

AN OVERVIEW OF SUSTAINABILITY REPORTING AS PER GRI FRAMEWORK

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ABSTRACT

The key challenge nowadays, both internationally as well as for India, is to emphasis on inclusive growth by guaranteeing monetary growth while at the same time meeting social commitments as well as protecting our environment. The concept corporate sustainability (CS) has become a management strategy that seeks to use the best business practices to meet and balance the needs of the present and future stakeholders. Present study conceptually reviews sustainability reporting and its benefits for the entities. In this paper an attempt has been made to examine the development in Sustainability Reporting practice by organizations at national and global level. Secondary data from the year 1999 to 2016 have been collected from the published annual reports of the companies and data accessible on GRI Website (up to July 17, 2019) to attain the objectives of the study. The findings disclose that with globalization, Indian companies are increasingly realizing that they have much to lose by not following sustainability reporting but the applicability of GRI reporting in India is yet at embryonic stage.

KEYWORDS: *Corporate Responsibility, Sustainability Reporting, Global Reporting Initiative.*

Introduction

The concept corporate sustainability has become a management strategy that seeks to use the best business practices to meet and balance the needs of the present and future stakeholders. It is becoming an accepted way for corporates to establish that they have policies for sustainable growth. It aims to change the way concerns operate on a firm level that will create overall change for the whole economy, making one and all better off, both now and in the upcoming time.

Sustainability Reporting

Sustainability reporting is based on performance-based management and is a cycle to promote continuous improvement. It is a process of enabling organizations to design and implement strategies that contribute to enduring performance in all areas. "The practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance -towards the goal of sustainable development is known sustainability reporting". This is as defined by Global Reporting Initiative. World Business Council for Sustainable Development defines that "Sustainable Reports are public reports by companies to provide internal and external stakeholders with a picture of corporate position on activities on economic, environmental and social dimensions". Thus, sustainability not only ensures longterm profitability and competition advantage, but also helps in maintaining the wellbeing of the society, the planet, and its people.

Benefits of Sustainability Reporting

Sustainability reporting can help organizations to quantify, recognise and converse their financial, ecological, and societal and governance enactment, and then set goals, and manage changes more efficiently. If an organisation adopts effective cycle for sustainability reporting from data collection to responses it benefits the organisation both internally as well as externally.

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Internal Benefits

All-inclusive view of risks and opportunities

- Emphasizing the association between financial and non-financial performance
- Influencing long term management strategy and policy, and business plans
- Rationalisation of processes to reduce costs and improve efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
- Avoiding being implicated in publicized environmental, social and governance failures
- Comparing performance between organizations and sectors

External Benefits

- Mitigating – or reversing – negative environmental, social and governance impacts
- Improving reputation and brand loyalty
- Assisting external stakeholders to realize the organization's true value, and tangible and intangible assets
- Demonstrating how the organization influences, and is influenced by, expectations about sustainable development

There are only two recognised professional standards for carrying out sustainability reporting assurance:

- AA 1000 Assurance Standard-developed by Institute for Social and Ethical Accountability
- ISAE 3000 Assurance Standard- provided by International Audit and Assurance Standard Board.

Literature Review

Orlitzky et al. performed empirical study of 52 firms and concluded that, "corporate social performance is positively correlated with financial performance and the relationship tends to be bi-directional". Baumunk mentioned that primary advantages of sustainability reporting are: higher demand for firm's offerings and increase in stock prices. Ngwakwe found that increased investment in sustainability indicators led to increase in ROA; reduction in amount expended on fines, penalties and compensations; and improved relations with stakeholders. Godha and Jain concluded that "There has been a rapid increase in practising sustainability reporting as per GRI framework since 2000 in number of countries like the USA, Europe, Japan and Australia. The applicability of GRI reporting in India is yet at nascent stage"

Ameer and Othman conducted study from 2006 to 2010 and found bi-directional relationship i.e. that firms with higher sustainability disclosure scores had significantly higher mean sales revenue growth, ROA, PBT. Schadewitz and Niskal concluded that GRI based sustainability reporting is an important explanatory factor for market value of firm. It reduces information asymmetry between managers and other stakeholders. Jain concluded that "Sustainability reporting is expected to be integral to business today. It has also become the password to not only overcome competition but to ensure sustainable growth. Thus it is clear that by combining social and environmental reports with traditional reports helps in achieving the triple bottom line targets. This study particularly related with the reporting trend as per GRI framework.

