International Journal of Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
IJRFM 2023; 6(1): 368-372
Received: 08-05-2023
Accepted: 09-06-2023

Dr. Vijay Singh
Assistant Professor,
Department of Commerce,
Indira Gandhi University,
Meerpur, Rewari, Haryana,
India

Pooja
Senior Research Fellow,
Department of Commerce,
Indira Gandhi University,
Meerpur, Rewari, Haryana,
India

Ankit Yadav
Junior Research Fellow,
Department of Commerce,
Indira Gandhi University,
Meerpur, Rewari, Haryana,
India

Correspondence Author;
Dr. Vijay Singh
Assistant Professor,
Department of Commerce,
Indira Gandhi University,
Meerpur, Rewari, Haryana,
India

Landscape of sustainability reporting: Synthesis of different frameworks

Dr. Vijay Singh, Pooja and Ankit Yadav

DOI: https://doi.org/10.33545/26175754.2023.v6.i1d.227

Abstract
For facilitating efficiency and increasing the calibre of sustainability reporting, robust reporting standards are needed which can be implemented in economy as a whole consisting reporting responsibilities & operational activity of companies. Starting from national level such as SEBI, independent organizations like GRI & international organizations like UN, all are playing key role in creation & development of various sustainability reporting initiatives. This paper explains various global as well as national framework available for sustainability reporting. At global level, GRI and at national level, BRSR has emerged as most reliable and extensively used reporting framework. Many of these frameworks are widely followed such as GRI standards, which plays key role in various governmental policies or market instruments, OECD Guidelines, ISO 26000 Guidance and the list goes on.

Keywords: Sustainability reporting, GRI, ESG, business responsibility and sustainability reporting

1. Introduction
Over the last two decades, the idea of sustainability has grown in popularity around the world. The concept of sustainable development was first introduced in the late 1980s as "development that fulfils the requirements of the present without sacrificing the potential of future generations to satisfy their own needs" (Siew, 2015) [4]. Various attempts have been made to establish a clearer definition of sustainability with regard to corporate environment. International Institute for Sustainable Development (1992) provides one representative definition "adopting business strategies and actions that fulfil the demands of the firm and its stakeholders now while conserving, maintaining, and developing the human and natural resources that will be required in the future".

Szekely & Knirsch (2005) [6] describe the term business sustainability as "maintaining and growing economic growth, shareholder value, prestige, company reputation, customer connections, and product and service quality." It also entails adopting and following ethical corporate practices, creating long-term jobs, producing value for all stakeholders, and catering to the needs of the underprivileged. Despite the variety of definitions, there is a general understanding that a corporation's performance in terms of sustainability must be measured (Ozdemir, Hardtlein, Jenssen, Zech, & Eltrop, 2011) [3]. Stakeholders demands that corporations disclose not just their financial performance but also their social and environmental policies (Waddock, 2003) [12].

In general, framework enables the demonstration of results by evaluating progress and clarifying consistency between activities, outputs, objectives, and goals. Naturally, they are also acknowledged as a key instrument for assisting decision making and comparing performance among organizations in many sectors (Singh, Murty, Gupta, & Dikshit, 2009) [5]. While it may be claimed that multiple corporate frameworks are necessary to adapt to the various natures of enterprises, culture, climates, and resources, the fast proliferation of frameworks has made comprehending them a very difficult task.

As a result, the purpose of this study is to make a meaningful contribution by giving an overview of corporate sustainability reporting framework.

Concerns about sustainability have also been brought up in the discussion of yearly reporting at the organisational level. The majority of nations have laws requiring both public and commercial enterprises to produce an annual report on their financial performance. The sharing of non-financial information related to socio ethical actions & environmental outlines related to third parties, whether upon request, voluntarily, or as requirement, referred as sustainability reporting (Team, S.E, 2022) [7]. Sustainability reporting, broadly defined, covers data pertaining to social, governance, economic & corporate governance. These are the standards that make up the ESG acronym (i.e. Environmental, social and corporate governance). The inclusion of this non-financial information in publicly available reports is viewed as a development in corporate communication and as a successful means of boosting corporate participation and transparency. In order to supplement national financial accounts, environmental accounting have been developed, which document the complete economic costs of natural resource usage and the resulting environmental repercussions.

