Inspira- Journal of Modern Management & Entrepreneurship (JMME)
ISSN : 2231–167X, General Impact Factor : 2.3982, Volume 07, No. 04, October, 2017, pp. 245-248

BUSINESS RESPONSIBILITY REPORTING: A MOVE TOWARDS BETTER CORPORATE GOVERNANCE

Ms. Vishranthi B. Salgaonkar*

ABSTRACT

The responsibility of the corporate sector is increasing as the world is continuously facing new challenges in terms of natural environment and other related issues. These issues have been taken up at the international level by UN and also by specific countries. The corporate sector responsibility is no longer limited to financial performance alone. It has now been extended to environmental as well as other related social issues. Sustainability reporting emerged to cater to this need of the corporate sector. There are various frameworks of sustainability reporting introduced like GRI (Global Reporting Initiative) framework. In 2012 SEBI (Securities Exchange Board of India) made Business Responsibility Reporting as per the NVG (National Voluntary Guidelines) mandatory for top 100 listed Indian companies and then extended the scope to 500 companies. Business Responsibility Reporting will help the companies to report beyond financial performance. The management will improve the internal functioning because they will not want to report negatively. BRR will also help the companies to identify their shortcomings, thus helping in the improvement of corporate governance.

KEYWORDS: *CSR, Corporate Governance, Business Responsibility Report, Economic Responsibilities.*

Introduction

Securities Exchange Board of India (SEBI) through its circular dated August, 13, 2012 made it mandatory for the top 100 listed entities at BSE and NSE to include 'Business Responsibility Reports' as a part of their annual reports. BSE and NSE were accordingly required to draw up independent lists of top 100 listed entities that would be coming under the purview of this requirement, on March 31st, i.e. closing of every financial year. Market capitalization rates at BSE and NSE were required to be used for the purpose of deciding this applicability. As per the specifications of SEBI the 'Business Responsibility Report' would have to be prepared in accordance with National Voluntary Guidelines (NVG's) on Social, Environmental and Economic responsibilities of business. The National Voluntary Guidelines of July, 2011 are a revision of the 'Voluntary Guidelines on Corporate Social Responsibility' issued by the Ministry of Corporate Affairs in December, 2009. The revision extended the scope of the guidelines from CSR to responsibilities of business. SEBI''s notification in December, 2015, relating to the SEBI (Listing Obligations and Disclosure Requirement), Regulations 2015 broadened the scope and applicability of business responsibility reporting to top 500 listed companies. SEBI's regulation on Business Responsibility Guidelines for "Business Responsibility Reporting can be considered as a progressive and a much needed step to get the issues to the fore front.

---

* Assistant Professor, S.V.'s Sridora Caculo College of Commerce and Management Studies, Mapusa, Goa, Affiliated to Goa University, Goa.

Purpose of Business Responsibility has been outlined as a tool to help the companies understand the principles and core elements of responsible business practices and start implementing improvements which reflect their adoption in the manner the company undertakes its business. Accordingly the circular on Business Responsibility Reports states “At a time and age when enterprises are increasingly seen as critical components of the social system, they are accountable not merely to their shareholders from a revenue and profitability perspective but also the larger society which is also its stakeholder. Hence adoption os responsible business practices in the interest of the social setup and the environment are as vital as their financial and operational performance. This is all the more relevant for listed entities which considering the fact that they have accessed funds from the have an element of public interest involved and are obligated to make exhaustive , continuous disclosures on a regular basis.”

The disclosures required to be made through the Business Responsibility Reports under NVG, 2011, have made a provision for a regulatory framework to establish and communicate the link between accountability, business growth and sustainable development. Rather than communicating and capitalizing on the business growth achieved, the companies will now be accountable to report how responsibly or irresponsibly this growth has been achieved. Thus helping the stakeholders to decide whether the growth achieved is sustainable or not. This step from SEBI has now placed India in the group of nations considering sustainability issues as a top priority. The nine principles under NVG framework on which the top 500 listed companies will have to report are:

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

Background

The Business Responsibility Reporting initiative in India is on lines with the sustainability reporting being followed at the international level. Some of the internationally followed sustainability reporting frameworks is GRI (Global Reporting Initiative), IIRC (International Integrated Reporting council) frameworks, besides some countries have also developed their own reporting frameworks. According to GRI sustainability reporting is “the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development” According to the World Business Council for Sustainable Development, sustainability reports are “Public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions. Such reports describe the company’s contribution to sustainable development.”

During the last few decades, the concept of sustainable development has established itself as an important concept. Sustainable development means different things to different people in different contexts. However, it includes in common three areas:-economic growth, ecological balance and social progress. Sustainability reporting thus is a process of publicly disclosing an organization’s economic, social and environmental performance. The sustainable report makes an organization look at its business from every possible angle in a single document. With sustainable development, sustainability reporting started getting considerable attention at the international level. Various frameworks were devised for the purpose. Starting with the voluntary sustainable reporting many nations have moved towards mandatory sustainability reporting. The purpose and forms of sustainability reporting may differ with the business environments. Depending on the societal expectations and the management’s view about what the stakeholders expect, different kinds of sustainability reporting may be seen as adequate. Statutory business responsibility reporting for the specified companies in India is a form of sustainability reporting. GRI is one of the widely used frameworks of sustainability reporting followed worldwide. Even before SEBI made "Business Responsibility Reporting" mandatory in 2012, companies in India were preparing and publishing sustainability reports using frameworks like GRI. However, in the absence of a regulatory mechanism, the voluntary initiative was limited to very few companies. As per the GRI database, till 2011, only 68 companies out of a total of 721719 companies had ever developed a sustainability report. 15 companies had prepared a report once and never followed up. From 1999 till 2011, there was a steady growth in the number of Indian companies publishing sustainable reports under GRI; however, the growth was not satisfactory. Out of the top 100 listed companies, only 35 companies (i.e.35%) were publishing sustainability reports.

