

A STUDY OF SUSTAINABILITY REPORTING PRACTICES BY SELECTED INDIAN COMPANIES

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Abstract

The disclosure of sustainability reports by companies is now familiar practice worldwide, and stakeholders have become more interested in non- financial disclosure along with financial data. Several initiatives have been introduced to provide guidelines to make sustainability reporting more transparent. The most recent and comprehensive initiative is the Global Reporting Initiative (GRI), which includes all three dimensions of sustainability – social, environmental and economic. This initiative is considered a guideline to sustainability reporting.

This paper is an attempt to study the comparative analysis of sustainability reporting practices of Indian companies by using GRI based index. GRI index is more suitable for study as it is commonly used. In this paper sustainability reporting have been studied company-wise and industry-wise for the year 2020-21.

The study concludes that Indian companies have accepted the importance of sustainability reporting. Moreover, 19 companies secured more than 50% disclosure score out of 33 companies and industry-wise disclosure shows that Indian companies contribute much consideration to their industrial characteristics while disclosing information in their sustainability reports.

1. INTRODUCTION

Sustainability

Sustainability means meeting our current needs without compromising the ability of future generations to meet their own needs. Sustainability is a holistic approach that considers ecological, social and economic dimensions, recognizing that all must be considered together to find lasting prosperity.

Sustainability reports

The disclosure of sustainability reports by companies is now familiar practice worldwide, and stakeholders have become more interested in non- financial disclosure along with financial data. This stakeholder's pressure motivates firms to go beyond their annual financial reports and disclose non-financial information such as social sustainability, environmental sustainability and governance issues for their stakeholders.

Several initiatives have been introduced to provide guidelines to make sustainability reporting more transparent. The most recent and comprehensive initiative is the Global Reporting Initiative (GRI), which includes all three dimensions of sustainability – social, environmental and economic. This initiative is considered a guideline to sustainability reporting.

About Global Reporting Initiatives

The GRI Standards are the world's most widely used standards for sustainability reporting. They have been widely adopted by leading companies in more than 100 countries, and are referenced in policy instruments and stock exchange guidance around the world. Over 160 policies in more than 60 countries and regions reference or require GRI. (<https://www.globalreporting.org>)

The GRI Standards enable any organization to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development. In addition to companies, the Standards are highly relevant to many stakeholders - including investors, policymakers, capital markets, and civil society. (<https://www.globalreporting.org>)

Sustainability and India

In 2009, MCA issued the 'Voluntary Guidelines on Corporate Social Responsibility' as a step towards the concept of business responsibility. In June 2011, the United Nations Human Rights Council (UNHRC) adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs) which India endorsed. In July 2011, MCA issued the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011' (NVGs). The NVGs were developed through extensive consultations with businesses, academia, civil society

organizations, and the government and contained a Business Responsibility Reporting framework. In 2012, the Securities and Exchange Board of India (SEBI) mandated the top 100 listed companies by market capitalization to file Business Responsibility Reports (SEBI-BRRs/ BRR) through the Listing Agreement. The requirement for filing BRRs was extended to the top 500 listed companies by market capitalization from the financial year 2015-16. In March 2019, the updated NVGs were released as the 'National Guidelines for Responsible Business Conduct' (NGRBCs). In December 2019, SEBI extended the BRR requirement to the top 1000 listed companies by market capitalization, from the financial year 2019-20. (https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf)

This paper is an attempt to study the comparative analysis of sustainability reporting practices of Indian companies by using GRI based index. GRI index is more suitable for study as it is commonly used.

2. LITERATURE REVIEW

Sahib & Malik (2023) studied the FNO103 sustainability accounting standards and their application in Iraqi insurance companies in general. The aim was to study sustainability accounting standards in general, especially financial standards for sustainability accounting, and then explore ways to apply these standards within the local environment. The result showed that, there was a weak percentage in the application of indicators of sustainability accounting standards.

Iliemena et al. (2023) examined the effect of social and environmental disclosure respectively on gross profit margin (GPM) and return on capital employed (ROCE) of manufacturing firms in Nigeria. By using ex-post facto research design, they collected data from annual reports and sustainability reports of the 23 sampled companies from the period 2012 to 2021. Outcome from the regression analysis showed there was significant positive effect of social disclosure on GPM. However, no significant effect of environmental disclosure was observed on ROCE.

Kaur&Singh (2023) examined the various cement corporations in India to determine the extent of their role in sustainable development of the nation The findings of this paper concluded that cement industry in India had taken a major step in sustainable growth and development. The cement companies contributed to society, environment, communities, management of natural resources and building public properties in order to contribute to the Indian economy.

