



Sustainability Reporting – Global & National Face Off

In a world of changing expectations, companies must account for the way they impact the communities and environments where they operate. Businesses can sustain their growth only if society is generally satisfied with their overall contribution to societal well-being. Climate change; community health, education and development; and business sustainability are some of the most pressing issues of our time. This raises the importance of accurately and transparently accounting for and reporting these activities. Businesses can not afford to function and survive in the long run unless it behaves in a legitimate and socially responsible manner. Governments of various countries began to scrutinise the activities of companies under the different dimensions of sustainable development. For this Sustainable Reporting was introduced as a tool to measure the performance. Sustainability Reporting (SR) or Non-Financial Reporting (NFR) is the process of communicating the social and environmental effects of organizations to particular interest groups within society and at large.

Sustainability reporting is gaining momentum globally as an important communication tool for companies to disclose their sustainability plans and performance and enhance stakeholder confidence.

By the year 2011, globally there are about 8,691 sustainability reports published based on the GRI framework.

Indian Companies Getting Ready to Embrace SR

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With the growing significance of sustainability issues at the global level, companies in India are also getting ready to embrace reporting on sustainability to enhance competitiveness. The reporting scenario in India is still in nascent stage with nearly 47 companies disclosing their sustainability performance. Out of 8,691 reports only a handful of 122 reports are published by Indian companies. TATA (Automotive) is pioneer in sustainability reporting in India. It has started reporting their sustainability performance from year 2001 based on GRI guidelines. Since then, reporting in India has been done primarily on voluntary basis. The companies with GRI based sustainability reports in India have benefited to a great extent.

Drivers of Sustainability Reporting

There are various drivers behind the increase in dialogue, discussion and publication of sustainability reports. Some of them are-

- ✓ Stakeholder exert pressure for SR because of their organization's participation in global supply chain.
- ✓ Brand and reputation of corporate sector in India and at international level is the another significant driver behind SR by corporates.
- ✓ Role of Governments/Regulators in pushing SR to make corporates more responsible.
- ✓ Facing competition worldwide is also the reason to accept the SR

Sustainability Reporting -Benefits

The benefits of sustainability reporting include:

- ✓ Improved financial performance
- ✓ Improved stakeholder relationships
- ✓ Improved risk management
- ✓ Improved investor relationships
- ✓ Identification of new markets and/or business opportunities

Sustainability Reporting –A Voluntary Exercise

In most parts of the world, SR remains a voluntary practice. So far, France is the only country to enact specific legislation requiring publicly listed companies to produce non-financial reports covering economic, social as well

as environmental dimensions. Some large organizations in some countries are subject to specific regulation that requires them to report some kind of sustainability information – for example certain public-sector organizations in the United Kingdom. Various other countries mandate detailed reporting for specific industry sectors. Additionally, some stock exchanges like the South African Stock Exchange now make SR a requirement for listed companies. (*K. C. Chakrabarty, Deputy Governor, RBI www.rbi.org*). In India too it is not mandatory but voluntary to report on Sustainability.

Sustainability Reporting - Challenges

India has seen unprecedented economic growth in recent years resulting in growing demand for natural resources and has affected the environment as well. It has become impossible to have business success and economic growth without environmental sustainability. This is a major challenge for fast-growing emerging economies such as India. At the [Rio+20 conference](#) too, this concept was given high priority.

Sustainability Improvement, speaks about the challenges of reporting within an organization as it demands a lot of organizational effort to gather and monitor data. This can make it a challenging, time-consuming and costly exercise. (*Mr M. N. Prasad, Head of Larsen & Toubro*)

Another challenge is the need for independent verification and assurance of reports to provide comfort to stakeholders, management and the board in mitigating the risks posed by sustainability issues. Only a fraction of reports are independently assured, however, just like reporting itself, the trend is positive and gives rise to optimism.

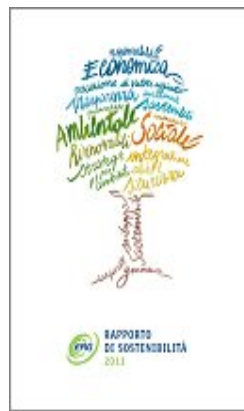
British Telecommunications revealed that the overall performance of Indian Corporate Reporting is not satisfactory when compared with companies from European Union, China and Japan According to their findings, although Indian companies are proactive towards sustainable issues, there are still many issues – inclusive employment, education, employment creation, health, corporate/government collaboration, land and displacement, natural resource management, climate change, corporate governance, solid waste and water – to be addressed by them. In fact, Indian

companies are failing to come out with innovative approaches for addressing sustainable issues.

The progress of sustainability reporting in India is slow, but a significant and sound start has been made.

As far as benefits and progress through SR is concerned there are many areas which are supported through it and initiatives taken by Companies.

Need is that The future of sustainability reporting should not just about traditional row and column reports, it's about new ways of communicating information to make sustainability information more transparent.



“The future is not a printed report - there is still far too much greenwash, too many collections of nice stories, too little of commitments to the future. Materiality cannot be determined only in the eyes of the reporting company.”

(Ernst Ligteringen Chief Executive Officer of Global Initiative Reporting)



