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Corporate Responsibility in the Field of Sustainable Development on the Example of India

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ABSTRACT

The relevance of national approaches to the study of corporate responsibility in the field of sustainable development is based not only on the expansion of methodological tools for assessment, but also on the need to provide it with a global perspective. Of particular interest is the study of corporate responsibility in developing countries that lag behind in terms of adoption but have distinct national characteristics. India, as the first country to oblige its companies to allocate funds for corporate social responsibility (CSR), demonstrates its intentions to form a national concept of sustainable development. The BRICS partnership between Russia and India provides opportunities for deeper co-operation in the field of sustainable development in general and corporate responsibility in particular. The paper chooses reports related to sustainable development and corporate social responsibility expenditures, as well as public initiatives of Indian companies as objects of research. An indicator characterising the national corporate approach to sustainable development is proposed.

Keywords: non-financial reporting; sustainable development; corporate responsibility; sustainable development report; information disclosure; India

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INTRODUCTION

Corporate responsibility in the field of sustainable development is an integral part of corporate governance of business entities and is undoubtedly of interest for scientific research [1, 2]. The obligations of these entities include dynamic activities in the environmental and social spheres, as well as ensuring transparency in management procedures. Social events for employees and clients, projects to reduce environmental impact, financial support for volunteer programmes, etc. are examples of corporate responsibility initiatives. Ethical issues are undoubtedly important, but the long-term strategy is based not just on maintaining the brand image and reputation, but on creating value for stakeholders: employees, customers, investors, government agencies, public and international organisations. Mechanisms that influence corporate responsibility include legal and voluntary measures, partnerships, as well as non-financial reporting that justifies the fulfilment of intentions in practice and makes it possible to assess the contribution to achieving sustainable development.

DEVELOPMENT OF CORPORATE RESPONSIBILITY

The evolution of global corporate responsibility can be traced through the publication of company reports since the 1960s. At first, these were short extracts from US and European enterprises with comments on its significance for society. In the 1990s, not only social but also environmental issues began to be widely covered. The geographical expansion of report publications was uneven, depending on public awareness of the concept of sustainable development. In the developed countries of the European Union, the emergence and evolution of the concept of reporting on sustainable development is based on the understanding of the need to transition to it under the influence of political and socio-economic factors [3].

Simultaneously with the growing number of companies publishing sustainability reports, a system of standards and recommendations was developed to provide information in a clear and comparable form. Since 2000, the most widely used methodology is that of the independent international organisation GRI (Global Reporting Initiative).

The importance of publishing sustainability-related documents has also grown due to their increasing integration with financial reports and the development of responsible investment. Stock exchanges have supported this initiative and have gradually started to develop guidelines on disclosure and management of social and environmental risks. In particular, the European Union has environmental and social disclosure rules primarily for investors. Since June 30, 2024, in accordance with the European Sustainability Reporting Standards, sustainability reporting has become mandatory for 50,000 companies in the EU.[1] But despite the standards adopted in July 2023 to simplify reporting, it was decided in February 2024 to postpone sustainability reporting for selected sectors and third country companies for two years.[2] In other countries, actual disclosure will remain a requirement of stock exchanges, many of which are developing regulatory frameworks or separate listing requirements for this purpose. For example, since 2012, India's stock exchange listing agreement has required that business responsibility related to environmental, social and corporate governance issues for the top 100 companies must be disclosed in annual market capitalisation reports. This requirement is now voluntary for all entities listed on the stock exchange.

We're not expecting any order of mandatory reporting on sustainable development in States outside the European Union yet, but defining the conditions and prerequisites for its introduction in developing countries is becoming an urgent task.

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[1] URL: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464

[2] URL: https://www.consilium.europa.eu/en/press/press-releases/2024/02/07/council-and-parliament-agree-to-delay-sustainability-reporting-for-certain-sectors-and-third-country-companies-by-two-years/

CORPORATE REPORTING OF DEVELOPING COUNTRIES

Studies of sustainability reporting in developing countries reveal limited information on environmental and social performance, as well as inconsistent and inconclusive information on company organisational composition and ownership structure. The theories of stakeholder, legitimacy and voluntary disclosure have been attempted to inform the theoretical underpinnings of sustainability reporting publications [4–9].

Not only researchers but also international organisations are paying attention to corporate responsibility for sustainable development. The differences between developing and developed countries are reflected in the United Nations Global Compact for 2020.[3] Reports from developed countries mainly covered issues related to sustainable production and emissions in the supply chain, while developing countries were concerned with education and human rights topics.