Sustainability reports are given in a systematic manner and includes all pertinent financial data (Meutia, Yaacob, & F. Kartasari, 2021) [2]. An external auditor typically conducts an audit of a financial report or financial statement in order to provide the user of the accounts a reasonable confidence regarding its correctness and completeness and, in the public sector, to certify to the proper financial responsibility of the audited institution.

The transition in corporate practices from the late 1980s and early 1990s, along with the growing importance of the sustainability idea in a globalized world, has altered the corporate landscape from emergence of single-entry system to development of full-fledged sustainability board. As from brundtland report published in 1987 by World Commission on Environment and Development (WCED) to COP 26 (National Climate Change Conference) conducted in 2021 Glasgow, series of development have happened. Since the COP 26 which was also known as successor of COP 21 (famously called Paris Agreement) based on which SDGs were framed, reporting system of corporate sector went into paradigm shift as far as variety of information particularly on sustainable initiatives are concerned. Following section of this attempt explains the historical aspect and concerned developments related to Sustainability Reporting.

Historical Aspects of Sustainability Reporting

Table 1: At Global Level

Years	Flow of Developments concerning with Sustainability Reporting
1400	Single entry system was introduced
1494	Luca Pacioli developed the double entry method which later provide framework for modern accounting
1760-1840	Industrial Revolution Era, which led to new wave for financial reporting & the concept of a balance sheet was originally noted in France
1873	Owner accounts and company accounts were developed separately by Cerboni.
1887	AAPA - The purpose of establishing the American Association of Public Accountants was to develop standards for financial reporting.
1896	Introduction of certified public accountants led to the formal organisation of the accounting profession.
1913	The US starts taxing income to pay for the war, & for the same the requirement of accountants for financial reporting skyrockets
1980	Beginning of Environment reporting
1994	Triple Bottom approach was introduced, later used in Dutch sustainability report in 1997
1996-1997	ISO 14001 standards were introduced & GRI (Global Reporting Initiative) was introduced in Boston in 1997
2004	ISO 26000 standard were introduced
2010	IIRC (International Integrated Reporting Council) was setup who later gave integrated reporting in 2013
2021	The International Sustainability Standards Board was set by IFRS to form Sustainability Standards.

At National Level

Whether it could be the introduction of CSR, by becoming the first country to implement CSR as legislative requirement on Companies to engage in initiatives of social welfare projects or by introduction of NVG in 2011 by Ministry of Corporate Affairs, or by Introduction of BRR in 2012 by SEBI which later upgraded to BRSR 2021, Indian government along with SEBI has paved crucial approach towards sustainability approach.

