



## CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING REQUIREMENTS & TREND: INDIAN SCENE

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### Abstract

The recent vital global problems such as climate change, natural disasters, poverty, human rights violations, and legal compliance force corporate to perform some social activities which is popularly known as Corporate Social Responsibility (CSR). The purpose of a CSR reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the society and environment. There is a tremendous growth in CSR reporting across the world and India is one of them. This paper provides an overview of various CSR reporting frameworks, requirement of CSR reporting, trend and quality in various countries with a special attention to India.

**Key Words:** Corporate Social Responsibility, Reporting Framework.

### Introduction

We are living in an era of globalization where business organizations are playing an important role. The recent vital global problems such as climate change, natural disasters, poverty, human rights violations, and legal non-compliance etc. have forced corporate houses to pay attention toward social and environmental impact of their business. As per the Government of Denmark, “globalization also fosters – and makes manifest – a range of challenges..... We all face the challenge of solving trans-boundary environmental and climate problems and of combating escalating international crime and terrorism.....”<sup>1</sup>. Non-financial reporting is a fairly recent trend which has expanded over the last twenty years. Development of the CSR concept has increased requirements for non-financial reporting including environment, social and ethical reports (Marzanna Lament 2015). The reporting part is acting as a mirror to show the economic, social and environmental activities performed by them. The reporting is popularly termed as Corporate Social Responsibility, Sustainable Reporting or Impact Reporting etc. According to GRI, ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.). Corporate social responsibility (CSR) reporting is a communication tool that companies use to convey a transparent image (B. Fernandez-Feijoo 2013).

### Review of Literature

Corporate social responsibility (CSR) involves companies voluntarily participation to those activities which reduce their negative impacts on the environment. According to Archie B. Carroll (1979), the social responsibility is a set of economic, legal, ethical and discretionary expectations of society towards the business organization’s activities. Commission of European Communities (2006) defined CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Today most of the companies perform CSR activities because of it creates more economic value for firms (Burke & Logsdon 1996, Kanter 1999 Manuela Weber 2008) by reducing risk, increasing brand value, reputation etc and from the pressure of laws i.e. local, state and federal regulations related to organization’s practice and behaviour (Archie B. Carroll 1979, Martin R. Moser 1986, Ilias Bantekas 2004, Parminder Kaur 2013).

Frameworks and standards are developed to provide information for customers (Jeremy Nicholls 2007). These are being prepared due to various stakeholders’ demand for assessing the social responsibilities of the firms in a prescribed format. There are several globally recognized guidelines, frameworks, principles and tools prepared by various renowned organizations. Some important guidelines, frameworks, principles are United Nation Global Compact<sup>2</sup>, The UN Guiding Principles on Business and Human Rights<sup>3</sup>, ILO’s tripartite declaration of principles on multinational enterprises and social policy<sup>4</sup>, Organisation for Economic Co-operation and Development Guidelines<sup>5</sup>, AA1000 series of standards<sup>6</sup>, SA 8000

<sup>1</sup> Action Plan for Corporate Social Responsibility – downloaded from [http://samfundsansvar.dk/file/318799/action\\_plan\\_CSR\\_september\\_2008.pdf](http://samfundsansvar.dk/file/318799/action_plan_CSR_september_2008.pdf).

<sup>2</sup> See [www.unglobalcompact.org/](http://www.unglobalcompact.org/) for more details.

<sup>3</sup> See [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf) for more details.

<sup>4</sup> See [http://www.ilo.org/empent/Publications/WCMS\\_094386/lang--en/index.htm](http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm) for more details.

<sup>5</sup> See <http://oecdwatch.org/about-oecd/guidelines> for more details.

<sup>6</sup> See <http://www.accountability.org/standards/> for more details.



Standard<sup>7</sup>, ISO 26000<sup>8</sup>, Global Compact Self-Assessment Tool<sup>9</sup>, The Global Reporting Initiative (GRI)<sup>10</sup>, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business<sup>11</sup>.

