



Sustainability & the Regulatory Environment (Part-II)

“The great challenge of the twenty-first century is to raise people everywhere to a decent standard of living while preserving as much of the rest of life as possible.”

Edward O. Wilson

Sustainability Reporting Standards/Guidelines at the National Level

India has become one of the fastest growing economies, and is considered a newly industrialized country. India’s business and investment communities are beginning to recognize the benefits of corporate responsibility and sustainability reporting. Currently, there are no regulations that mandate sustainability reporting in India. At the same time provisions have been incorporated under various legislations mandating companies/ business organizations to report on environmental matters specified therein. Nevertheless, steps are being initiated to set up standards that will enable India Inc. to become socially and environmentally responsible.

Mandatory Standards

The Companies Act, 1956 governs the overall regulation of companies in India and includes sections on disclosure and reporting on various aspects of company operations. Section 217 of the Act stipulates that the Board of Directors Report (attached to every balance sheet tabled at a company annual general meeting) shall contain information on conservation of energy. The latter is expected to include: energy conservation measures taken; additional investments and proposals, if any, being implemented for reduction of the consumption of energy; impact of the measures taken above for reduction of energy consumption and consequent impact on the cost of production of goods; and total energy consumption and energy consumption per unit of production in respect of specified industries.

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ICAI - ARF 2008

The Institute of Chartered Accountants of India (ICAI) has set up the ICAI – Accounting Research Foundation (ICAI-ARF), which has undertaken a special project to suggest a suitable framework for sustainability reporting for Indian companies. It is compulsory for the companies to report on social, environmental and economic initiatives. A committee is being formed for the framework for standardising the disclosures related to sustainability reporting. Sustainability reporting has become mandatory for Indian companies that are planning to be listed abroad.

The Environment (Protection) Act, 1986

Pursuant to the Environment Protection Act of 1986, the Central Government has provided that each covered organization should submit an annual ‘environmental audit report’ in the prescribed format to the relevant State Pollution Control Board (SPCB). Reporting in the environmental statement includes parameters such as water and raw material consumption, pollution generated (along with variations from prescribed standards), quantities and characteristics of hazardous and solid wastes, impact of pollution control measures on the conservation of natural resources and the cost of production, and additional investment proposals for environmental protection.

Factories Act, 1948

There are no clearly defined means for public disclosure. Ideally, every factory in India is required to submit reports to their relevant state governments in the format prescribed under the Act. It covers information relating to labour and employment, working hours, accidents, health and safety etc. While there is a statutory obligation to report data to the relevant authorities, publication of this Information is not mandated under current legislation.

Other Acts, policies, rules and notifications: India has an extensive environmental management system with a comprehensive set of environmental laws, specific statutory mandates, regulatory instruments, and institutional frameworks to implement and enforce environmental policy objectives.

Voluntary Standards

Voluntary Corporate Social Responsibility Guidelines 2009: Considering the importance of sustainability in businesses, MCA has launched Corporate Social Responsibility Voluntary Guidelines in 2009. This voluntary CSR Policy addresses six core elements –(i) Care for all Stakeholders, (ii) Ethical functioning, (iii) Respect for Workers’ (iv) Rights and Welfare, (v) Respect for Human Rights, (vi) Respect for Environment and Activities for Social and Inclusive Development. These are followed by guidelines for implementation which covers dissemination of information to stakeholders and the public.

To take this further, in 2011 MCA issued ‘*National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business*’ which strongly encourages reporting on environment, social and governance issues. This will also add to the awareness levels on sustainable practices. These guidelines have been

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formulated keeping in view the diverse sectors within which businesses operate, as well as the wide variety of business organizations that exist in India today – from the small and medium enterprises to large corporate organizations.

The Guidelines articulated in the form of nine (9) Principles with the Core Elements 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. The Guidelines emphasize that the businesses have to endeavour to become responsible actors in society, so that their every action leads to sustainable growth and economic development. Accordingly, the Guidelines use the terms 'Responsible Business' instead of Corporate Social Responsibility (CSR) as the term 'Responsible Business' encompasses the limited scope and understanding of the term CSR. The industry has been showing positive signs in embracing this concept.

Corporate Responsibility for Environmental Protection (CREP), 2003: CREP is a charter promoted by the Central Pollution Control Board of India. It is an initiative which requires compliance by leading resource intensive industries.

Notice by RBI to all Commercial Banks: In the financial sector, there is a visible trend to promote environmentally and socially responsible lending and investment, with the Reserve Bank of India issuing a circular to all commercial banks to embrace principles of corporate social responsibility (CSR) and sustainable development.

Greenco Rating System for Companies: In Feb.2011, the Confederation of Indian Industry (CII) launched Greenco rating system for companies, the first of its kind in the world. This is a comprehensive rating covering all aspects of environment including energy, water, Green House Gas (GHG) emissions, waste, etc.

Geenco rating system got a tremendous response from the industry as more than 20 big companies signed up for this innovative rating system at the spot. Godrej, ITC, WIPRO, Dr Reddy Labs, Mahindra group, Jubilant, Bosch, JCB, Jindal steel, ACC, Ambuja cement were some of the companies which signed up for this performance related rating system. This first of a kind, Greenco Rating in the country will make India a Global leader in the environmental front and it will greatly improve the competitiveness of the companies. That apart, the pressure to adopt sustainability has further intensified with the launch of Sustainable Development Funds and Indices in India such as CRISIL and S&P ESG Index.

“It's not too late at all. You just don't yet know what you are capable of”.

Mahatma Gandhi