Table 1: Top Five Sustainability Frameworks

Framework	Focus	Who Reports	Reporting Period
CDP	Environmental Impacts	Public and private companies, cities, Government agencies, NGO's, supply chains	Cities program Jan. 1 to March 31 Water and forestry program Feb 1 to June 30 Climate change Feb. 1 to May 29 Supply chain April 1 to July 3
Dow Jones Sustainability Indexes	Industry specific but equal balance to economic, social and environmental indicators	The 2500 largest public companies in the world	April 3 to May 28
GRI	CSR+ equal weight to economic, social and environmental factors	Public and private companies, cities, Government agencies, NGO's, universities and Hospitals	Anytime (as per companies traditional report)

GPESB	Economic, social and environmental factors in real estate sector only	Commercial real Estate owners, asset managers and developers	April 1 to June 30
SASB	industry specific for US companies only	For US companies only	Integrated into quarterly 10 k filings

Source: <https://www.measurabl.com/blog/the-top-five-sustainability-reporting-frameworks-you-should-know/>

Objectives of the Study

- To study and examine the sustainability reporting framework prepared by Global Reporting Initiative.
- To present standing of sustainable based reporting trend in entities in India and overseas as per GRI from 1999 to 2016.
- To scrutinize the follow-up of latest guidelines issued by GRI according to size, region, and sector of the reporting firms.

Data Collection and Analysis

The study is confined to Sustainability reporting by firms as per GRI framework only. The data used in this study have been taken from GRI website from the year 1999 to 2016 (Data for 2017, 2018 and 2019 is not available in data base of GRI). As per the requirement and necessity, some data are grouped and sub-grouped. By giving special emphasis to Indian entities an analysis according to regions, organizational size and follow up of latest GRI guidelines is done to find out sustainability reporting trend.

Global Reporting Initiative (GRI)

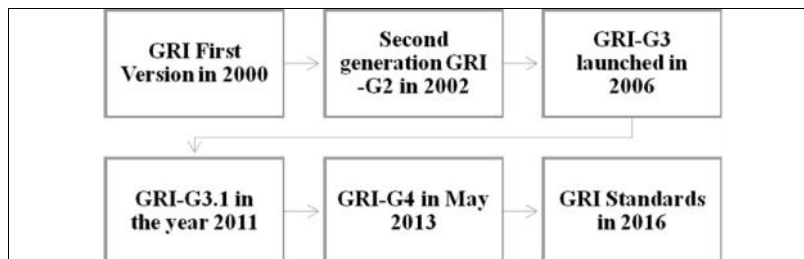
GRI is a sovereign global organization that has pioneered sustainability reporting since 1997, based in Amsterdam, the Netherlands. It serves a global audience through regional hubs in Brazil, China, Colombia, India, South Africa and the United States. GRI reports are prepared in more than 100 countries. In fact, 93% of the world’s largest 250 corporations report on their sustainability performance. GRI focuses on four strategic areas to ensure that sustainability reporting empowers sustainable decisions:

- Enabling smart policy
- More reporters, better reporting
- Moving beyond reports
- Innovation and collaboration.

This organisation is also working on issues such as climate change, the Sustainable Development Goals, Integrated Reporting. The Focal Point India was established in January 2010, and is hosted by BSI Group India. The Focal Point has an important strategic collaboration with the Indian Institute of Corporate Affairs (IICA), an independent think tank under the Ministry of Corporate Affairs, Government of India through the IICA-GIZ CSR initiative.

GRI Guidelines

The aim of the GRI guidelines is to support reporting organisations and their stakeholders in expressing and understanding contributions of the organisation to justifiable development through their reports. From the year 2000 GRI has launched the following versions of its guidelines for filling sustainability reports:



The GRI Standards (the latest version) are the first global standards for sustainability reporting. They feature a segmental, unified structure, and denote the comprehensive best practice for reporting on a range of economic, environmental and social impacts.

Sustainability Reporting Process

The steps in the sustainability reporting cycle are:

- Define performance goals and metrics
- Measure performance (data collection)
- Evaluate performance (includes analysis and reporting)
- Manage performance.

SPIs are used as a tool to measure a company's sustainability performance and to monitor and report on future progress. SPIs can be further categorized into the three areas covering either the economic, ecological, or social aspects of sustainability.

Table 2: Categories of Sustainable Performance Indicators

Sustainable Performance Indicators	Types of Information
Economic indicators	Company turnover, profit, quantity of products sold, and market share
Social indicators	Labour practices, human rights, diversity, philanthropy, wages, and benefits
Ecological indicators	GHG emissions, water usage, resource depletion, waste generated, pollutants released, biodiversity, and land use