**In India**, first step regarding CSR reporting was taken by the **Indian Government** in **1986** by introducing ‘The Environment (Protection) Act’<sup>12</sup>. According to this Act, each “covered organization” should submit an annual environmental audit report, to include water and raw material consumption, to the State Pollution Control Board (SPCB). Then after a long gap, around 22 years, in **2009** India’s **Ministry of Corporate Affairs** issues voluntary Guidelines for Corporate Social Responsibility to encourage Indian corporations to improve CSR. The guidelines outline six core elements for companies to address, including adopting sustainable environmental policies, undertaking activities for economic and social development of communities and geographic areas, and disseminating information on CSR policy, activities, and progress. Relevant information shall be disseminated to all stakeholders and the public through their website, annual reports, and other communication media.

The Ministry of Corporate Affairs released Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) in July 2011 after considering stakeholder consultations. **Securities and Exchange Board of India (SEBI)** sends a circular to all stock exchanges in India on 13<sup>th</sup> August, 2012 regarding business responsibility reports. Here it is said that Business Responsibility report is mandatory along with Annual Report for top 100 listed entities based on market capitalization at BSE and NSE as on March 31<sup>st</sup>, 2012. It also said that other entities may voluntarily disclose Business Responsibility reports as part of their Annual Reports. This circular was applicable from 1<sup>st</sup> January, 2013.

Recently, the **Department of Public Enterprises** has issued guidelines on Sustainable Development and CSR for Central Public Sector Undertakings (CPSEs). These guidelines stipulate how much and how CPSEs should invest and report on Corporate Social Responsibility (CSR). The CSR budget mandated range from 0.5 percent to 5 percent of the profit depending on the net profit of the CPSE.

The **Companies Act 2013**, makes it mandatory for companies with a net worth of more than Rs 500 crore, or turnover of Rs 1,000 crore, to adopt a CSR policy. Companies with a minimum net worth of Rs 500 crore, turnover of Rs 1000 crore or net profit of Rs 5 crore are required to spend at least two percent of their three-year average annual net profit on social welfare initiatives. The rule comes into effect from 1 April 2014.

**The following table shows various CSR policy framed by various institutions in various countries up to the year 2012.**

Law	Year	Country	Mandatory?	Scope of Application
EEOC Regulation	1972	United States	Mandatory	Federal agencies
Clean Water Act	1977	United States	Mandatory	EPA and states
Emergency Planning Act	1986	United States	Mandatory	Facilities
Clean Air Act 1990	1990	United States	Mandatory	Industry specific
Green Accounts Act	1995	Denmark	Voluntary	SOEs/Large
The Norwegian Accounting Act	1998	Norway	Mandatory	All companies
Annual Accounts Act	1999	Denmark	Mandatory	Threshold
Environmental Protection Act	1999	Canada	Mandatory	All companies
New Economic Regulations Act	2001	France	Mandatory	Listed only
The Danish Financial Statements Act	2001	Denmark	Mandatory	SOEs/Large
EU Modernization Directive	2003	European Union	Mandatory	All companies
Guidelines: Reporting about Sustainability	2003	Austria	Voluntary	All companies

<sup>7</sup> See <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937> for more details.

<sup>8</sup> See <http://www.iso.org/iso/home/standards/iso26000.htm> for more details.

<sup>9</sup> See <http://www.globalcompactselfassessment.org/aboutthistool> for more details.

<sup>10</sup> See <https://www.globalreporting.org> for more details.

<sup>11</sup> See [http://www.mca.gov.in/Ministry/latestnews/National\\_Voluntary\\_Guidelines\\_2011\\_12jul2011.pdf](http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf) for more details.

<sup>12</sup> See <http://envfor.nic.in/legis/env/env1.html> for more details.



