

CORPORATE NON-FINANCIAL REPORTING PRACTICES THROUGH BUSINESS RESPONSIBILITY REPORTING: A CASE STUDY OF INDIAN IT COMPANIES

Dr. Ashok Kumar Gupta*
Ms. Nupur Tiwari**

ABSTRACT

The Present study is intended to analyse and compare the Business Responsibility Reporting Regulation 34(2)(f) of the LODR SEBI by Indian IT companies(viz. Tata Consultancy Services Ltd. and Infosys Ltd.) of Financial year 2018-19. To ascertain the compliance level of both the Companies Business Responsibility Reports of both the companies were compared taking Nine principles covered under 'National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business' as base for comparison. The Study concluded that Infosys and TCS both have complied with format prescribed in terms of reporting but Infosys is much more ahead of TCS in terms of providing details of policies framed and along with that providing links for easy access in public domain. Presentation of Section-E Principle Wise Performance of BRR in case of Infosys is quite impressive and well-presented than of TCS. Lack of detailed information and absence of links for easy access of policies might not provide complete transparency to the stakeholders. This study found that TCS and Infosys both have complied with the BRR format and guidelines as prescribed by SEBI LODR. This study suggest that Infosys has provided detailed and impressive responses of the Principles whereas TCS's responses were not up to the mark and some of the principles were responded in simply Yes or No. Therefore, this study suggests that TCS must improve on part of providing at least precise Information on responses to Principles and also make available the links in public domain to sustain the confidence of stakeholders.

KEYWORDS: *Business Responsibility Report, IT Companies, Compliance Level, SEBI LODR.*

Introduction

Sustainability Reporting is newly originated concept. Traditional Reporting pattern was more dependent on Financial information but due to dynamic changes in environment needs of the stakeholders changed and shifted towards Integrated reporting which includes Financial and as well as Non-Financial information which helps in decision making of the current as well as prospective investors or stakeholders. Today need has been felt by the companies to match their resources to the needs of the society .Hence, matter of reporting and disclosure pattern discussions are in trend now a days. Sustainability Reporting information represents the firm's performance on the sustainable development of society .This information comprises of Information about Workforce diversity , environmental footprint, safety Standards, Business model and strategy ,Information about Internal Control etc. The organization's Economic, Environmental and Social Performance public disclosure is known as Sustainability reporting. Now, It is felt by many companies that shareholders needs are not satisfied with only financial reporting rather they are more interested in overall organizational performance. Sustainability Reporting takes care of environment and social well being and also that how much company go beyond regulations to act responsibly and works towards fair and equitable ,produces such products and provides such kind of services which makes less or no harm to the environment. It also includes managing greener supply chain implementation and how kind of policies it frames for tackling the Climatic Issues. It is often considered synonymous to triple bottom line Reporting, Corporate Social reporting etc.

* Associate Professor, Department of ABST, Government Girls College, Pali, Rajasthan, India.

** Research Scholar, Government Commerce College, Kota, Rajasthan, India.

Main Objectives

- To examine the compliance level of BRR guidelines as prescribed by SEBI LODR by the IT companies(viz., Infosys and TCS)
- To compare and analyse the extent of compliance level by the IT companies(viz., Infosys and TCS)

Review of Literature

- **Bhalla and Bansal (2014)** in their study attempted to analyze the growth of sustainability reporting in India by focusing on economic aspect. The study explained that that economic indicators are not only expressed in monetary terms and economic resources are used by the organizations to fulfill social obligations and study also explained how it benefits the organization and the society as a whole .They used Reliance Indsutries, TCS, WIPRO for the purpose of study.Their findings revealed that companies are presenting their sustainable performance to various users with the help of websites and also through published reports.
- **Godha and Jain (2015)** in their comparative study of Sustainability Reporting trend in Indian Companies as per GRI Framework conceptually reviewed sustainability reporting and its benefits for the entities. They attempted to examine the development in Indian Regulatory Framework and analyzed the trend, application level and status of the sustainability reporting practice of Indian entities as per the GRI reporting framework. Their findings revealed Corporate Governance Standard development is going on new maturity level in India .Their study concluded that Amendments Regulatory mechanisms have created pressure to response and communicate their sustainable performance as per prescribed laws and regulations and Indian companies are now realizing that with the dynamic changes in environment they have to maintain their sustainable performance as per the standards to survive and grow in today's era of globalization.
- **Nanjudaswamy and Divashree (2019)** in their study intended to analyse the Indian Regulatory Framework of Sustainability Reporting and its compliance by Indian Companies. Their study period covered FY 2015-16 to FY 2017-18. For the purpose of study they took top 10 Indian listed Companies. They used Content Analysis Technique and used self-constructed Score Sheet and used One Sample T-Test for Data Analysis. Their study found that in initial years low level of Compliance was noticed and over the period it got improved and later more than 60% compliance by the companies was noticed. The study suggested that for the benefit of society and Indian economy as a whole Indian company must adhere to BRR requirements in accordance with prescribed format and guidelines by SEBI.