Kumar & Prakash (2019) studied has been Indian banking sector to examine the extent of sustainability reporting by the banks operating in India. The outcome of the study shows that the banks in India are much slower in adopting sustainability reporting practices. The results of the study also show that there is a significant difference in the disclosure of environmental and internal socio-environmental indicators between public and private sector banks in India.

Laskar et al. (2017) explored the disclosure of corporate sustainability (CS) practices and to examine the association between sustainability performance and financial performance in Asian context. Content analysis (binary coding system) was employed to calculate the sustainability disclosure score based on Global Reporting Initiatives (GRI) framework. The study found that the average level of disclosure was more in case of Japanese firm as compared to Indian firms.

Kumar& Devi (2015) concluded that only a few companies have adopted such reporting practices compared to other Asian countries like Japan etc. This paper mainly focuses on the state and overview towards the development of sustainability reporting Practices in India. It also analyses in brief the factors that caused slow pace on this front and try to understand how to increase the depth and scale of the commitment of Indian Companies towards Sustainability Reporting.

Motwani & Pandya (2016) attempted to study the comparative analysis of sustainability disclosure practices of Indian companies. The sustainability disclosures have been studied company-wise and Industry-wise by using GRI based index. The result of the study showed that Indian companies did not give much consideration to their industries characteristics while disclosing information in their sustainability reports.

3. RESEARCH QUESTIONS

1. What are the sustainability reporting practices of Indian companies?
2. What is the extent of sustainability reporting by Indian companies?

4. OBJECTIVES

1. To study the sustainability reporting practices of selected Indian companies.
2. To understand whether the reporting practices of selected Indian companies among industries differ significantly from each other or not.

5. HYPOTHESIS

After considering the above objectives, this study tries to find that reporting practices of selected companies differ from their relative industries or not. The following hypothesis were framed,

Ho: There is no significant difference in the inter industry reporting scores.

Ha: There is a significant difference in the inter industry reporting scores.

6. RESEARCH METHODOLOGY

A. Period of the study: The sustainability reporting practices of the selected companies have been studied for the period of one year i.e. 2020-21. The reason for choosing this year is that we found maximum number of companies disclosing with the same GRI version in this year.

B. Selection of sample: The samples were selected on the criteria that the company should be listed on NSE, with large market capitalization and should exclusively report on sustainability on the basis of GRI Sustainability Reporting Standards 2016.

The final sample size stood as follows:

C. Sources of data: The research is purely based on the secondary data of publicly listed companies. The data was retrieved from the sustainability reports of the companies, and the sustainability reports were obtained from official websites of the companies.

D. Research method: The aim of the study is to understand the sustainability reporting practices; hence content analysis has been used for the purpose of analysis. An index based on GRI Sustainability Reporting Standards 2016 was used to analyse the extent of reporting. The reason to choose the GRI based index is that it is more comprehensive and universally accepted. The following is the detail classification of the index based on GRI Sustainability Reporting Standards 2016. Moreover, three changes were introduced in GRI standards, which are GRI:303 Water and effluents 2018, GRI:403 Occupational health and safety 2018, and GRI:207 Tax 2019. And we are analyse data for 2020-2021. Hence they are included in our data collection.

Table 1: Classification of Index of Disclosure into Categories as per GRI Sustainability Reporting Standards 2016.

Sr. NO	Categories	No. of Items
1	Organizational profile	13
2	Strategy	2
3	Ethics and integrity	2
4	Governance	22
5	Stakeholders engagement	5
6	Reporting practice	12
7	Management approach	3
8	200. Economic topics	17
9	300. Environmental topics	32
10	400. Social topics	40
	Total	148

The detail of the above table indicates the maximum disclosure. This was compared with the disclosures made by each company. The scoring was done as follows.

Nature	Score
Fully disclosed	1
Not reported	0
Not applicable	Excluded

The final scores were converted into percentage and ranks were allotted to the companies. The company with maximum percentage of disclosure was allotted first rank and so forth.

Further, industry wise disclosures were analysed using one-way ANOVA to see if the disclosure practices of companies among industries differ significantly from each other or not.

7. RESULTS AND DISCUSSIONS

The sustainability reporting practices of Indian companies have been summarized as follows:

FD- Fully disclosed items

ND- Not disclosed items

TOTAL- Total items to be disclosed

S- Score obtained
AS- Applicable score
Per- Percentage score

Table 2: Company-wise disclosure for the year 2020 - 21 as per GRI Standards 2016