Reporting in India

- Ministry of Economic Affairs notified environmental impact assessment for 32 sectors in 1994.
- In 2000, SEBI specified principles of corporate governance as listing requirement under clause 49.
- Ministry of Economic Affairs issued charter for corporate responsibility for environment protection in the year 2003.
- Ministry of Economic Affairs revised environmental impact assessment from 32 sectors to 39 in 2006.
- The Reserve Bank of India had drawn the attention of banks to their role in Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting in its circular dated December 2007.
- In 2008 Prime Ministers Council on CC released National Action Plan on Climate Change.
- MCA released Corporate Social Responsibility Voluntary Guidelines in 2009.
- National Voluntary Guidelines were issued on Social, Environmental & Economic Responsibilities of Business on 8 July 2011 by the Ministry of Corporate Affairs, Government of India. In this same year DPE released Guidelines on CSR for Central Public Sector Undertakings.
- In Companies Bill 2011 provision is made to include in the Board's report a CSR policy and to spend 2% of Average PAT on CSR activities.
- SEBI mandate in 2012 for top 100 NSE/ BSE listed companies to submit Business Responsibility Report (BRR) as part of their annual report.
- Corporate reporting in India has evolved through Companies Act 2013, CSR, BRR and similar requirements.
- The SEBI circular of February 2017 takes this evolution a step further by encouraging top 500 listed companies to adopt the Integrated Reporting framework in their annual reporting process.

Findings of the Study

Following investigation shows national and global scenario for the reporting trend in entities as per GRI framework:

Table 3: Organisations and Reports registered (Size-wise) with GRI from 1999 to 2016

Size	Global Scenario		National Scenario	
	Organisations	Reports	Organisations	Reports
Large	7945	34324	270	739
MNE	3221	14643	118	207
SME	2648	6217	39	67
Total	13814	55184	427	1013

Source: Compiled by author from <https://database.globalreporting.org/search/>

Interpretation

Organizations are classified as Large, MNE and SMEs based on the local regulations. In the absence of local regulations following classification based on the EU definition will apply. Organisations have to register their report in respective category?

Table 4: Classification of Organizations

Size	Headcount	Turnover	Balance sheet total
Large	More than or equal to 250	More than or equal to 50 Million Euro	More than 43 Million Euro
MNE	More than or equal to 250 and Multinational	More than or equal to 50 Million Euro	More than 43 Million Euro
SME	Less than 250	Less than or equal to 50 Million Euro	Less than or equal to 43 Million Euro

Source: Compiled by author from <https://www.globalreporting.org>

Above table shows that from inception till 2016, 13814 organisations are registered with GRI, out of which 7945 are large scale organisations, 3221 are multinational and 2648 are SME's. Total 55814 reports are filled during the period under study. Large scale organisations are keener in filling reports. If we go with India's status with GRI only 427 organisations are registered with GRI and they filled 1013 reports in this period. National scenario also indicates that 63% Indian organisations are large. Our score for organisational level is around 3% and at report filling level it comes to less than 2%. The applicability of GRI reporting in India is yet at embryonic stage.

Table 5: Region - wise Classification

Region	No. of Countries	Organisations	Reports
Africa	58	660	3405
Asia	52	4990	17484
Europe	53	4465	19550
Latin America and the Carribean	50	2005	6962
Northern America	05	1426	5844
Oceania	24	418	1944

Source: Compiled by author from <https://database.globalreporting.org/search/>

Interpretation

In GRI data base, submission territory has been classified in six regions. Organisations from all over the world are participating in submitting sustainability reports to GRI. Above table depicts that European organisation are playing leading role with submitting about 35 % of total reports, followed by Asian organisations with 31%. The above table reveals organisations from that African and Oceania region are reporting less than 10% of the total.

Table 6: Total Reports with GRI

Years	Global Scenario		National Scenario	
	Organisations	Reports	Organisations	Reports
1999-2002	242	355	03	04
2003-2006	911	1635	09	20
2007-2010	3269	7156	44	86
2011-2014	7874	19944	107	264
2015	6367	6422	99	102
2016	7009	7109	148	160

Source: Compiled by author from <https://database.globalreporting.org/search/>

Interpretation

The above table reveals that in initial five years only 242 organisations registered themselves and filled 355 reports. The reason behind it may be that at that time sustainability issue was not so much bigger. In this period only 3 Indian organisations (Tata Steel, Ford India and Paharpur Business Centre) were registered with GRI. Tata Steel submitted first report from India in 2001. 36% of the total reports was registered from 2011 to 2014. In 2015 and 2016, 6422 and 7109 reports were submitted at global level respectively. Indian organisations submitted 102 and 160 reports in this period. Thus it can be said that more and more organisations are coming forward and showing their interest for sustainable growth.

