

Review of Corporate Business Responsibility Report in Indian Context

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Abstract:

Business responsibility is not a new concept at all. It is since the growth of corporate governance and disclosures through transparency, corporate have started disclosing their sincere efforts towards responsible business. In this research paper researchers have tried to find the development of business responsibility concept by reviewing few papers on Business and Social responsibility area. Various studies conducted have been reviewed by researchers. Findings have been drawn that Indian corporate sectors have improved in terms of business responsibility reporting with vigilant role of SEBI and other regulators

Keywords: Business Responsibility, corporate governance, Indian corporate, disclosures

Introduction:

Corporate Governance means the ideology of reporting the way the business is done as far as ethics is considered. It is the new buzz in the growing technical evolution where enterprises become the critical part of the social system. It is hence imperative to adapt to the responsible business practices in view of society and environment. In order to focus on structured business responsibility reporting format, Ministry of Corporate Affairs, Government of India, in July 2011 introduced the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. The guidelines also help companies to include disclosures of all dimensions considered in SEBI BRR.

This paper reviews the various researches have been done in the field of Business Responsibility Report of Corporate Governance. The flow of the survey starts from milestones in the evolution of BRR, Comparison of SEBI BRR and GRI, Linkage of CSR and Corporate Financial Performance. Inclusion of Green initiatives as part of disclosures in BRR in IT industry, Study of BRR across sectors: Personal Care, Automobile, BFS in India.

Review of Literature:

The focus on sustainable business and its reporting is becoming imperative with changing global environment. The 'profit maximizing approach' of 1960's is now changed to a socially responsible approach', where business is not only interested in stockholders interest but also to benefit the stakeholders

Milestones of BRR in India

2009: Ministry of Corporate Affairs (MCA), Government of India released Voluntary Guidelines on CSR.
2011: Based on Voluntary Guidelines, new Non Voluntary Guidelines were launched.
2012: SEBI releases mandate of inclusion of BRR in Annual Report for top 100 listed companies on NSE and BSE, under Clause 49.
2013: Release of guidelines for Public Sector Enterprises
2013 CSR Bill states companies with net worth of more than Rs. 500 crore / turnover will be required to spend at least 2% of the average net profits on CSR activities.

Source: Global Reporting Initiative, Focal Point India (2013)

In a research that compares Sustainability framework of India as compared to Global Reporting Initiatives by (Pankaj Chaddha, 2014) from New Delhi, it is observed that the GRI framework has detailed description and more elaborate in comparison with the NVGs and SEBI BRR. Though some of the issues and standards pertaining to sustainability are followed, SEBI BRR is brief.

(ACCA 2007) specified that sustainability is measured in three dimensions: environmental, social and economic sustainability and sustainable development. The practice of reporting the non-financial growth is done through the guidelines given by SEBI for BRR. NVG is a step towards business sustainability and government is also scrutinizing the industries based on the dimensions of sustainability.

This paper analyses the concept and framework of BRR. Sustainability reporting is the culture of measuring economic, social and environmental impacts on stakeholders, and its disclosure and accountability towards responsible growth. It is synonymous to some terms like Triple Bottom Growth, CSR and refers to any form of non-financial reporting.

According to GRI (2002), sustainable development of organization can be demonstrated through policies that cover the aspects of environmental, economic and social performance. It should achieve credibility, comparability, verifiability and timeliness and scalability to financial reporting (ACCA, 2004).

The mandate for inclusion of BRR has laid the foundation to build a culture of social and environmental governance in India. Also encourages the sustainable growth as a means of success. SEBI BRR enables companies to disclose the details given by NVG to stakeholders and align to ethos stated in NVG.

Research also mentions that when it comes to global debate of Sustainability, India plays a crucial role.

SEBI BRR uses the 'Apply-or-Explain' principle to ensure inclusion of below disclosures.

1. Current status of sustainability driven performance
2. Reasons for non-compliance with any principles in NVG or future plans of it implementation
3. Practice to identify sustainability gaps

This paper also highlights a comparison between NVG and GRI, the differences are as below

- GRI gives 10 basic principles to prepare the BRR, whereas NVG gives 9 broad principles for responsible business.
- GRI uses 98 performance indicators to measure the non-financial performance, whereas NVG uses 48 indicators
- GRI gives sector specific supplements, whereas NVG does not give such specific guidelines.
- GRI specifies assurance level, which is not done by NVG or SEBI BRR
- GRI stress on materiality Principle to prepare BRR, whereas NVG stresses on preparing the report in alignment with goal, vision, mission
- GRI uses 'Report or Explain' approach and NVG uses 'Apply or Explain' approach

The 9 Principles of NVG are as follows

- 1) Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- 2) Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- 3) Businesses should promote the wellbeing of all employees
- 4) Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
- 5) Businesses should respect and promote human rights
- 6) Business should respect, protect, and make efforts to restore the environment
- 7) Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- 8) Businesses should support inclusive growth and equitable development
- 9) Businesses should engage with and provide value to their customers and consumers in a responsible manner

(Priyanka Aggarwal, 2014) in her research to understand the impact of CSR on Financial Performance, it is observed that there is some amount of positive relationship between CG and financial performance. This means there is an impact of non-financial growth on financial growth. Research also identifies that financial performance is correlated with the Governance rating and specifically those on employees-related and environmental dimensions. Based on this it is advisable for the companies to build a good governance structure.

