

# Role of Institutions in facilitating Sustainability Reporting



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# The Presentation

- Why Report on Sustainability?
- The Sustainability Report
- Institutions on Sustainability
- Trends in Sustainability
- The Way Forward

# Why Report on Sustainability ?

- Enhanced business value
- Improved operations
- Strengthened relationships
- Enhanced trust and credibility
- Meet growing expectations of broad range of stakeholders
- Improved reputation with socially responsible investors
- Employee recruitment and retention
- Brand protection and customer loyalty

# The Sustainability Report

- **Environmental Issues**
  - Climate change and energy
    - Ecosystem services
  - Local environmental impacts
- **Health and Safety Issues**
  - Workforce protection
  - Product health, safety and environmental risks
  - Process safety and asset integrity
- **Social and Economic Issues**
  - Community and society
    - Local content
    - Human rights
  - Business ethics and transparency
  - Labor practices

# Who's Reporting?

- Corporates
- Public Agencies
- NGO's
- Small Enterprises

# Global Reporting Initiative

- The GRI is a network based organization that has created one of the most credible sustainability reporting frameworks.
- The GRI network consists of :
  - -Governance Bodies
  - Board of Directors,
  - Stakeholder Council,
  - Technical Advisory
  - Committee and Organizational Stakeholders
  - Secretariat
  - Governmental Advisory Group
  - Organizational Stakeholders
  - Focal Points

# GRI Reporting Framework

- G3 Guidelines
- Sector Supplements
- National Annexes

*The report is just one of the outcomes of the entire exercise of preparing a Sustainability Report. Its true value is in what it identifies, measures, exposes and highlights.*

# Three Pillars of CSR

The three pillars of corporate social responsibility are

- environment,
- society, and
- governance

# The Triple Bottom Line

- The TBL is an accounting framework that incorporates three dimensions of performance:
  - social,
  - environmental and
  - financial.

# The Triple Bottom Line (TBL)

TBL differs from traditional reporting as it includes

- ecological (or environmental) and
- social measures

that can be difficult to assign appropriate means of measurement.

The TBL dimensions are also commonly called the **three Ps: people, planet and profits**. We will refer to these as the 3Ps.

# The 3Ps Policy

## The 3 dimensions of Sustainability Reporting

- **Planet** - minimize the environmental impacts and work for the better utilization of natural resources
- **People** - social and community view on people's autonomy and quality of life
- **Profit** - longevity of the organization is ensured by the goal of profitability earned through operational efficiency, strict cost controls and ethical and transparent behavior

Planet  
+  
People  
+  
Profit  
=  
Sustainable Development

# Application of Triple Bottom Line Measurement

The application of the TBL by businesses, nonprofits and governments are motivated by the principles of economic, environmental and social sustainability, but differ with regard to the way they measure the three categories of outcomes.

# ICAI on Sustainability Reporting

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.

# MCA on Sustainability Reporting

The Ministry of Corporate Affairs,  
Government of India in association with  
the Indian Institute of Corporate Affairs  
has released the voluntary guidelines on  
social, environmental and economic  
responsibilities of business

# RBI on Sustainability Reporting

In the financial sector, there is a visible trend to promote environmentally and socially responsible lending and investment, with the Reserve Bank of India recently issuing a circular for highlighting role of banks in promoting sustainable development.

# GOI on Sustainability Reporting

- The Government of India released the Corporate Social Responsibility Voluntary Guidelines in 2009 for businesses.
- The Ministry of Corporate Affairs, Government of India has formally released the **‘National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business, 2011’** on 8th July 2011.