Research Methodology

Sample Size

The study is based on two Private IT Sector Companies which are included in BSE SENSEX based on market capitalization .Over the passing years, IT sector has witnessed growing importance in the Indian economy as IT sector is typically a knowledge based sector. The Companies are:

- Infosys Ltd.
- Tata Consultancy Services Ltd.

Data Collection

This study is based on secondary sources which comprises of Research papers, Journals and Annual Reports of the sample Companies obtained from their official websites.

Duration of the Study

The present study is based on Financial Year 2018-19.

Analysis of Business Responsibility Reports of IT Sector Companies

Initially, before 2012 Business Responsibility Reporting was Voluntary Disclosure Practice. Later, in 2012 Circular by SEBI mandated Top 100 Listed Companies to submit their Business Responsibility Report (BRR or BR report) based on their market capitalization. Then, SEBI in confirmation with MCA (Ministry of Corporate Affairs) in its (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the requirement of submission of BRR for top 500 Listed Entities. The BRR includes describing their initiatives from an environmental, social and governance

perspective in the prescribed format by SEBI LODR [Regulation 34(2)(f)]. Business Responsibility Report inclusion as a part of entities annual report has been mandated by SEBI and adoption of responsible business practices disclosure by listed companies to all its stakeholders is done by Business Responsibility Report. More public interest is involved in these listed entities as funds are also accessed from the public so these companies are obliged to make disclosures regularly. Business Responsibility Report's standardized format has been prescribed by SEBI in which companies need to report the actions adopted for responsible business practices. The prescribed format of a Business Responsibility Report also provides a set of generic reasons which the company can use for explaining their inability to adopt the business responsibility policy. Further, Business Responsibility Report has been designed as a tool to help 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.

The BRR framework prescribed is divided into five sections:

- **Section A:** Organization's General Information (For e.g., about the Industry Sector, Products & Services dealt with, and other general information etc.)
- **Section B:** Organization's Financial Details – (For e.g., Paid up capital of the company, its Turnover and Profits etc.)
- **Section C:** Other Details like BR initiatives for Subsidiaries and details about supply chain partners.
- **Section D:** BR Information (Structure, Governance & Policies for Business Responsibility adopted by the company).
- **Section E:** Principle-wise Performance (Name the Indicators which are used for determining the performance on the Nine Business Responsibility principles as given by the National Voluntary Guidelines (NVGs)).

Source: BBR Manual (MCA)

Principles

The principles as recommended by the National Voluntary Guidelines are given in brief below:

- Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- Principle 2: Businesses should provide goods and services that are safe and 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

Source: BBR Manual (MCA)

Table 1: BRR Disclosure Compliance of Tata Consultancy Services and Infosys

Principle No.	Name of the Principle and Description	Responses by TCS	Responses by Infosys
1.	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.		

1.1	Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?	Here, simply No has been stated Yes has been stated.	Here proper and precise explanation has been given about Infosys code of conduct
1.2	How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	In FY 2019, overall 160 ethics were received out of which 145 were resolved whereas remaining are under resolution process.	Here, Reference of Investor complaints in shareholder section of annual report is given and details of grievance and resolution official website link has been provided for the user.
2.	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle		
2.1	List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	Three instances of work done has been mentioned with precise detail namely Energy Management solution(EMS), Digital Nerve Centre(DiNC) and mKRISHI.	Three Noteworthy projects are Small loan transformation in a leading NBFC, Education every Girl Child with Sukaniya Samridhi Account(SSA), Process optimization and transparency via MCA Project.
2.2	For each such product, provide the following details in respect of resource used (Energy, Water, Raw material etc.) per unit of product (optional)	Report says TCS was able to reduce specific electricity consumption by 6.5% during FY 2019 and It was made possible by adopting a series of initiatives in case of EMS only.	Report says that Infosys being a responsible corporation keep track of consumption of resources and performance related to parameters has been mentioned in Sustainability report and official website link for easy accessibility has also been provided.
2.3	Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	Its been mentioned that supplier code of conduct and Tata code of conduct is being signed by their suppliers and relevant policy official link regarding supply chain sustainability has been provided for easy access.	Its been mentioned here that they also have supply chain policy and supplier code of conduct. They have mentioned 3 categories of suppliers namely people, services and products. They have specifically highlighted the prevention of child labor clauses in their contracts. They have mentioned that they have forums for raising any concern about mishappening and voice over serious issues. They even timely conduct training, assessment and audit on health and safety, Compliance and Anti -corruption, Human rights and Anti harassment.

