

**Report on the BCF-IIC Open Discourse Series session “Relevance of Sustainability Reporting”**  
**September 19, 2009**

The Business and Community Foundation and India International Centre organized the second Open Discourse Series session on the “Relevance of Sustainability Reporting” on Saturday, September 19, 2009. The session was a round table with representatives from business schools, international universities, corporate houses, lawyers, civil society, and non-profit organizations.

The objective of the session was to understand differing perspectives on the concept of sustainability reporting and its relevance and practicability in India today. This report contains key points raised and debated upon in the session.

Dr. Aditi Haldar initiated the session by giving an introduction into the concept of the ‘triple bottom line’, as coined by John Elkington and ‘corporate sustainability’. The triple bottom line concept of ‘people, planet and profit’ incorporates the ecological and social performance of the company into the reporting framework of a company in addition to financial performance. Companies leave their footprint on society and the earth by their use and over-use of resources and consequently the concept of ‘corporate sustainability’ has achieved importance. Professor Ritika Gugnani from the Jaipuria Institute of Management gave her formulation of sustainability as the ability to “*meet needs of the present without compromising the ability of future generations to meet their needs*”. Prof. Gugnani advocated the premise that sustainable shareholder value could be created and increased by a company by means of pollution prevention, accelerating innovation and repositioning through clean technology, crystallizing the firm’s growth path and trajectory through its sustainability vision and enhancing its reputation and legitimacy through product stewardship. For instance, Jubilant Organosys in order to remain competitive has found sustainable value in using molasses as its chemical feedstock which has less cost and supply volatility than the crude oil-based feedstock used by international competitors, and is also more environmentally friendly. Mr. D.C. Parakh from Delhi Business School voiced the point that sustainability is in-built in the Gandhian tradition and the sustainability model for companies in India requires to be adapted to the Indian context.

Seven sustainability revolutions have taken place whereby old paradigms have given way to newer perspectives on the same issues. The main points of revolution listed by Dr. Haldar included the following: markets, values, transparency, life cycle technology, partnerships, time-frames and corporate governance. There was a discussion on how businesses in the western world would become obsolete as they catered to only rich people and consequent linkages were

made to the notion of life cycle technology. Herein the example of the Shell group of companies was given. In the last few years the Shell group has repositioned itself from being an oil and gas provider to becoming an 'energy provider' and conducting research and development in renewable sources of energy. This is a move to identify the group with a 'function' as opposed to a product. Dr. Haldar proposed that this was a global shift wherein companies nowadays are identifying business models from a 'function' rather than a 'product' perspective.

Discussions focussed around how corporate sustainability has evolved through various stages. Companies earlier were focussed solely on short term profit. Following this, there was a move to philanthropy and then onto involvement in community affairs and strategic partnerships were initiated by the company. For example, the Bhilai steel plant recognised that it requires support services and consequently the company started ancillary units which encouraged local entrepreneurship and also stabilised their supply chain. This is an example of 'sustainable business'. Nowadays many companies have started taking the concept of sustainable business very seriously wherein the concept of sustainability is inbuilt into the strategies, business functions and goals.

Various drivers of business in India in the 21<sup>st</sup> century were identified by Dr. Haldar, such as industrialization, trade liberalization, disruptive innovations, population growth, poverty etc. She put forward the interesting proposition that these drivers instead of being viewed as constraints and risks to business could be seen as the seeds of innovation which would lead to sustainable business and a sustainable world. Climate change was cited as an example of how a risk could be turned into an opportunity. The Clean Development Mechanism is an arrangement under the Kyoto Protocol which allows industrialised countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. India signed the Protocol in August, 2002. Companies in India can hence utilise the Mechanism in their favour by selling carbon credits. Further, companies which develop business models which meet the unmet needs of society would have a business opportunity which would be both profitable and sustainable. The interest and encouragement with which the Tata Nano was met is such an example.

Sustainability reporting was discussed as a strategic tool to understand where the company stands on its journey of sustainability and to understand the cross-cutting dimensions of triple bottom line performance of the company. Utilising this learning, organisations can start to measure, report and improve the way they make decisions and take actions and consequently create sustainable value for the organisation and its stakeholders. Additionally companies that disclose more information also lower their market risk and their cost of capital, as well as increase their reputation and brand while sustaining their license to operate.

Most companies preparing sustainability reports now follow the G3 version of the Global Reporting Initiative to prepare their sustainability reports. The reporting format has been developed through a multi stakeholder approach by involving civil societies, business organisations, international organisations etc. The format contains seventy nine key indicators on which reporting is required to be done by a company. Broadly the topics included in sustainability reports include the corporate strategy of the company, stakeholder engagement, new business growth opportunities, financial value of corporate responsibility and their corporate governance. A sustainability report typically moves from a broad statement of strategy and analysis of the sustainability impact of the company, to information about the organization to an explanation of their approach to key issues and an analysis of the company's performance in this context.

Professor Gugani as well as the Koshish Club from the Indian Institute of Foreign Trade suggested that there is a business case for sustainability reporting. The disclosure of challenges faced by companies is important in order to identify priority areas in order to be able to turn the risks faced into opportunities as well as integrate and gain strategic value from existing corporate social responsibility efforts. This will inspire trust in the stakeholders of the company as such a report will suggest that the company has a balanced approach towards sustainability.

The Koshish Club from the Indian Institute of Foreign Trade averred that sustainable reporting forms a strategic shift in a company's functioning. Developing an effective framework for sustainability would require addressing both decision making and governance within a company. A sustainability report should not only show the value of mitigating risks, but also show the positive influence on profitability, which needs to be an inter-departmental exercise in order to present a holistic picture. Further, the indicators selected require to be relevant in the context of the company's business such that they assist in delivering the sustainability business strategies.

The reports of Jubilant Organosys, Vodafone and L & T were discussed as being at the forefront of sustainability reporting in India. These reports take stock of the environmental and social responsibilities of the companies and move in an incremental fashion to map how the gaps identified therein would be filled. However, sustainability reports of most Indian companies focus solely on results and do not adequately address the management approach adopted towards sustainability.

The principles enunciated by the UN Global Compact in the areas of human rights, labour, environment and anti-corruption were discussed in the context of sustainability reporting. Dr. Haldar mentioned how earlier though companies could be signatories, it was difficult to monitor their actual compliance with the principles. Now signatories can give a 'communication on progress' evidencing their compliance, in the format of the Global Reporting Initiative.

It was pointed out by Dr. Halдар that social performance of a company was not just about communities, but also about development of social capital and social relationships. In this context, the example of Novo Nordisk was given. The company is involved in manufacture of drugs for diabetes and is now investing in communities to prevent diabetes. Their annual report has been merged into their sustainability report, and the business model has been adapted in this context. The importance of product responsibility was also extensively debated. It was mentioned by a student from the Delhi Business School that companies are now redesigning their products to be socially responsible. For example, keeping in mind the plastic waste that cell phones create, Nokia is now designing an eco-friendly phone.

The next session in the open discourse series, is scheduled for 30<sup>th</sup> November 2009. In the interim, BCF invites participation, feedback, and questions to continue this conversation.

*Prepared by Antara Lahiri*