

Legal Framework for Corporate Sustainability Reporting in India

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ABSTRACT

This paper constructs a legal framework for explaining Corporate Sustainability Reporting practices by companies. Sustainability can force innovation with the aid of using introducing new layout constraints that form how key assets are utilized in merchandise and processes. Organizations that acknowledged and embody the important drivers for sustainability will reap the final blessings of market possibilities and green commercial enterprise operations. Numerous organizations are involved with sustainability obligations, and they need a holistic vision to benefit sustainability. This calls for a dynamic framework which shows the attitude of sustainability. Therefore, there may be a need to assess the prevailing sustainability frameworks and highlight the gaps and inconsistencies within the related literature. The literature observed out vital sustainability (economic, environment and social) and decisional paradigm (strategic, tactical, and operational) which needs to be considered in sustainability implementation frameworks. The sustainability and decisional paradigm show the major perspective of sustainability implementation. The integration of these paradigms will be great for successful sustainability implementation project. In the present study, the researcher tried to explain a proper and efficient mechanism concerning the legal aspect.

Keywords—Corporate Sustainability Reporting, legal framework, BRSR, SRMM, India

1. Introduction

To assure the enhancement regarding the high-satisfactory of sustainability reporting, it is crucial to have robust reporting necessities that may be carried out in a global monetary device in which the operational sports and reporting responsibilities of companies cross past country-extensive borders. International companies, including United Nations (“UN”); European Union (“EU”); and stock exchanges and independent organization, like Global Reporting Initiative (“GRI”), have all been concerned with the development and implementation of key global obligations on sustainability reporting. Many of these obligations have taken the form of country-extensive hints and units which encompass elements of global or organization social obligation reporting frameworks. For instance, the GRI Standards are referenced in government or market units in most international locations throughout the world, including the preamble of the EU Directive on disclosure of non-monetary and range information, which have taken into consideration as several normative or manipulate necessities said in reporting units, normally determined through references to the UN Global Compact

All frameworks and device utilized by the organization will assist to growth its sustainability strategies and reporting methods. Many of these frameworks had taken an entire technique and characteristic done global recognition. It has been cited variations that can be made among normative; manipulate and reporting frameworks regarding the sustainability strategies and reporting. For instance, the UN Global Compact principles hints provide a framework to help groups to shape their sustainability technique. The reporting mind-set is represented by means of GRI’s Sustainability Reporting Standards, which provide companies with disclosure objects and metrics which aligned with the most important global normative frameworks. Adding to the complexity is the emergence of sector-particular normal overall performance size and reporting frameworks, at the side of the GRESB for assessing ESG normal overall performance inside facet the global business real belongings sector.

2. Literature Review

A good number of studies on Sustainability reporting regarding GRI in foreign countries have been found in the last decade. Some foreign authors like Isakson, R & Steimle, U (2009) selected four criteria for assessment namely relevance of chosen KPI, clarity level, improve clarity, and system views. They concluded that the needs of the customers are not considered sufficiently within GRI-G3. Setyorini and Ishak (2012) attempted to provide an examination of Indonesian corporate social and environmental disclosure from the Positive Accounting Theory (PAT) perspective. Cardoso et.al, (2014) had used the legitimacy theory in their theoretical framework. They concluded that a high level of disclosure had great potential for pollution and improvement of people's lives i.e. environmental and social indicators were significant. Putri et.al, (2020) have used stakeholder theory and legitimacy theory in explaining the theoretical framework.

In the Indian context, several studies on Corporate Sustainability Reporting in line with GRI is very limited in the last two decades. Dutta (2011), Bhalla and Bhansal (2014) & Kumar et al. (2018) have examined the sustainability disclosure practices based on GRI. Kaur and Das (2015) have attempted to examine and compare the level of sustainability reporting as per the GRI framework between private and public mining companies while Bhatia and Tulsi (2015) attempted a comparative study of corporate sustainability reporting practices between India and China. None of the Indian studies have focused on the legal aspect relating to sustainability reporting in India.

3. Discussion from different Corporate Regulators in India

Some of the Indian sustainability frameworks issued by different corporate bodies and institutions are discussed in the following sections.