2.4	Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	TCS has trained digital entrepreneurs under its Bridget Program and also enhanced livelihood in Panvel, India and Women Empowerment Program has contributed in training the Women employees.	Here it says that responsible supply chain policy has guided in actions and interactions with supply chain partners.79% of spending has been done on domestic suppliers in fiscal year 2019.
2.5	Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as 10%). Also, provide details thereof, in about 50 words or so.	Yes has been mentioned and reference to Corporate Sustainability report has been given.	They have mentioned that waste Management Strategy has been framed using Reduce, Reuse and Recycle. Disposal of waste is done in adherence to legal legislations .Report says that In house biogas and organic waste converters are used for treating the Organic waste such as food waste and garden waste.
3.	Businesses should promote the well - being of all employees.		
3.1	Please indicate the Total number of employees.	4,24,285 as on March 31 st , 2019	They have full time 2,28,123 employee as on March 31 st 2019
3.2	Please indicate the Total number of employees hired on temporary/ contractual/ casual basis.	20,376 as on March 31 st , 2019	Most of the employees are full time and permanent employees and official website link has been also mentioned for access to more details.
3.3	Please indicate the Number of permanent women employees.	1,52,114 as on March 31 st , 2019	83,671 as on March 31 st , 2019
3.4	Please indicate the Number of permanent employees with disabilities.	442 as on March 31 st , 2019	Its been mentioned that they ask the employees to seek reasonable accommodation which will help them in performing to their full potential. They have 353 employees as on March 31 st , 2019
3.5	Do you have an employee association that is recognized by management?	Simply yes has been stated.	They have specifically mentioned the names of communication channels they use such as corporate radio channel(Infy Radio), Social networking hub(Yammer) ,the annual employee satisfaction survey – LITMUS(Lets interact on themes that matter to us),Managers portal etc.
3.6	What percentage of your permanent employees are members of this recognized employee association?	0.03%(For India)	Official link has been referred for details.

3.7	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	Its been stated that Company has adopted a policy on Prevention, Prohibition and redressal of sexual harassment at workplace and internal complaint committee has been constituted in adherence to provisions of Sexual Harassment of Women at Workplace (Prevention, Rohibition and Redressal) Act,2013 and some details regarding number of complaints received and number of complaints resolved has been mentioned.	All necessary details has mentioned along with type of employee grievances and Number of grievances .Details of Workplace sexual Harassment complaints in India has been aslo mentioned reported as per Sexual Harassment of Women at Workplace (Prevention, Rohibition and Redressal) Act,2013 and Ministry of Women and Child Development.
3.8	What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?	Details of Permanent Employees, Permanat Women Employees, Casual/Temporay/Contractual Employees, Employee with Disabilities has been mentioned.	Along with Details of Permanent Employees, Permanat Women Employees, Casual/Temporay/Contractual Employees, Employee with Disabilities details of skill purgation and safety details has been also mentioned.
4.	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.		
4.1	Has the company mapped its internal and external stakeholders?	Simply Yes has been stated	Reference of official website link has been given.
4.2	Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders	Simply Yes has been stated	Reference of official website link has been given.
4.3	Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.	Reference of Corporate sustainability report has been given.	Community engagement interventions such as Grant - making, Organization led projects, employee driven initiatives, Community sabbaticals and official link has been provided.
5.	Businesses should respect and promote human rights .		

5.1	Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/	Its been stated that policy is applicable to TCS ,its subsidiaries and vendors	Its been mentioned all Infosys group is covered under policy.
5.2	Suppliers/Contractors/NGOs /Other? How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	Its been stated that no such complaint was received.	Its been stated that they have robust and strong stakeholder engagement process and very strong listening mechanism and stakeholders have easy access to whistle blower policy and official website link has been mentioned to look into more details.
6.	Business should respect, protect, and make efforts to restore the environment.		
6.1	Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /others.	Its been stated that policy is applicable to TCS ,its subsidiaries and vendors	Its been stated that they have established HSE(Health, Safety and Environment) policy and procedures and it has been made available to all their employees worldwide on their intranet. They also encourage their vendor partners to follow HSE guidelines.
6.2	Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.	Simply Yes has been stated.and link has been given.	They have given precise explanation emphasizing on use of renewable resources and they have goals of carbon neutrality and for detailed information link has been provided.
6.3	Does the company identify and assess potential environmental risks?	Yes has been mentioned.	They have mentioned that through Health, Safety and Environment Management System (HSEMS),they manage environmental impact on operations. Also, Link to official website has been mentioned.
6.4	Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	Not applicable has been mentioned.	Not applicable has been stated.
6.5	Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.	Reference to section on corporate sustainability report has been given	Its been mentioned that they have invested in greener and cleaner technologies in Sira, Kranataka. They have also invested in solar power plant capacity and more details link has been provided.