Bilan Carbone	2004	France	Voluntary	All companies
Financial Disclosure Checklist	2004	Philippines	Voluntary	Listed only
EU ETS	2005	European Union	Mandatory	Threshold
Law of 16 July 2005	2005	Netherlands	Mandatory	Listed/Large non-listed
Mandatory GHG Accounting System	2005	Japan	Mandatory	Threshold
Voluntary Emission Trading Scheme	2005	Japan	Voluntary	Industry specific
Act on Promotion of Global Warming	2006	Japan	Mandatory	Threshold
Companies Act	2006	United Kingdom	Mandatory	Listed companies
CSR Framework	2006	Malaysia	Voluntary	Listed only
Reporting Guidelines for UK Business	2006	United Kingdom	Voluntary	All companies
Rule No. X.K.6	2006	Indonesia	Mandatory	Listed only
SR Instructions to Listed Companies	2006	China	Mandatory	Listed only
Environmental Information Disclosure Act	2007	China	Voluntary	All companies
<b>Law</b>	<b>Year</b>	<b>Country</b>	<b>Mandatory?</b>	<b>Scope of Application</b>
Environmental Reporting Guidelines	2007	Japan	Voluntary	All companies
Guidelines for External Reporting	2007	Sweden	Mandatory	SOEs
NGER Act	2007	Australia	Mandatory	All companies
Action Plan for CSR	2008	Denmark	Voluntary	All companies
Climate Change Act	2008	United Kingdom	Mandatory	Listed only
Disclosure of CSR Activities	2008	Malaysia	Mandatory	Listed only
Guidelines on Environmental Information	2008	China	Voluntary	Listed only
Guidelines to the State-owned Enterprises	2008	China	Voluntary	SOEs
Notice of Improving Assumption of SR	2008	China	Mandatory	Listed only
Building the Canadian Advantage	2009	Canada	Voluntary	Industry specific
Companies (CSR) General Order	2009	Pakistan	Mandatory	Listed only
<b>CSR Voluntary Guidelines</b>	<b>2009</b>	<b>India</b>	<b>Voluntary</b>	<b>All companies</b>
Executive Order 13514	2009	United States	Mandatory	Federal agencies
JSE Listing Requirement	2009	South Africa	Mandatory	Listed only
Rule 40 CFR	2009	United States	Mandatory	Threshold
White Paper: CSR in a Global Economy	2009	Norway	Voluntary	All companies
Basic Act on Low Carbon Green Growth	2010	Korea	Mandatory	Threshold
Carbon Reduction Commitment (CRC)	2010	United Kingdom	Mandatory	Threshold
Environmental Reporting Guidelines	2010	Canada	Voluntary	Listed only
Greenhouse Gas Registry	2010	Israel	Voluntary	All companies
National Strategy for CSR	2010	Germany	Voluntary	All companies/Ministries
National Sustainable Development Strategy 2010-2013	2010	France	Voluntary	All companies
SEC Act	2010	United States	Voluntary	Listed only
SEC Act	2010	United States	Mandatory	Listed only
Bilan d'Emissions de GES	2011	France	Mandatory	All companies



Chemical Data Reporting (CDR) Rule	2011	United States	Mandatory	Manufacturers and Processors
General Reporting Protocol	2011	Israel	Voluntary	All companies
German Sustainability Code	2011	Germany	Voluntary	All companies
Government Resolution on State Ownership Policy	2011	Finland	Mandatory	Non-listed SOEs/State majority-owned
Grenelle II Act	2011	France	Mandatory	Listed/Large
Guide to Sustainability Reporting	2011	Singapore	Voluntary	Listed only
<b>National Voluntary Guidelines</b>	<b>2011</b>	<b>India</b>	<b>Voluntary</b>	<b>All companies</b>
<b>National Voluntary Guidelines</b>	<b>2011</b>	<b>India</b>	<b>Mandatory</b>	<b>Listed only</b>
Renewed EU Strategy 2011-12 for CSR	2011	European Union	Voluntary	All companies/Public companies
Spanish Sustainable Law	2011	Spain	Voluntary	Limited companies
FTSE Regulation	2012	United Kingdom	Mandatory	Listed only
Pollutant Release and Transfer Register	2012	Israel	Mandatory	Certain factories
Recommendation of report or explain	2012	Brazil	Voluntary	Listed only
Regulation No. 47/2012	2012	Indonesia	Mandatory	All companies

Source: <http://www.sseinitiative.org/sustainability-reporting-policies/>.

Hess (2009), Lopez et al. (2007), White (2006), acknowledge that the Global Reporting Initiative (GRI) that forms the basis for CSR reporting because it has several parameters that are far in excess of what the other standards prescribe. It covers sustainability and CSR issues while at the same time also it is looking at employee standards, health and safety issues and much more<sup>13</sup>. On the other hand, Cetindamar and Husoy (2007), Kell (2005), Runhaar and Lafferty (2009) Vormedal (2005) support the UNGC standards for reporting CSR because of its normative principles, networks for learning and transparency. As per KPMG's survey report 2013, **Seventy eight percent** of reporting companies worldwide refer to the **GRI reporting guidelines** in their CSR reports, a rise of 9 percentage points than the 2011 survey (over 90 percent do so in South Korea, South Africa, Portugal, Chile, Brazil and Sweden). Another survey, conducted by the Boston College Center for Corporate Citizenship in the year 2013, stated that organizations use 51% GRI guidelines and 18% GRI-referenced guidelines to organize their CSR or Sustainability report.