Business Responsibility Reporting and Corporate Governance

Corporate Governance refers to the accountability of the Board of Directors to all stakeholders of the corporation i.e. shareholders, employees, suppliers, customers and society in general, towards giving the corporation a fair, efficient and transparent administration. Transparency and accountability which are the basic principles of corporate governance can be achieved through Business Responsibility Reports. The statutory framework of financial reporting was communicating economic performance, however, today's society's expectations have increased and diversified as well. Business Responsibility Reports can serve to meet these expectations. Societal business climates are now changing to include or integrate the stakeholders for effective reporting .Business responsibility reporting can prove to be learning exercises for the corporate sector. After the first sustainability report, the concepts of sustainability start getting reflected in the company's vision and goals and are translated in companies' policies and procedures for functioning. The true value of sustainability reporting lies in what it identifies, measures, explores and highlights. Once the companies start preparing Responsibility Reports, they will realize their shortcomings and areas for improvement can be identified. The reports prepared with effective stakeholder engagement will provide a reflection of the expectations of the society.

A study published as a Harvard Business School Working Paper using the data for 58 countries, reports that "after the adoption of mandatory CSR laws and regulations , the social responsibility of business leaders and sustainable development becomes a high priority for companies. With mandatory reporting on responsibility issues, corporate governance improves and on an average companies implement more ethical practices, bribery and corruption decreases and managerial credibility improves" the study also reinforces the viewpoints put forth by sustainability reporting proponents that "disclosure of sustainability information forces companies to manage these matters more effectively to avoid having to disclose bad sustainability performance to their multiple stakeholders."

A study of the Business Responsibility disclosures by top 100 listed companies in the first cycle of reporting was conducted by IICA (Indian Institute of Corporate Affairs) and GIZ-BRI ( ). The study reports that it can be considered as a great start for all 100 companies as far as governance is concerned , which is being covered under Principle 1 of NVG, which pertains to ethics, transparency and accountability. There are some observations made and improvements suggested based on the analysis of reporting on other principles. However, it can be considered as a good start since all top 500 listed companies will be involved in the exercise of Business Responsibility Reporting. The study on disclosures has identified 18 finance companies, 7 from the healthcare sector and 4 from the cement industry among others in the top 100. Till 2011, it was observed that the compliance in case of publishing sustainability reports under GRI format cement companies had 100% compliance however, for finance and healthcare sectors the compliance was very poor. With Business Responsibility Reporting regulation, all these companies are required to prepare sustainability reports. Other listed companies can also prepare responsibility reports. The companies already preparing sustainability reports need not prepare separate Business Responsibility Report but can map the principles of NVG as and where they are covered in their GRI report.

Conclusion

The pressure on the Indian companies is mounting from the international to adopt the sustainable business practices. The Indian companies can in turn motivate their Indian stakeholders to adopt responsible business practices. This would thus result in a responsible and sustainable supply chain contributing positively and add value to our society and environment. Business Responsibility Reporting as initiated by SEBI will ensure that the corporate sector is identifying societal expectations through stakeholder engagement and incorporating policies in their internal functioning to convert these expectations into their performance the alignment of internal policies and systems within the corporate sector will be reflected in terms of improved corporate governance. It can be expected that for reporting on the discharge of responsibility, the corporate entities will start shouldering their responsibilities and start operating in an ethical manner. Through Business Responsibility Reporting regulation, SEBI has made a provision for regulatory framework, what is needed is a rigorous and vigilant review and monitoring policy.

References

- Garg, L. (n.d.). Retrieved October 15, 2012, from www.icai.org.
- Goyal, N. (2014). Corporate Sustainability Reporting Practices among Indian Companies – Myth or Reality. International Journal of Management and Social Sciences Research, (IJMSSR) .
- Gray, R. (2006). Social, environmental and sustainability reporting and organisational value creation. Whose value? Whose Creation? Accounting, Auditing & Accountability Journal, 793-819.
- Initiative, I.-G. B. (2014). Business Responsibility Disclosures:. Retrieved November, 15, 2016
- Issues and Listing. (n.d.). Retrieved November, 15, 2016, from www.sebi.gov.in.
- Kang, M. (n.d.). Sustainability reporting: Materiality matters. Retrieved July, 12, 2015
- Legal Framework. (n.d.). Retrieved November, 15, 2016, from www.sebi.gov.in.
- Ministry of Corporate Affairs, G. o. (2011). National voluntary Guidelineson Social, Environmental and Economic Responsibilities of Business. New Delhi: Ministry of Corporate Affairs,Govt. of India.
- Sustainability Accounting and Reporting. (n.d.). Retrieved 10 11, 2012, from http://www.aicpa.org .
- Sustainability Reporting:Concepts, Frameworks and the Role of Supreme Audit Institutions (2013). INTOSAI Working Group on Environmental Auditing (WGEA).

❑❑❑