelines

The various economic performance indicators as per the GRI guidelines are tabulated below from the reporting level of the various aspects involved in the

economic sustainability reporting by the selected companies in the paper. The various aspects are categorized in three parts named economic performance, market presence and indirect economic indicators (Sustainability Reporting Guidelines, 2013).

(a) Economic Performance Aspect

| Aspect | TCS | Reliance Industries | WIPRO |
|--|---|---|---|
| <p>EC1: Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained</p> | <p>Reported fully in sustainability reports</p> | <p>Reported fully in sustainability reports</p> | <p>Shown in Sustainability Reports and Annual Reports</p> |

| | | | |
|--|--|--|----------------------------------|
| earnings, and payments to capital providers and governments. | | | |
| EC2: Financial implications and other risks and opportunities for the organization's activities due to climate change. | Reported fully in sustainability reports | Reported fully in sustainability reports | Shown in Sustainability Reports |
| EC3: Coverage of the organization's defined benefit plan obligations. | Reported fully in sustainability reports | Reported fully in sustainability reports | Shown in annual Reports |
| EC4: Significant financial assistance received from government. | Reported fully in sustainability reports | Reported fully in sustainability reports | Shown in sustainability reports. |

(b) Market Presence

| Aspect | TCS | Reliance Industries | WIPRO |
|--|--|---|----------------------------------|
| EC5 : Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | Reported fully in sustainability reports | Across locations, the minimum wage offered is more than the standard entry level wage as recommended by regulation. | Shown in sustainability reports. |
| EC6: Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Reported fully in sustainability reports | Reported partially in sustainability reports because company is committed to sourcing materials from local (India based suppliers) as and when feasible from technical, competency, quality and commercial perspective. | Shown in sustainability reports. |
| EC7: Procedures for local hiring and proportion of senior | Reported fully in sustainability reports | Currently, the company does not have any specific | Shown in sustainability reports. |

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|--|--|--|--|
| management hired from the local community at locations of significant operation. | | procedures for local hiring of senior management. The hiring is based on merits, irrespective of the location of the person. | |
|--|--|--|--|

(c) Indirect Economic Impacts

| Aspect | TCS | Reliance Industries | WIPRO |
|--|---|--|--|
| EC8 : Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, Or pro bono engagement. | Reported fully in sustainability reports | Reported fully in sustainability reports | Shown in sustainability reports. |
| EC9: Understanding and describing significant indirect economic impacts, including the extent of impacts. | Reported fully in sustainability reports (TCS Sustainability Report, 2013). | Reported fully in sustainability reports (Reliance Sustainability Report, 2012). | Shown in sustainability reports (TCS Sustainability Report, 2013). |

Findings of the Study

- The companies under study are presenting information on the lines of GRI guidelines.
- The economic indicators of reporting provide information of flow of capital of the corporations among the various stakeholders.
- The impact of economic sustainability reporting also contains the societal obligations fulfilled.
- The companies under study are disclosing their economic sustainability information with the help of sustainability reports and also with the aid of annual reports.
- Reliance industries have fully mentioned the aspects which are not reported as per

the GRI guidelines in their sustainability reporting.

- Both quantitative as well as qualitative information is presented by the companies in their reports.

Conclusion

In this paper, the evidence has been provided that the Indian corporations are also now actively participating in the corporate sustainability reporting practices and the companies under study all are following GRI guidelines for the reporting. As the concept is not very popular in India but still there is a positive effort among the Indian corporations to follow this modern practice of reporting and to make the

stakeholders available with the more efficient and transparent information both in the qualitative and quantitative terms. This paper only covers the economic aspect of sustainability reporting but this is not the end in itself. There are various other indicators like social, environmental, corporate governance etc. which are also reported by the Indian corporations in these days. This paper helps in understand that the economic indicators are not only expressed in terms of monetary terms. The environmental and social phenomenon are also included in the economic sustainability reporting which provides that how economic resources are used by the organizations to draw out their environmental and social implications and benefits to the organizations as well as to the society as a whole.

Limitations of the Study

The limitations of the study involves that the study only covers a single aspect of sustainability reporting that is economic aspect and all other aspects are not the part of this study. The study also only depends on the secondary sources for the information. The companies involved in the study are only three which restrict the generalization of this study.

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