COMPANY-WISE DISCLOSURE										
2020-21										
Sr. No	COMPANY	F	ND	N A	TOTAL	S	AS	S/AS	PER	RANK
1	BHARTI AIRTEL LIMITED	104	44	0	148	104	148	0.7027	70.27	14
2	BOSCH	93	55	0	148	93	148	0.6284	62.84	17
3	Bharat Petroleum Corporation Limited	121	26	1	148	121	148	0.8231	82.31	8
4	COAL INDIA LIMITED	111	35	2	148	111	148	0.7603	76.03	9
5	COLGATE - PALMOLIVE	88	60	0	148	88	148	0.5946	59.46	18
6	AUROBINDO PHARMA LIMITED	66	78	4	148	66	148	0.4583	45.83	26
7	DR. REDDY'	68	80	0	148	68	148	0.4595	45.95	25
8	GAIL (INDIA) LIMITED	143	3	2	148	143	148	0.9795	97.95	1
9	GRASIM INDUSTRIES LIMITED	60	88	0	148	60	148	0.4054	40.54	31
10	HAVELLS	136	12	0	148	136	148	0.9189	91.89	3
11	Hero MotoCorp Limited	70	78	0	148	70	148	0.4730	47.30	24
12	INDUSIND BANK	72	76	0	148	72	148	0.4865	48.65	20
13	INDIAN OIL CORPORATION LIMITED	136	12	0	148	136	148	0.9189	91.89	3
14	ITC	128	20	0	148	128	148	0.8649	86.49	5
15	JSW STEEL LIMITED	103	45	0	148	103	148	0.6959	69.59	15
16	MAHINDRA AND MAHINDRA	71	77	0	148	71	148	0.4797	47.97	22
17	MARUTI	67	81	0	148	67	148	0.4527	45.27	27
18	MPHASIS	122	26	0	148	122	148	0.8243	82.43	7
19	P I INDUSTRIES LTD	64	81	3	148	64	148	0.4414	44.14	30
20	PIDILITE	66	81	1	148	66	148	0.4490	44.90	28
21	POWERGRID	111	37	0	148	111	148	0.7500	75.00	11
22	SAIL	70	75	3	148	70	148	0.4828	48.28	21
23	SBI	66	82	0	148	66	148	0.4459	44.59	29
24	SHREE CEMENT	141	7	0	148	141	148	0.9527	95.27	2
25	SRF LTD	71	77	0	148	71	148	0.4797	47.97	22
26	SUN PHARMA	82	64	2	148	82	148	0.5616	56.16	19

27	TCS	47	101	0	148	47	148	0.3176	31.76	33
28	ULTRATECH	123	24	1	148	123	147	0.8367	83.67	6
29	UPL LTD	111	37	0	148	111	148	0.7500	75.00	11
30	HPCL	102	46	0	148	102	148	0.6892	68.92	16
31	HDFC BANK	112	36	0	148	112	148	0.7568	75.68	10
32	TATA PROJECTS LTD	52	96	0	148	52	148	0.3514	35.14	32
33	YES BANK	108	40	0	148	108	148	0.7297	72.97	13

Figure 1: Company-wise disclosure for the year 2020-21 as per GRI Standards 2016

From above data, GAIL (INDIA) LIMITED has been noticed maximum disclosure score which is 97.95% and TCS has disclosed minimum score which is 31.76%. Moreover, 19 companies secured more than 50% score out of 33 companies.

Industry-wise Disclosure

To study industry-wise disclosure practices of Indian companies all 33 companies were grouped into their respective industry groups. Percentage mean score were obtained to study industry-wise sustainability disclosure practices. This has been shown in Table below.

Table 3: Industry-wise disclosure for the year 2020-21 as per GRI Standard 2016

Industry-wise disclosure for the year 2020-21 as per GRI standards				
Industry-wise Disclosure Scores				
SR NO	COMPANY	INDUSTRY GROUP	PERCENTAGE SCORE	PERCENTAGE MEAN SCORE
6	AUROBINDO PHARMA LIMITED	Pharmaceuticals sector	45.83	49.31
7	DR. REDDY'		45.95	
26	SUN PHARMA		56.16	
19	P I INDUSTRIES LTD	Chemicals sector	44.14	53.00
20	PIDILITE		44.90	
29	UPL LTD		75.00	
25	SRF LTD		47.97	
12	INDUSIND BANK	Banking sector	48.65	60.47
31	HDFC BANK		75.68	
33	YES BANK		72.97	
23	SBI		44.59	
14	ITC	Consumer goods	86.49	75.17
2	BOSCH		62.84	
10	HAVELLS		91.89	
5	COLGATE-PALMOLIVE		59.46	
3	Bharat Petroleum Corporation Limited	Refineries	82.31	85.27
13	INDIAN OIL CORPORATION LIMITED		91.89	
30	HPCL		68.92	
8	GAIL (INDIA) LIMITED		97.95	
16	MAHINDRA AND MAHINDRA	Auto mobile sector	47.97	46.85
17	MARUTI		45.27	
11	Hero MotoCorp Limited		47.30	
18	MPHASIS	IT sector	82.43	57.10
27	TCS		31.76	
15	JSW STEEL LIMITED	steel industry	69.59	58.94
22	SAIL		48.28	
24	SHREE CEMENT	Cement sector	95.27	89.47
28	ULTRATECH		83.67	
1	BHARTI AIRTEL LIMITED	Others	70.27	59.40
4	COAL INDIA LIMITED		76.03	