A. SEBI Guidelines

The Securities and Exchange Board of India (SEBI) lately brought BRSR for sustainability reporting via way of means of the pinnacle one thousand indexed Indian entities primarily based totally on marketplace capitalization vide reference no: SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated 10th May 2021. The groups to which the brand new requirement applies want to reveal their cloth Environmental, Social, and Governance (ESG) dangers, possibilities, their method to mitigate the dangers or adapt to them, and the economic implications worried on this process. Reporting within the BRSR framework is designed to boom the transparency of company disclosures and assist marketplace individuals take a look at sustainability-associated dangers and possibilities. Disclosures below the BRSR framework are intended to be greater strong and cowl a broader spectrum in comparison to different ESG reporting frameworks due to the fact BRSR calls for strong records referring to social metrics, other than facts approximately employees, communities, and consumers. From the financial year 2022-23, compliance with BRSR necessities is obligatory for the top-1,000 companies and voluntary for different indexed companies, along with those who have indexed designated securities at the Small and Medium Enterprises (SME) exchange. BRSR framework is primarily based totally on nine fundamental ideas of the National Guidelines on Responsible Business Conduct (NGRBC) which pertain to organizations being ethical, transparent, and accountable, provisioning items and offerings sustainably, making sure the wellbeing of employees – along with the ones of their price chains, being protecting of the surroundings and conscious of sustainable production, conscious of all stakeholders, selling human rights, complying with the regulatory framework, selling inclusive boom and facilitating equitable improvement and purchaser welfare. The BRSR framework collects records from organizations on every of those ideas. The reporting groups should expose the needful records within the BRSR overlaying all factors of ESG. It consists of records at the dangers and possibilities that get up from environmental and social factors, the leadership's studying of such dangers and possibilities, techniques to mitigate and adapt following the ones dangers and possibilities, and the economic implications of those actions. The BRSR ideas govern how a commercial enterprise ought to behaviour itself and the way it ought to paintings regarding environmental and social matters. The collected records are split into sections – critical indicators, which might be obligatory and main indicators, which might be voluntary. Furthermore,

the records wishes to consist of an Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) of a company's initiatives and/or products, the Scope 1 and 2 (direct and indirect) greenhouse fuel line emissions associated with the initiatives and/or products, in addition to aid allocation. Scope 3 emissions – those pertaining to the companies' partners or suppliers – need to be reported on a voluntary basis.

B. Companies Act 2013:

According to Section 134(m) of the Companies Act 2013, each employer of their board's record ought to point out there in the conservation of power, generation absorption, forex income, and outgo, in such way as can be prescribed. According to Rule 8(3) of Companies (Accounts) Rule, 2014 the record of the Board shall comprise the subsequent statistics and information namely:

(I) Conservation of power-

- (i) The steps are taken or effect at the conservation of power.
- (ii) The steps had been taken with the aid of using the employer for utilizing a change supply of power.
- (iii) The capital funding on power conservation equipment.

(II) Technology Absorption-

- (i) The efforts made toward generation absorption.
- (ii) The blessings derived like product improvement, value reduction, product development, or import substitution.
- (iii) In the case of imported generation (imported at some point of the 3 years reckoned from the start of the monetary 12 months)-
 - (a) The information of the generation imported
 - (b) The period of import
 - (c) Whether the generation has been absolutely absorbed
 - (d) If now no longer absolutely absorbed, regions wherein absorption has now no longer taken place, and the motives thereof; and
 - (e) The prices incurred on Research and Development.

(III) Foreign Exchange income and Outgo-

The Foreign Exchange earned in phrases of real inflows at some point of the Year and the Foreign Exchange outgo at some point of the Year in phrases of real outflows