# The guidelines have 9 basic principles

1. Ethics, Transparency and Accountability
2. Goods and services that are safe and contribute to sustainability
3. Well being of employees
4. Responsive towards stakeholders
5. Respect and promote human rights

# The guidelines have 9 basic principles

6. Environment
7. Influence public and regulatory policy in a responsible manner
8. Inclusive growth and equitable development
9. Provide value to customers and consumers

# National Action Plan on Climate Change

- A Multipronged Strategy for Sustainable Development
- Established in June 2007, under the chairmanship of the Prime Minister of India, to co-ordinate national action for assessment, adaptation, and mitigation of climate change.

National Missions on Climate Change	Objective
National Solar Mission	20,000 MW of Solar power by 2020
National Mission for Enhanced Energy Efficiency	10,000 MW of energy savings by the end of 11th FYP in 2012
National Mission on Sustainable Habitat	Energy efficient buildings, transport, waste management systems, energy efficiency as an integral component of urban planning, improving the resilience of infrastructure, community based disaster management, capacity building
National Water Mission	Increasing water use efficiency by 20 per cent through regulatory mechanisms with differential entitlements and pricing; formulating basin level management strategies; and establishing water conservation measures
National Mission for Sustaining the Himalayan Ecosystem	Understand the glacial changes through glacial monitoring, participatory management of Himalayan ecosystems
National Mission for a Green India	Six million hectares of afforestation over degraded land by the end of the 12th Five year plan (2017)
National Mission for Sustainable Agriculture	Drought proofing, climate risk management, improving productivity of rain fed agriculture
National Mission on Strategic Knowledge for Climate Change	Assess vulnerability and identify responses to climate change through high quality and focused R&D

# Clean Development Mechanism (CDM) in India

- The total number of CDM projects registered at the Clean Development Mechanism Executive Board (CDM EB) as on September 2012 is 532
- The National Clean Development Mechanism Authority (NCDMA) has accorded Host Country Approval to 1226 projects, facilitating an investment of more than USD 3,405.

# Clean Development Mechanism (CDM) in India

- The most of the projects are in sectors like energy efficiency, fuel switching, industrial processes, municipal solid waste and renewable energy.
- It is estimated, if all these projects get registered by the CDM Executive Board, they have the potential to generate a total 573 million Certified Emission Reductions (CERs) by the year 2012.

# Green House Gas Emissions in India

- A recent study by the Government of India estimates future GHG emissions, using different models.
- .
- The study concludes that the estimates of India's per capita GHG emissions in 2030-31 vary from 2.77 to 5 tCO<sub>2</sub> eq, with four of the five studies estimating that India's per capita GHG 2 emission will stay below 4 tonnes per capita

# **Eleventh Five Year Plan (2007-2012)**

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## **Highlights Energy Sector**

- Additional sources of energy such as Coal Bed Methane (CBM) must be fully exploited.
- To reduce the energy intensity per unit of GHG by 20 per cent from the period 2007-08 to 2016-17 and initiate action to increase easy access to cleaner and renewable energy.
- Renewable energy contribution to increase by 23 per cent.
- Content of ethanol in petrol to increase up to ten per cent.
- Depending upon the bio-diesel production and availability, the entire country may be progressively covered with sale of five per cent bio-diesel blended diesel.
- EURO IV equivalent norms in identified cities and EURO III equivalent norms in the entire country was introduced in 1 April, 2010.
- Setting up of a National Energy Fund (NEF) for supporting R&D in energy sector.
- Encouragement through suitable fiscal concessions to be provided for manufacture and assembly of fuel-efficient and hybrid vehicles and for use of alternative fuels for promoting energy conservation and environmental protection.
- Ten per cent increase of installed capacity in renewable (Wind, small-hydro and biomass)
- Achieve 10,000 MW of avoided capacity by 2012 through standards and labeling of appliances, building energy efficiency, efficient lighting, Municipal and Agricultural Demand side management (DSM).