The pace of development of corporate responsibility and sustainability reporting in developing countries varies. *Table 1* shows the dynamics of report publications in the sample countries up to 2020. We note the strong leadership of China, while South Africa demonstrates a stable high indicator of the number of reports.

South Africa actively supports the publication of sustainability reports, which was relatively widespread in the country prior to the introduction of the Johannesburg Stock Exchange (JSE) requirements; improving the regulatory framework and encouraging voluntary initiatives by companies.[4] Malaysia, on the other hand, had a very low level of reporting prior to the introduction of regulations by the Stock Exchange (Bursa Malaysia). Both countries have mandated sustainability disclosure prior to 2011 and have adopted listing rules/requirements. The Johannesburg Stock Exchange (JSE) has authorised the depth of disclosure of sustainability activities based on recommendations issued by the Royal Committee on Corporate Governance.[5] Bursa Malaysia made the publication of sustainability information a listing requirement following a speech by the Malaysian Prime Minister, but specific guidelines came much later.

The Johannesburg Stock Exchange was one of the first emerging markets to require its companies to either publish an integrated report containing financial and non-financial statements or explain why they had not done so. The introduction of this tool has helped meet the information needs of an extremely wide range of stakeholders, not just investors.[6]

A significant component characterising a country's commitment to sustainable development is compliance with international greenhouse gas accounting standards (GHG Protocol).[7] Whilst recognising the problems associated with the disclosure of emissions data within the Scope 3 area, the Exchange retains the requirement to provide reasons why they are not accounted for.

INDIA

In the Indian context, mandatory corporate social responsibility has gradually emerged as a component of sustainable development. The theoretical underpinnings for a national corporate approach have been expanding, such as the underlying CSR principles of giving back to society on the profits generated.

The evolution of sustainability reporting in India began with the launch of the BRR (Business Responsibility Report) in 2009. Starting from 2012,

[3] URL: https://globalcompact.ru/

[4] URL: https://www.jse.co.za/our-business/sustainability/jses-sustainability-and-climate-disclosure-guidance

[5] URL: https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/king_iii/king_report_on_governance_fo.pdf

[6] URL: https://www.jse.co.za/sites/default/files/media/documents//JSE%20Sustainability%20Disclosure%20Guidance%20June%202022.pdf

[7] In accordance with international standards for greenhouse gas accounting, a division of emissions into three scopes has been introduced: 1 (Scope 1) — direct company emissions during production; 2 (Scope 2) — company emissions during energy consumption; 3 (Scope 3) — emissions including all indirect greenhouse gas emissions, divided into two types of flows in the supply and distribution chain.

Table 1

Number of corporate responsibility reports (non-financial) by country

Country / Year	2016	2017	2018	2019	2020
India	146	147	144	161	166
China	111	508	616	694	774
Thailand	92	100	120	115	127
Indonesia	86	97	96	111	113
Malaysia	67	89	112	132	135
SOUTH AFRICA	317	317	297	302	304
Saudi Arabia	10	12	19	17	23
Oman	10	7	6	6	6

Source: compiled by the author according to URL: https://www.corporateregister.com/map/

the 100 largest companies, as mandated by the Securities and Exchange Board of India (SEBI), published sustainability reports, and in 2015 the requirement was extended to a further 400 organisations. In 2019, the "National Voluntary Guidelines" were revised and reissued as "National Guidelines for Responsible Business Conduct". In May 2021, the "Responsible Business Report" became the "Responsible Business and Sustainability Report" and the list of companies expanded to 1,000 companies. Performance indicators in the new document are divided into two groups: core indicators, the disclosure of which is mandatory, and voluntary indicators, which provide companies with an opportunity to demonstrate a desire to "achieve a higher level of excellence in their pursuit of social, environmental and ethical responsibility". Note that disclosure of information related to a company's production processes and commodity supply chains under Scope 3 is included in the list of leadership indicators, making it voluntary. This distinguishes the Indian document from, for example, the European Union's Corporate Sustainability Reporting Directive (CSRD). Scope 3 is the most significant category in developing countries, accounting for one-third of global carbon emissions, which is associated with the consumption of high-carbon intensity fossil fuels, as well as poverty, corruption and hunger. Therefore, the fact that reporting on this category has been moved to voluntary disclosure emphasises the reluctance of Indian companies to do so due to the insignificance of the data to stakeholders and/or the lack of regulations governing the process of collecting emissions from supply chains.

Nevertheless, Indian companies that already publish sustainability reports disclose a significant number of indicators, which proves that they are serious about showing corporate responsibility [10–13]. In 2016, the quality of disclosure was almost 80%. The 2019 reports of 493 companies[8] show that 80 per cent of them followed the GRI (Global Reporting Initiatives) system's non-financial disclosure standards for the three dimensions of sustainability — social, environmental, and economic.[9] Differences were identified in the disclosure of such information by sector of production, confirming the unpreparedness of Indian companies to report in a common format.