**Objective of the Study:** Objective of the study is to know the CSR reporting trend and quality globally with special emphasis in India.

#### Data Collection

The data has been collected from KPMG's Global survey report in 2013. KPMG's global survey on corporate responsibility reporting is one of the most comprehensive reports providing a definitive snapshot of the current global trends in CR reporting. The first survey was published in 1993. The KPMG Survey of Corporate Responsibility Reporting 2013 is the eighth edition and marks 20 years since the first survey was published in 1993. KPMG survey 2013 of Corporate Responsibility Reporting, eighth edition, provides a snapshot of current global trends in corporate responsibility reporting. The survey covers 4100 companies (3400 companies in 2011) in 41 countries (34 countries in 2011) and a deep-dive into the quality of reporting among the world's largest 250 companies.

#### Result and Findings

The study found that Denmark, France, India, Indonesia, Japan, Malaysia, Nigeria, Norway, Singapore, South Africa, UK and USA have high CSR reporting rates or significant recent growth in CSR reporting related to reporting requirements. The highest growth in CSR reporting since 2011 has been seen in: India (+53 percentage points), Chile (+46), Singapore (+37),

<sup>13</sup> U. Majmudar & et al, *India's Best Companies For CSR 2014: How the 100 firms were selected*, *The Economic Times*, published on 28.11.2014.



Australia (+25), Taiwan (+19) and China (+16). Over half of reporting companies worldwide (51 percent) now include CSR information in their annual financial reports. This is an outstanding rise since 2011 (when only 20 percent did so) and 2008 (only 9 percent). The average quality score achieved by G250 companies for their CR reporting is 59%. Large companies in the electronics & computers, mining and pharmaceuticals sectors show the highest quality CSR reports. Their average scores are 75, 70 and 70 respectively.

**In India** the KPMG survey was conducted by taking top 100 (by gross revenues for the financial year 2012-2013) publicly listed companies. The report showed that most of the Indian companies (63%) title their report as 'sustainability' or 'sustainable development' (i.e. using GRI reporting framework) while a few companies title their report as 'corporate social responsibility' (i.e. using National Voluntary Guideline on Social, Environmental and Economic responsibilities of Business). The reporting rate in India has scored 73%. The average quality score for all CR reports is 42 out of a possible 100. IT companies have the best quality reports in India with an average score of 64, while the Pharmaceutical sector has the lowest average score of 20. 71% of CSR reports consider Climate Change as a key sustainability megaforce that will impact businesses, while Energy and Fuel, Water scarcity and Material resource scarcity are other key megaforges discussed. Indian CSR reports tend to have relatively better disclosures on the stakeholder engagement process and least disclosure on supplier and value chain impacts.

### Conclusion

India is one of the fastest growing economies in the world. As a result it faces the challenges of solving various social problems such as maximum utilisation of scare resources, reducing carbon emission, poverty label etc. Now the business organisations are trying to solve these problems with various activities apart from their normal activities and are showing on CSR or Sustainability reporting. The CSR reporting rate in India has scored 73% which indicates that the future of CSR reporting is exciting. From 2011 to 2013 there is a highest growth (53%) in CSR reporting in India compare to all over the world. But the average quality score for all CSR reports is 42 out of a possible 100 where the global average is 59 percentages, indicating that there is a need to significantly improve the quality of CSR reporting in India. The CSR reporting is mandatory only for top 100 listed entities based on market capitalization at BSE and NSE and voluntary for the rest of the entities. It is expected that the CSR reporting trend and quality may be increased if the respective legislative authorities make CSR reporting mandatory for all type of entities irrespective of their forms and sizes. As many organizations in different country started to prepare G3/G4<sup>14</sup> Sustainability reporting, framework introduced by GRI, instead of CSR reporting, Indian companies should adopt G3/G4 sustainability reporting framework instead of reporting CSR with National Voluntary Guidelines though it is also a GRI referred guidelines but G3/G4 provides more information to the related stakeholders.

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<sup>14</sup>, G3 is third generation of guidelines and it was launched in 2006; G4 is four generation of guidelines and it is being released in May, 2013.



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