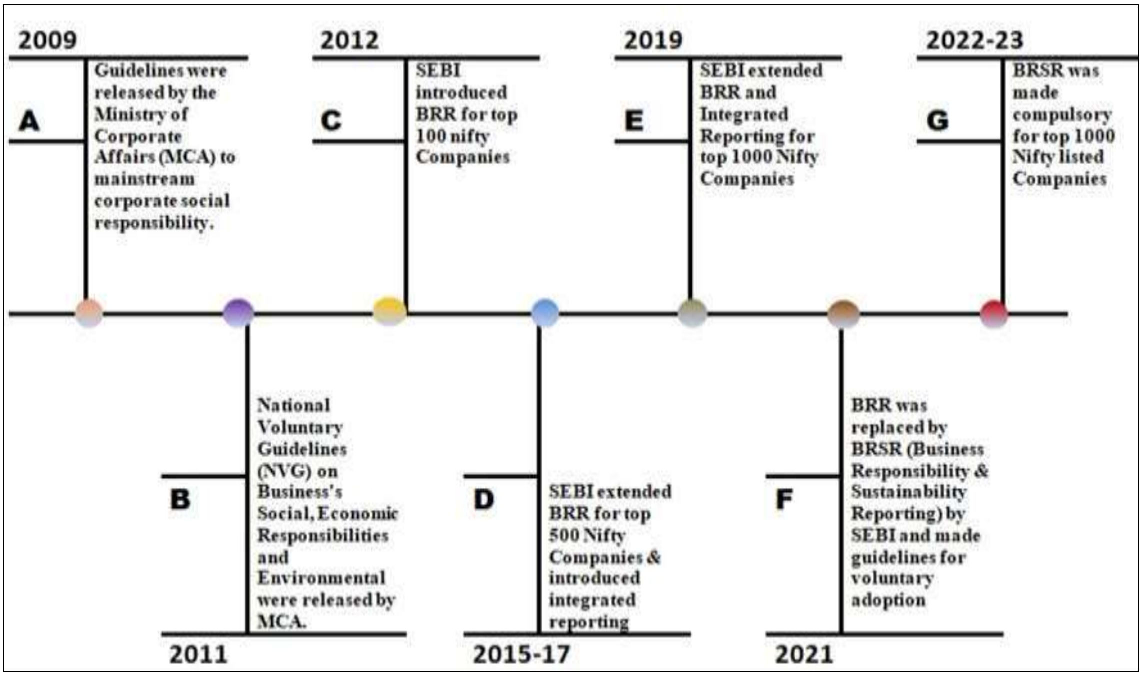

Fig 1: Historical aspects of Sustainability Reporting at National level

Financial statements are reported with the help of reporting frameworks. The phrase used here i.e. reporting Framework is a set of standards which are used for presentation, recognition, measurement & disclosure of related materials in financial statement. It is a crucial component that assists in preparing, transforming the information, and evaluating it in order to provide knowledge for better decision making & performance. Organizations may use a number of tools & a range of frameworks and to establish their sustainability strategy & reporting procedures.

In this attempt, the framework of SR is described in two categories- Global Level Approach and Indian Approach. Firstly, the developments and initiatives taken at global level is explained.

Global Approaches

GRI (Global Reporting Initiative)

This has evolved into comprehensive & extensively accepted sustainability reporting standard. GRI contains a set of ten reporting standards that must be followed in terms of report content and report quality. In this series of standards, materiality evaluation & stakeholder interaction are critical to the reporting. The disclosures are separated into two primary areas, which will be further divided into two additional rungs in the future.

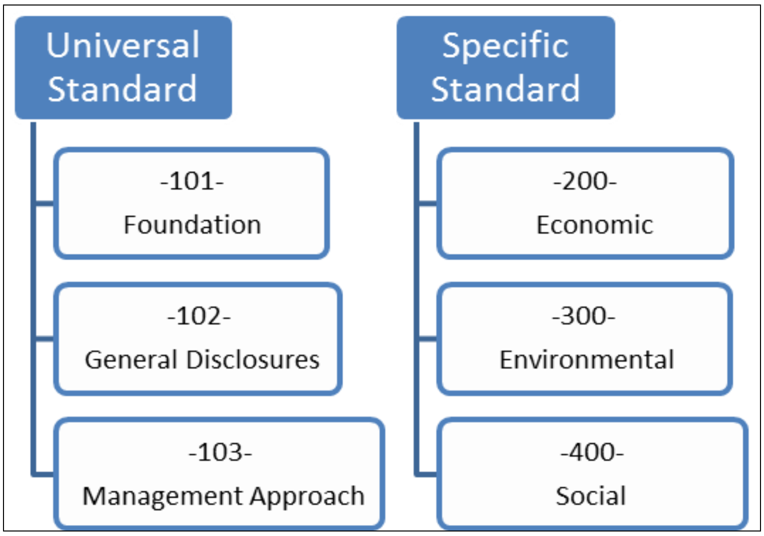

Fig 2: GRI Universal and Specific Standard

It is nearly clear, thorough, & specific, with explanations for every disclosure, and it includes 2 reporting alternatives, one slightly limited & later one comprehensive. Because it is based on a single set of standards in case of all industrial sectors & organisations, resultant it is versatile and can be easily adaptable to various stages of reporting, used by firm or stakeholders, & the industry.

Sustainability Accounting Standard Board
SASB accompanied by IR framework has become part of Value Reporting Foundation that helps investor to assess the risk & potential for their investment. By providing subset of ESG it helps organization in achieving long term organizational value. Apart from providing 77 industry standards (Clustered in 11 industry groups), like GRI it has 3 tired structure. Each set of standard for each sector provide brief description & Know how. It allows organization to focuses on issues that are relevant to it without focusing on insignificant topics.