[8] URL: https://www.globalreporting.org/media/i4udupws/sa-trends-2019-publication.pdf

[9] URL: https://www.globalreporting.org/media/ioqnxtmx/sebi_brsb_gri_linkage_doc.pdf

Table 2

Corporate Social Responsibility expenditure of companies in India by state in 2021–2022 as compared to similar TOP-600 Indian companies, crores of rupees

States and territories	Ratio of expenditures by states to expenditures of TOP-600 Indian companies
Andhra Pradesh	640.70/433.92
Arunachal Pradesh	119.39/117.11
Assam	398.70/375.80
Bihar	165.66/131.94
Chhattisgarh	292.83/246.41
Delhi	1158.0/673.07
Gujarat	1554.16/820.16
Haryana	654.88/342.07
Himachal Pradesh	138.84/ 114.17
Uttarakhand	192.41/124.76
Karnataka	1761.39/1061.13
Kerala	234.01/ 139.14
Madhya Pradesh	420.04/278.31
Maharashtra	5229.31/ 3657.34
Pinjab	177.48/ 74.56
Rajasthan	700.44/ 453.52
Tamil Nadu	1371.91/ 809.77
Telingana	670.06/ 337.27
Uttar Pradesh	1321.36/ 968.10
West Bengal	541.46/262.96
Odisha	652.01/565.81

Source: compiled by the author according to: URL: Indiastat.com

Table 3

Distribution of companies by state

State	The number of companies
Jharkhand	1
Goa	2
Chhattisgarh	2
Himachal Pradesh	3
Odisha (Orissa)	6
Kerala	12
Rajasthan	14
Madhya Pradesh	14
Punjab	16
Andhra Pradesh	48
Uttar Pradesh	66
Gujarat	86
Haryana	91
West Bengal	92
Karnataka	97
Tamil Nadu	115
Delhi	125
Maharashtra	501

Source: compiled by the author.

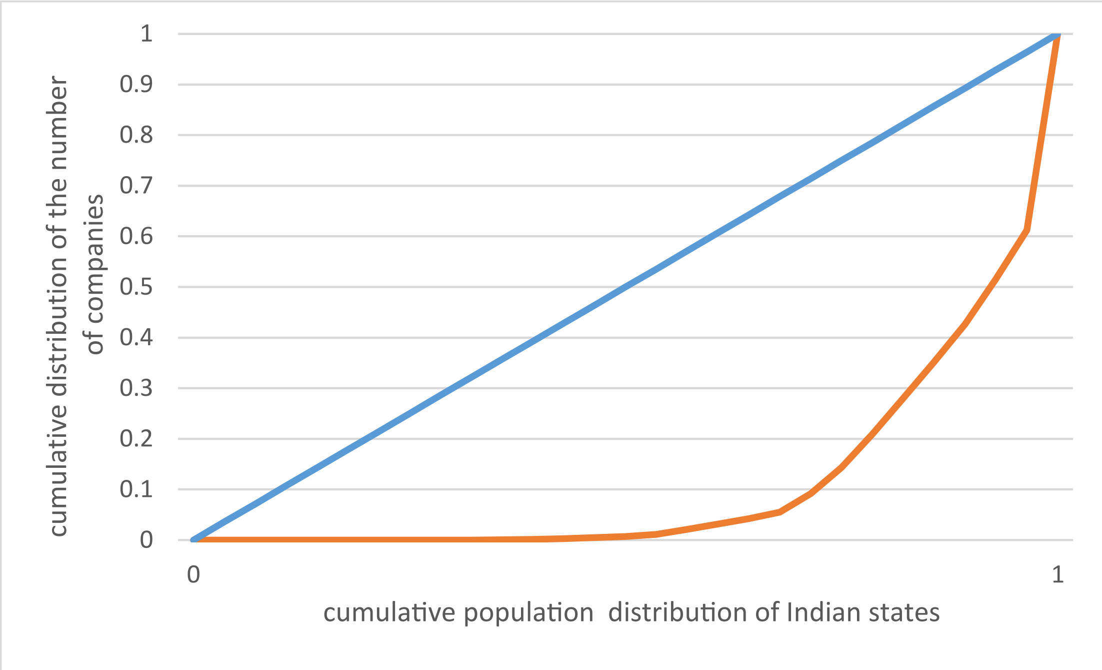

Fig. **Estimating the uneven distribution of companies listed in the CSRHub database across states in India**

Source: compiled by the author according to URL: https://www.csrhub.com/

Note: Information on companies from the states of Sikkim, Mizoram, Arunachal Pradesh, Nagaland, Manipur, Meghalaya, Tripura, Uttarakhand, Assam, Bihar, Jammu, and Kashmir was not available in the CSRHub database as of the date of the request.