9	GRASIM INDUSTRIES LIMITED	40.54
21	POWERGRID	75.00
32	TATA PROJECTS LTD	35.14

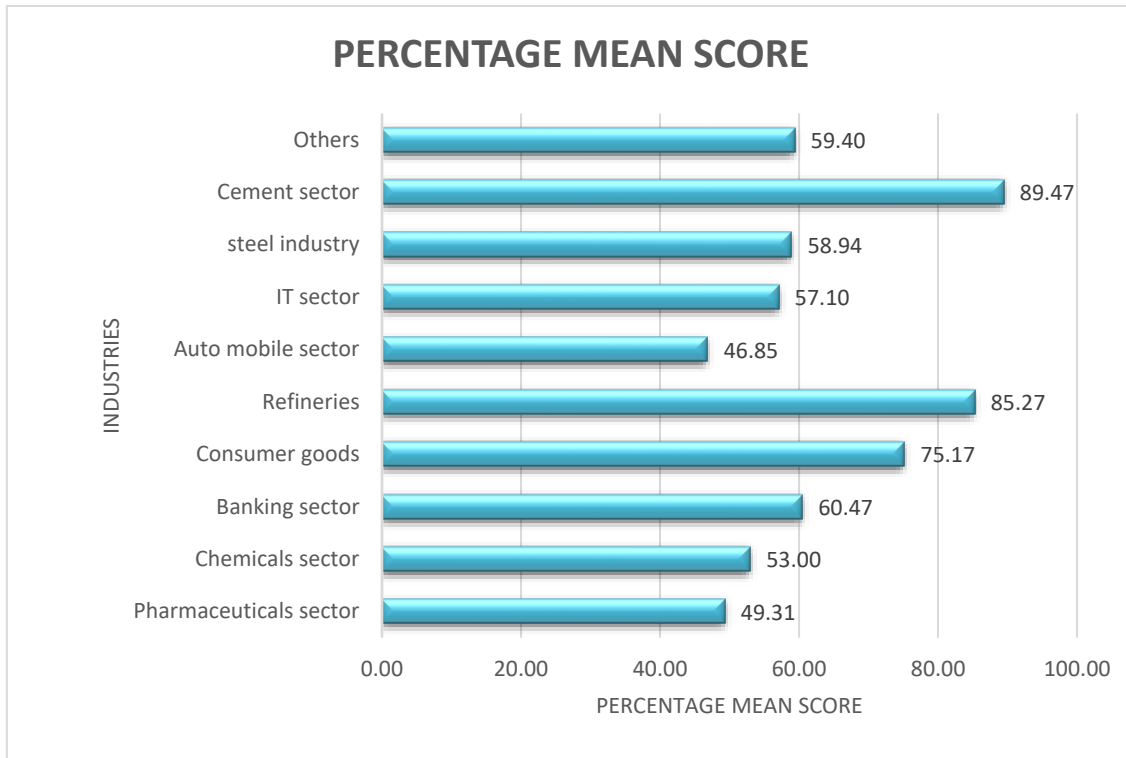


Figure 2: Industry-wise disclosure for the year 2020-21 as per GRI standards 2016

From the above table 3 it is observed that, the industry score ranges from 46.86 (Auto mobile sector) to 89.47 (Cement sector). However, except auto mobile sector and pharmaceuticals sector almost all sectors scored above average.

Further industry-wise disclosure was analysed using one-way ANOVA to see if the disclosure practices of companies among industries differ significantly from each other or not. The following table shows the results of ANOVA:

Table 4: ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5909.764076	9	656.6404529	2.5362386	0.03463877	2.32011
Within Groups	5954.775178	23	258.9032686			
Total	11864.53925	32				

It is observed from Table 4 that the value of F statistic (2.53) is more than the value of F critical value (2.32), the test is significant. The P-value (0.0346) is less than 0.05 so that the null hypothesis H_0 has been rejected and the alternative hypothesis H_a is accepted. There is a significant difference in the inter industry reporting scores. This shows that Indian companies contribute much consideration to their industrial characteristics while disclosing information in their sustainability reports.

8. CONCLUSIONS

The major findings of the study can be summarized as follows:

- Indian companies have recognized the importance of sustainability reporting and the major companies are reporting on it.
- More companies have started using the latest version of GRI Standards for reporting on sustainability.
- Indian companies also disclosed as per change made in standards as new standards included from 2018.
- Indian companies give much consideration to their industrial characteristics while disclosing information in their sustainability reports.

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