C. ICAI

Through its Sustainability Reporting Standards Board, ICAI strengthens its lifestyle of correct and credible non-financial reporting, expands its reporting metrics for the Sustainable Development Goals (SDGs), implements sustainability disclosure benchmarks, and promotes non-financial reporting. To decorate company sustainability reporting, ICAI has advanced the Sustainability Reporting Maturity Model (SRMM) model 1.0, to create a entire evaluation device. It is supported through the Ministry of Enterprise (MCA), Government of India. This SRMM serves as a basis for benchmarking Indian company sustainability reporting. The Commission encouraged Business Responsibility and Sustainability Reporting (BRSR) as an opportunity to the want for standard Business Responsibility Reporting (BRR) to slash modern-day international practices in non-monetary reporting. The BRSR Framework is India's reaction to the developing fashion of accountable enterprise and environmental, social, and governance (ESG) reporting and funding trends. The Corporate Responsibility and Sustainability Report scoring mechanism consists of a complete of three hundred ratings that entire the scoring of all 3 sections and 9 standards of the BRSR. SRMM invitations groups and warranty companies to evaluate and rank the sustainable nature of Indian groups with numerous international groups. A cutting-edge concept with a sustainable feel, SRMM is a registered trademark. The SRMM allows groups to degree and boost sustainability coming of age, developing the creativeness and foresight of a sustainable weather throughout the country. ICAI performs a key position in helping agency increase in the version regarding sustainability parameters. Levels 1-4 of the SRMM constitute an agency's sustainability adulthood and are based totally on numerous ratings acquired in

the course of the monetary 12 months with the assist of the agency beneath the BRSR scoring mechanism.

- Level 1 – Incorporation/Commencement Phase – The Company is within the pre-reporting segment and in the BRSR choice and dedication system.
- Level 2 – Emerging/Response Phase – The corporation might be aware about the charge of its BRSR and could reply to it the use of a strong reporting mechanism.
- Level 3 – Regulated Stage - The groups have installed formal functions/ policies/ structures for BRSR.
- Level four - Mature Stage - The groups try for extra than compliance and paintings closer to being a marketplace leader.

SRMM allows groups self-check their modern-day adulthood level, discover regions that want extra attention, and create a roadmap for upgrading to a better adulthood level. This consists of growing strategies/procedures for inner controls and facts series to satisfy sustainability goals, thereby transferring to better degrees of sustainability reporting.

To obtain a sustainable inexperienced economy, all groups need to boost up and make bigger their wonderful effect and extend their non-monetary disclosure. SRMM model 1.0 is a key device which encourages groups to degree and obtains more environmental and social effect, which allows boost up the fulfilment of the Sustainable Development Goals (SDGs). ICAI additionally installed an improvement approach for SRMM model 2.0 primarily based totally on input/facts from groups concerning the implementation of SRMM model 1.0.

D. NSE

NSE in association with SES launched sector-specific integrated guides to the BRSR had released the notification on 26th August 2022. NSE in association with Stakeholders Empowerment Services (SES), a corporate governance and advisory firm, has conceptualized 38 sector-specific integrated guides to the existing BRSR format, along with a sector-agnostic integrated guide This guide explained every parameter of SEBI of prescribed BRSR format, it's objective for such disclosure along with detailed guidance on how to measure such disclosure and how to disclose such parameter. The main features are as follows:

1. 38 Unique Guides based on 38 sub-sectors of the Sustainability Accounting Standard Board (SASB) along with a sector-agnostic integrated guide.
2. Mapped to SEBI's Standardized Industry Classification System.
3. Mapped to Five Global Reporting Frameworks (GRI, SDG, TCFD, CDP & SASB).
4. Guidance based on Proprietary SES ESG Model.
5. Guidance on reporting disclosures on 3 Steps of Excellence:
 - Mandatory Disclosure (Essential BRSR Indicators)
 - Voluntary Disclosures (Leadership BRSR Indicators)
 - Sector-Specific Disclosures (As per Global Best Practices)

4. CONCLUSION

Sustainability document gives data approximately economic, environmental, governance and social overall performance. The present study offers sustainability reporting steerage, and has pioneered and evolved a comprehensive 'sustainability reporting framework' which needs to be taken into consideration for use by Indian corporates.. Furthermore, there's a debate over whether or not sustainability document ought to be a part of economic statements, annual document, or disclosed separately based on the requisite information published by different Indian corporate bodies.

Sustainability responsibilities are drastically being embedded into the missions and strategies of world and country wide companies as attention of sustainability troubles is escalating. To benefit a holistic method for developing the framework, this technique has been executed to have a take an observation the winning sustainability implementation frameworks and underscore the information

hollow in the related literature. In addition, this study has proposed an integration of sustainability and decisional paradigms in the frameworks to complete the sustainability responsibilities. These paradigms show off the important attitude of sustainability which wishes to be considered for a right sustainability implementation project. The identification of this attitude will assist the practitioners to understand the holistic photo of sustainability implementation.

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