Of course, the quality of reporting is significantly influenced by a number of internal company characteristics: age, industry, size, and environmental sensitivity. Only 1/5 out of 586 organisations in India assessed sustainability performance over time and/or in relation to other companies in published reports in 2021.[10] At the same time, 12 new companies made such information public for the first time. In general, the level and quality of sustainability reporting remained virtually unchanged until the introduction of the Regulation on Business Responsibility and Sustainability.

A general trend can also be noted[11] — disclosure of information in the context of the Sustainable Development Goals (SDGs). India's level of transparency is comparable to China's and slightly lower than that of Organisation for Economic Co-operation and Development (OECD) countries. The most common are SDG 13 (Climate Action), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities) and SDG 12 (Responsible Consumption and Production). The SDG India Index 2020–2021, published by the National Institution for Transforming India[12] and developed in collaboration with the United Nations, shows that SDG 6, SDG 12, SDG 11 are almost achieved; SDG 8 and SDG 13 are partially achieved; and SDG 5 has not been achieved by any state.

The listed targets are consistent with the major sustainable development challenges India faces, but there is room for improvement in reporting practices. Disclosure on SDG 13 is two-sided: on the one hand, the goal is among the most popular, but on the other hand, only a small number of companies consider climate change to be a significant issue.[13] A possible explanation is that

[10] URL: https://reportyak.com/sustainability-reporting-standards-in-india-2022/

[11] URL: https://www.cdsb.net/sites/default/files/sustainability_india_report_web.pdf

[12] URL: http://niti.gov.in/

[13] The reporting exchange, Sustainability reporting landscape in India, https://www.cdsb.net/sites/default/files/sustainability_india_report_web.pdf

this is not a major issue in India. The peculiarity is that the country is transitioning to a low-carbon economy from an agrarian economy rather than an industrial one. India's per capita energy consumption is quite low, and unlike developed countries, it has not yet developed a sufficient greenhouse gas inventory. The power sector accounts for almost 40 per cent of emissions as it uses coal, which emits carbon dioxide during processing.

The analysis of corporate social responsibility expenditures by state in India (*Table 2*) shows that the top three states are Maharashtra (the financial and economic centre of India with many large registered companies), Karnataka and Gujarat, followed by Tamil Nadu and Delhi.

In general, there are significantly more companies active in the area of corporate social reporting than those who show themselves to be in the area of corporate sustainability responsibility. However, according to IndiaStat.com, the number of the former is decreasing: while there were 21,525 in 2017–2018, and 25,985 in 2018–2019, then by 2021–2022 there were 18,623 left. The explanation for this is a shift in focus towards corporate sustainability and reformatting reporting.

In addition, we have also investigated distribution of companies willing to show themselves in sustainability aspects across the states of India addressing the CSRHub database, as of April 2023 (see *Figure*). Each of the 1,291 companies was identified as belonging to a parent company in one of the states (*Table 3*).[14] The degree of deviation of the curve indicates the uneven distribution of sustainability initiatives in India.

It should be noted that 12 states are not represented by any company, i.e., they have not demonstrated initiatives in the field of sustainable development in particular and corporate responsibility in general.

The majority of companies are registered in the state of Maharashtra with its administrative centre in Mumbai. This is followed by Delhi, the second largest administrative centre, by a wide margin. It is expected that this process will spread to other states as companies realise the need for disclosure, either voluntarily or as a result of regulatory pressure.

[14] The method of assessing the unevenness of the distribution of the studied attribute in statistical analysis was proposed by economist Max Lorenz. The Lorenz curve clearly shows how much the actual distribution differs from the uniform distribution (a straight line at an angle of 45°).

CONCLUSION

The formation and implementation of a national concept of transition to sustainable development in India is important for the Russian Federation, as the country is seen as our strategic partner. The tools and mechanisms to manage the transition process should be evaluated in terms of their effectiveness and the possibility of risks.

However, the country's commitments to carbon neutrality, which require companies to disclose information, are unevenly implemented across states, forcing management to use tools to incentivise the publication of sustainability reports. Compliance with greenhouse gas accounting requirements, particularly Scope 3 disclosure, remains voluntary. The very fact of disclosing information on greenhouse gas emissions (Scope 3) can serve as one of the indicators characterising the national corporate approach to sustainable development.

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