Table 7: Sectorial Classification of Reports

S. No	Sector	Global Scenario		National Scenario	
		Organisations	Reports	Organisations	Reports
1	Agriculture	257	746	06	12
2	Automotive	281	1231	30	88
3	Aviation	194	881	04	08
4	Chemicals	449	2012	26	77
5	Commercial Services	331	1117	07	21
6	Computers	128	554	04	15
7	Conglomerates	319	1523	24	89
8	Constructions	442	1685	17	30
9	Constructions Material	309	1268	12	55
10	Consumer Durables	121	472	09	18
11	Energy	794	3503	23	74
12	Energy Utilities	412	2172	16	47
13	Equipment	311	1385	10	16
14	Financial Services	1625	7378	69	109
15	Food and Beverage	842	3213	12	23
16	Forest and paper product	163	761	00	00
17	Health care Product	364	1415	23	45
18	Health care Services	219	702	06	08
19	Household and Personal	129	594	04	07
20	Logistics	296	1179	08	13
21	Media	202	689	05	06
22	Metal Products	311	1258	19	67
23	Mining	416	1997	13	39
24	Services(non Profit)	375	1164	01	00
25	Public agency	254	787	00	00
26	Railroad	94	408	00	00
27	Real Estate	471	1831	02	13
28	Retailers	347	1533	00	00
29	Technology Hardware	379	1573	04	09
30	Telecommunications	332	1693	07	23
31	Textile and Apparel	241	702	15	23
32	Tobacco	41	150	01	01
33	Tourism	285	940	05	08
34	Toys	06	33	00	00
35	Universities	156	408	00	00
36	Wastage management	101	388	00	00
37	Water Utilities	137	643	01	01
38	Others	1757	5196	44	69

Source: Compiled by author from <https://database.globalreporting.org/search/>

Interpretation

Above table shows that in GRI database reporting organisations are classified in 38 sectors. About 11% of them belong to financial services sector and they registered 13% reports at global level. As far as India is concerned maximum reports are registered from this sector also. 5196 and 69 reports from all over the world and from India respectively belongs to other sector. Organisations from all the sectors are submitting at global level but if we talk about India above table reveals that from sector like forest and paper products, public agency, retailers, toys, universities and wastage management not a single organisation registered till 2016.

Table 8: Follow up of Guidelines

Report Type	Global Scenario		National Scenario	
	Organisations	Reports	Organisations	Reports
GRI-G1	216	305	02	02
GRI-G2	748	1458	9	17
GRI-G3	4245	11923	67	153
NON-GRI	6071	16433	299	401
GRI-G3.1	3147	5950	72	152
GRI-G4	5168	11663	119	234
GRI Standard	1256	1656	23	26
Citing GRI	2677	5801	19	28

Source: Compiled by author from <https://database.globalreporting.org/search/>

Interpretation

Above table shows that when realised in 2000 only 216 organisation filled 305 reports. Only 2 Indian organisations started reporting with G1 guidelines, Tata was the first Indian company which adopted these guidelines. 748 organisations filled 1458 reports according to G2 version of guidelines. Major change came with release of G3 guidelines as 11923 total reports are filled according to G3 basis. Up to June 2018 organisation could file reports according to G4 version. From the launch in May 2013 till 2016, 5168 organisations prepared 11663 reports as per G4 guidelines. As far as national scenario is concerned 119 organisations prepared 234 reports in this version. Reports in which explicit reference of GRI guidelines is used but for which no GRI content index is used are categorised as Citing GRI. Reports prepared in this category at global level are 5801 with only 28 from India. Those reports filled with GRI but not satisfy the GRI standard report type requirement are put in non GRI category. Upto 2016, 16433 (Maximum) reports filled with GRI not satisfies the GRI criteria.

Issues with Sustainability Reporting

- Non uniformity of Standardization is the major challenge.
- Acceptability of framework; depends on multiple stakeholders
- Monitoring the reporting: Organisations can develop their own sustainability reporting framework.
- sustainable reporting is optional do not require any procedure for attestation by any third party as well as no penalty provision for non-compliance
- Measurement and quantification of social and environmental responsibility is big issue.

Conclusion

As there is a greater awareness and concern about the organisation's activity and its effect, sustainability reporting offers them quite a lot in terms of transparency regarding environmental and social performance issues. The development of corporate governance standards is maturing. India's business and investment communities are beginning to recognize the benefits of sustainability reporting and organizational transparency. Though, Governments and regulators had drawn the attention of the entities to their role in corporate social responsibility by making provision, critical policy interventions and issuing guidelines, there is an urgent need to set out clear and meaningful principles of reporting and regulate sustainability reporting by companies. The International Standard Organisation (ISO) has recognised the need for guidance on sustainability, through the publication of ISO 26000 on Social Reporting. Recent development is Integrating Reporting which further includes the analysis of financial and non-financial reporting of a company in a single report. This helps in providing a greater context to the non-financial data such as how the company performs on environmental, social and governance (ESG) parameters, how sustainability is embedded in the core business strategy etc.

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