6.6	Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year	Simply yes has been stated	Its been stated that monitoring and tracking of all parameters is done in adherence to all applicable legislations. And for more details official website link has been given.
6.7	Number of show cause and legal notices received from CPCB/SPCB which are pending as on end of financial year.	One has been stated	No, monetary or non-monetary sanctions has been imposed for Non Compliance during fiscal year 2019.
7.	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.		
7.1	Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with.	Yes has been stated and it is a member in 6 associations and names has been stated in report.	It is in partnership with 15 associations during 2019.
7.2	Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others).	Yes has been stated and its been mentioned that Tcs has participated in consultations on governance and administration, sustainable business principles, etc. and it also uses tata code of conduct as a guide for its actions.	It has been mentioned that their senior leaders take the full responsibility of building better business environment as they are part of various governance bodies of national and international organisations and link to official website has been also given for more details.
8.	Businesses should support inclusive growth and equitable development		
8.1	Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.	Yes has been mentioned and reference to corporate sustainability report is given.	Infosys Foundation, Infosys Foundation USA, and Infosys Science Foundation are helping the overall development of societies and human capabilities and for more details official website link has been given. Infosys has foundations in India and USA and for more details official website link has been provided.
8.2	Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?	It simply states that TCS uses all the modes.	Foundation programmes has laid a great impact and its details are given are official websites.

8.3	Have you done any impact assessment of your initiative?	Simply yes has been mentioned.	Reference to Annexure 7 of annual report is given and links of official website has been given
8.4	What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?	Amount of Rs 527 Crore has been mentioned and for more details Annexure II of Director's Report has been referred.	They have mentioned teach fishing model for self-sustenance and also link has been provided.
8.5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	Its been mentioned that initiatives under CSR initiatives are tracked for the determination of outcomes achieved and benefits to society.	Link has been provided.
9.	Businesses should engage with and provide value to their customers and consumers in a responsible manner		
9.1	What percentage of customer complaints/consumer cases are pending as on the end of financial year.	Its been mentioned that 4.2% of the complaints received are pending as on March 31 st , 2019	Its been mentioned that no complaint is pending.
9.2	Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information).	Not applicable is mentioned.	Not applicable is mentioned.
9.3	Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anticompetitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.	Simply no is mentioned.	Its been mentioned that they have various mechanisms for receiving and addressing complaints but no stakeholder has filed any complaint.
9.4	Did your company carry out any consumer survey/ consumer satisfaction trends?	Simply Yes has been mentioned	They conduct Annual Client Value Survey for better understanding of clients expectations and needs which helps in better investment decisions. Its also been mentioned that Infosys has sustained the customer experience very nicely.

Table indicates that TCS and Infosys, both have made Business Responsibility Report as a part of their Annual report. Both the Companies have followed the guidelines and format of BRR by SEBI LODR. It has been analyzed that as far as detailed responses of Principles' Description are concerned Infosys is much more ahead from TCS. Infosys has also provided Official Website links

related to these principles in public domain. TCS in case of responses has simply stated Yes or No, only at some places it has been observed that some precise explanation is mentioned and Official Website links have been provided.

Findings and Suggestions

The main objective of the study was to examine the extent and compliance level of BRR reporting requirements of IT Companies (viz., Infosys and TCS) and it was found that both Companies are doing well in complying with Business Responsibility Reporting Guidelines and both Companies have great interest towards Sustainable Performance. Infosys and TCS, both have kept the compliance level of BRR requirements accurate and up to the mark from Section A to Section D. After comparing both the presentations of BRR, it was found that Infosys in its Report has well-presented the Section E - Principle Wise Performance with proper detailed explanation of responses along with the providing of related Official Website links to principles in public domain. It was found that though TCS has complied with BRR requirements but it has to improve its BRR presentation of Section E in terms of providing detailed responses wherever required along with necessary related links for meeting the requirements of stakeholders needs in decision making.

Conclusion

This study concludes that the main motive behind Business Responsibility Reporting is to help the companies in self-identification about sustainability and responsibility towards their Businesses. The nine principles holds significant importance in such self - identification .The Report also presents the Companies insights about its overall economic and social approach which helps the stakeholders in making their investment decisions. As the Business Responsibility Report is now mandatory to be provided by the listed entities as per format and guidelines prescribed by SEBI LODR , therefore it has become the fair and transparent method which makes the information easily accessible to stakeholders at large. It will help in gaining the confidence of stakeholders and attract more future investments due to easy comparison of sustainable performance by the companies. Finally, it would be correct to say that if this reporting is continued to be followed as per prescribed format and guidelines by SEBI LODR, India will soon become sustainable economy.

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