International Integrated Reporting
It helps in integrating material information about organization governance, performance, strategies & prospects so as to reflect the social, commercial & environment context in which it operates. The IR Framework contains Guiding principles, Fundamental ideas as well as 8 content pieces in its framework paper. The 8 parts include company strategies & resource allocation, model, forecast & rationale for preparing & presenting the report. It provide "Broad-stroke reporting" framework that provide vale seeking stakeholders a digested type report unlike other frameworks. Resultant it enables stakeholders to draw conclusion regarding organization's sustainability according to their own.

Carbon Disclosure Project Guidance
It assists investors, business & communities to evaluate & comprehend their environmental impact. Convinced by CDP companies manage, monitors, discloses & eventually cut their emissions. It intends to report on any or all of 3 areas: water, climate & forests for businesses, cities, government & investors. The advice comes in form of questionnaire that can be found on CDP website. CDP provides grading methodology based on respondents replies. Allows enterprises to evaluate, compare & manage the environment risk so as to boost brand reputation & operational efficiency.

Dow Jones Sustainability Indices (DJSI)
DJSI refers to a weighted, market capitalized & float adjusted indices that help to quantify & monitor the firm performance based on ESG criteria rather than advice, standard or structure. Created for investors who want deploy fund based on long term sustainability. The index rank organization to peers in same industrial sector at same geographical on the basis of 100 questions. The DJSI has a four level structure, with each level referred to as universe (Starting, Invited, Assessed & DJSI world). It helps to identify businesses to have high performance & long term viability based on their sustainability practices.

Task Force on Climate-related Financial Disclosures (TCFD)
TCFD leads to better understanding of investment, insurance & credit underwriting of carbon related assets. Which are concentrated in financial system as well as financial sector. As market provide better grasp to handle obstacles or roadblock on climate change, direct investment would be possible towards more sustainable & resilient solutions. TCFD framework offers 11 disclosures guidelines in 4 categories: governance, strategy, risk management and measurement & objectives.

IFC's Environmental and Social Performance Standards
IFCs standards entertained as "International benchmark" to manage & detect the environmental & Social risk. It is applicable to all investments & advice clients who have gone through IFCs first credit approval procedure. Yet its adoption is not limited to such organizations. The performance standards can be served as baseline for recognition & management of these risks. Framework covers 8 performance standards that cover a wide range of theme including assessment & management of social and environmental risk along with its impact, resource efficiency & cultural heritage & pollution prevention, land acquisitions & involuntary settlements. The standards are complemented by a detailed guide paper, intend to aid in the avoidance, mitigation, & management of risk and its impacts.

UN Principles for Responsible Investment
UNPRI assist global investor signatories incorporating ESG considering ownership & investment decisions. It was created by investor for the use of investors. UNPRI is based on notion that a global streamlined & sustainable financial system is required (idealizing long term value generation). Even after getting finance from UN, UNPRI is not affiliated by it. The UNPRI interacts with worldwide policy makers while remaining independent of any government. It is a non-profit organization that promotes responsible investment so as to increase return & better management of risk.

Streamlined Energy and Carbon Reporting (SECR)
SECR framework is used to reduce burden of businesses & intends to provide enterprise with a more accurate view for their energy use, alongside reducing carbon emissions. It is driven by 7 accounting & and reporting principles. It helps to reduce energy & resource expenses, obtaining preferable knowledge of concerns for vulnerability to climate change.

Indian Approach
Business Responsibility and Sustainability Reporting (BRSR)
Inspite being the mandate of SEBI to implement BRSR, either due to ESG legislation, or consumer expectations, businesses are becoming more conscious of the importance of improving their ESG indicators to enhance ESG performance.
For example, in order to reduce its environmental effect, Tata Communications has set a target of increasing its use of non-fossil energy in India by 65% in fiscal year 2022-23, up from 45% in fiscal year 2020-21.
On the social aspect, Indian corporations have already established a practice of enhancing their social metrics, as required by Section 135 of the Companies Act, 2013, to commit at least 2% of the average net profits produced over the three immediately previous fiscal years on CSR. The influence of the BRSR mandate on India's present ESG environment is only increasing Indian firms' duty to disclose and enhance the 'S' in ESG. The power, gas, steam, & telecom industries have outperformed their Indian equivalents in terms of governance.
The current BRR & National Guidelines on Responsible Business Conduct (NGRBC) principles, which themselves derive from Social Development Goals (SDGs), serve as the