## **Top 10 Indian companies in order of number of sustainability reports prepared**

- Tata Steel
- ITC Ltd.
- Jubilant Life Sciences Ltd
- Reliance Industries Limited
- Shree Cements Ltd.
- Sesa Goa
- MSPL
- Dr. Reddy's Laboratories India
- Sterlite Industries
- Infosys Technologies India

# CII on Sustainability Reporting

- Confederation of Indian Industry [CII] and the Carbon Disclosure Project [CDP] have commenced a new initiative titled CII-CDP Disclosure to Action. The CDP-related activity in India, now in its sixth year, has clearly revealed that climate change represents significant risks and opportunities to Indian businesses.

# Trends in Sustainability Reporting - 1

- Just 40 companies in India disclose their Sustainability Performance
- Sectors like construction and building material, metals and mining, oil and gas and chemicals t lead the reporting initiative in India

# Trends in Sustainability Reporting - 2

- Indian reporters use Global Reporting Initiative (GRI) guidelines to prepare the sustainability report
- Very few Sustainability Reporters in India have a Strategy with well defined objectives and a SMART Target

# Trends in Sustainability Reporting - 3

- The content of sustainability reports focus more on complying to the reporting guidelines requirements rather than elaborating on materiality, stakeholder engagement and future plans and targets.
- Climate change has emerged on the key sustainability risks across industries

# Trends in Sustainability Reporting - 4

- There is an increasing trend of companies engaging accountancy firms for assuring their sustainability reports in India.
- A recent trend observed is to include sustainability elements as part of internal audit so that the issues are discussed at the board level.

# Consequences of Compulsory Sustainable Reporting

- The social responsibility of business leaders increases
- Sustainable development and Employee training become a high priority issues for Companies
- Corporate Governance improves

# Consequences of Compulsory Sustainable Reporting

- Corporate boards supervise management more effectively
- Corporations implement more ethical practices
- Managerial Credibility Increases

# Integrated Reporting

- Integrated Reporting <IR> is the language for sustainable business.
- Companies communicate how value is created and will be preserved over the short, medium and long term
- Integrated Report, talks about the way in which an organization's strategy, governance, performance and prospects lead to the creation and preservation of value.

# The International Integrated Reporting Council (IIRC)

- Aims to create a globally accepted framework for accounting for sustainability, bringing together financial, environmental, social and governance information in an "integrated" format.

# IIRC – IFAC - ICAI

- The IIRC membership includes IFAC
- The Institute of Chartered Accountants of India (ICAI) is a member of the International Federation of Accountants (IFAC)

# Way Forward

- The Sustainability Report is sure to find information on the following areas namely
  - Sustainability issues, challenges, dilemmas and opportunities.
  - Regulatory environment and fact-based information
  - Information of interest to investors such as materiality of issues in financial terms, vision and strategy statements, goals and targets, etc.

# Way Forward

- Explanation on identification and prioritization of material issues.
- Reader friendly report design.

# About the Author

- *CA. Rajkumar S Adukia is an eminent business consultant, academician, writer, and speaker. He is the senior partner of Adukia & Associates.*
- *In addition to being a Chartered Accountant, Company Secretary, Cost Accountant, MBA, Dip IFR (UK), Mr. Adukia also holds a Degree in Law and Diploma in Labour Laws and IPR.*
- *Mr. Adukia, a rank holder from Bombay University completed the Chartered Accountancy examination with 1st Rank in Inter CA & 6th Rank in Final CA, and 3rd Rank in Final Cost Accountancy Course in 1983.*
- *He started his practice as a Chartered Accountant on 1st July 1983, in the three decades following which he left no stone unturned, be it academic expertise or professional development.*

# About the Author

- *He has been coordinating with various Professional Institutions, Associations, Universities, University Grants Commission and other Educational Institutions.*
- *Authored more than 50 books on a vast range of topics including Internal Audit, Bank Audit, SEZ, CARO, PMLA, Anti-dumping, Income Tax Search, Survey and Seizure, IFRS, LLP, Labour Laws, Real estate, ERM, Inbound and Outbound Investments, Green Audit etc.*
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# Thank You