Companies should focus on improving on indicators of CG like board composition, BRR, Leadership ethics, executive compensation, transparency and reporting in true spirit. As per norms by SEBI, the BRR must include disclosures related to directors, employee related policies, financials, directors, consumer grievance mechanisms.

Sharafat Hussain in his research on CSR, mentions that there are benefits of social responsibility of business to develop the rural economy in India. It states, CSR is all about pursuing policies that are desirable for benefit of society and its objectives, it's a social giving, an emotional give back to the host environment.

(Rambalak Yadav et al, 2014) in their research on IT industry about Going Green as Business Responsibility finds out that, as a part of sustainable business companies are now working on Green Initiatives, especially in IT, that contributes to about 2% of CO2 emissions. This research also highlights that TCS follows the triple Bottom Line approach of business, a responsible growth through people, planet, and profit. As per the sustainability report (2013) of TCS, they follow the 3R policy of reduce, reuse, recycle and follow green procurement policy for electrical and electronic goods.

The paper also studies about green IT at Infosys as mentioned in its BRR report. All Infosys campuses are energy conservation friendly and certified with Environmental Management System.

Wipro, another IT giant provides its BRR based on the guidelines by Global Reporting Initiative (GRI) framework. This highlights its commitment towards ecological issues and transparency. HCL has reduced its power consumption by 1.7 per cent as per report 2012. They also follow the policy of recycle and reuse. Thus, the research concludes that responsible business not only means profits but environmental and ecological consideration as well.

While Infosys believes in relevance through Innovation, where they mention innovation is the prime responsibility but sustainability is required for winning solutions. At Infosys they believe in responsible growth to promote efficiency through environmental sustenance and resource conservations. Sustainability is defined as C: LIFE: Client Value, Leadership by example, Fairness and Excellence.

A research by Abhishek and Vaibhav includes the study the emergence of BRR and its applicability and compliance with dimensions stated by NVG. The study also includes comparison of Personal care sector and automobile sector, and the conclusions were

- HUL scored highest in details included in BRR considering the 9 principles of NVG for Sustainability reporting, whereas Godrej consumer Products Company was scored lowest.
- While the personal care segment as a whole scored, lower than automobile sector. Bajaj Auto has a descriptive BRR, but does not include major things as per NVG.
- Dabur, Colgate Pamolive, Hero Moto Corp does not include details on principle 7 of NVG: Regulatory and advocacy policy and its related parties.
- Maruti Suzuki BRR does not show inclusion of Principle 5: Human rights and its related policies. (Cameila L., Chirata C. and Cornelia D, 2012) conclude that there is a negative correlation between revenue changes and Return on equity when social and environmental dimensions are considered for disclosures.

Pradip Kumar M. in his research on Sustainability practices in India: Its problems and prospects concludes that as India is an emerging economy so world expects India to practice environment friendly and socially responsible practices.

In a research by Dr. Priyanka Verma on new model of CSR in India, mentions that business is now considered as integral part of society and should play active role in building healthy social ecosystems and focus on sustenance through social inclusiveness.

CSR is nothing but a commitment to contribute to sustainable economic development. Government comments on CSR and wants Business Sector also to contribute to bridge the gap between India and Bharat (Rural India) due to income skimming capability. The study also concludes that inclusion of details of non-financial growth are welcomed by investors, as they can build effective risk models and understand the company's ability to seek to mitigate operational risk. It concludes that corporate in India should not only consider CSR as mandate but ethically contribute for sustainable economic development of country.

In another study by (Ruchi Gupta and Gaurav Agrawal, 2013) on the Annual reports of banking sector highlights the details on BRR. The research gives analysis of CSR and BRR publications

SBI: Publishes BRR with focus on social, environmental and welfare activities through new and innovative products.

ICICI BANK: BRR focuses on provision of sustainable banking products for all types of customers and abide by all environmental rules as stated by the government and use of renewable energy.

Punjab National Bank: BRR published with belief of giving back to society for future generation.

HDFC Bank: BRR Published and believes in utmost ethical governance.

Canara bank: BRR Published and focus on CSR also in rural parts, women empowerment etc.

IDBI Bank: BRR is not published

The research concludes that Government should look at BFS sector differently than other services sector when it comes to guidelines for BRR and CSR activities. Another study by SA Hazlett finds that quality field needs to rejuvenate the policies and look forward to contribute to deployment through CSR activities.

Conclusion:

- The study also concludes that inclusion of BRR is still seen from compliance perspective, it's real essence will be seen only when 100% factual and accurate data that is of interest for stakeholders is disclosed and when stakeholders start referring and understanding BRR for thoughtful decisions.
- Today CSR not just includes efforts of business organizations to meet economic as well as social responsibilities. Various examples studies show the manifestation of CSR at corporate level.
- Mandate of inclusion of BRR for top 100 listed companies ensures that business is not only responsible for interest of investors and customers but also for employees and environment.
- Globalization is found to be the driver of development in new CSR formats.
- Good Corporate governance and ethical BRR, CSR will ensure better future prospects for the company.

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