foundational text from which the BRSR has grown. The BRSR became the successor of BRR in 2021. The 9 NGRBC Principles, which constitute the basic foundation of BRSR reporting, have all been linked with the 17 SDGs, which form the basis of the UN's Sustainable Development Goals.
The BRSR framework consists of mainly 3 sections in which section A consist of General Disclosures, section B - Management & Process Disclosures followed by section C which consist of Principle wise Performance Disclosure. Apart from it the framework follows 9 principles. It is a centralised, thorough collection of non-financial sustainability data that is pertinent to all corporate stakeholders, including shareholders, regulators, and the general public. The format of BRSR is concise manner is reflected in appendix I.

Conclusion

Sustainability reporting (SR) must essentially be integrated into an organization's strategic goals in order to be useful. It must be utilised as a useful tool for enhancing performance and increasing transparency to stakeholders. Because of its capacity to sway people, gather resources, and invent, the private sector plays a critical role in accomplishing the Sustainable objective. The UN's announcement of the 17 SDGs in 2015 was viewed by the commercial sector as a key catalyst for achieving sustainability.
For sustainability reporting, at global perspective GRI is regarded as one of the most reliable and extensively used sustainability frameworks. The primary frameworks for harmonising non-financial and financial disclosures have emerged as the Sustainability Accounting Standards Board (SASB) & Task Force on Climate-related Financial Disclosures (TCFD). Where as in Indian perspective BRSR serve as the foundational text for attainment of 17 SDGs of UN & Sustainable objectives.
This assessment may be helpful to institutional investors, professionals, governments & individuals in identifying the characteristics of various Sustainability Frameworks. Additionally, it might be a helpful resource for creating new sustainability framework.

References

1. International Institute for Sustainable Development. Business Strategy for Sustainable Development: Leadership and Accountability for the ‘90s. IISD, Winnipeg, Canada viewed on 28 January 2013; c1992. http://www.iisd.org/business/ pdf/business_strategy.pdf
2. Meutia I, Yaacob Z, F Kartasari S. Sustainability reporting: An overview of the recent development. Accounting and Financial Control. 2021;3(1):23-39. https://doi.org/10.21511/afc.03(1).2020.03
3. Ozdemir EV, Hardtlein M, Jenssen T, Zech D, Eltrop L. A confusion of tongues or the art of aggregating indicators reflections on four projective methodologies on sustainability assessment. Renewable and Sustainable Energy Review. 2011;15(5):2385-2396.
4. Siew RYJ. A Review of Corporate Sustainability Reporting Tools (SRTs). Journal of Environmental Management. 2015;164:180-195. https://doi.org/10.1016/j.jenvman.2015.09.010
5. Singh RK, Murty HR, Gupta SK, Dikshit AK. An overview of Sustainability Assessment Methodologies. Ecological Indicators. 2009;9(2):189-212.
6. Szekely F, Knirsch M. Responsible leadership and corporate social responsibility: metrics for sustainable performance. Europeon Management Journal. 2005;23(6):628-647.
7. Team SE. What is sustainability reporting? Sphera; c2022. Retrieved September 18, 2022, from https://sphera.com/glossary/what-is-sustainability-reporting/
8. https://www.sebi.gov.in/sebi_data/commondocs/may2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF
9. https://www.un.org/en/climatechange/cop26
10. https://www.who.int/news-room/fact-sheets/detail/millennium-development-goals-(mdgs)
11. https://sdgs.un.org/goals
12. Waddock S. Myths and realities of social investing. Organization & environment. 2003 Sep;16(3):369-80.

Appendix-I

Business responsibility & sustainability reporting format

Section A: General disclosures
1. Details of the listed entity
2. Products/services
3. Operations
4. Employees
5. Holding, Subsidiary and Associate Companies (including joint ventures)
6. CSR Details
7. Transparency and Disclosures Compliances

Section B: Management and process disclosures

Section C: Principle wise performance disclosure

Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders

Principle 5: Businesses should respect and promote human rights

Principle 6: Businesses should respect and make efforts to protect and restore the environment

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Principle 8: Businesses should promote inclusive growth and equitable development

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner