

Sustainability Outlook

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Sustainability Reporting

Extended Producer Responsibility

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Moving from operating defensively,
to capturing advantage

NVGs are the litmus test for Indian businesses' commitment to sustainability



Sustainability Outlook spoke to Bhaskar Chatterjee, Director General & CEO, Indian Institute of Corporate Affairs to understand the current status and next steps of the adoption of the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business (NVG – SEE).

Most of the large companies now report on their non-financial performance under some of the other reporting guidelines. Do you see any gap in such reporting?

The essence of reporting and disclosure is the 'will of the corporate' i.e. whether they are truly involved in the process, how willing they are to disclose such information and what parameters they ultimately decide to report on.

Over the recent years, we have had a slew of non-financial business reporting initiatives undertaken by businesses –in fact, releasing a flashy sustainability report has now become the new fashion statement. While most of these reports focus the spotlight on the things achieved by the company, no data is shown on the real shortcomings where challenges were faced by businesses. That is the most crucial gap. There really needs to be a new culture of reporting, where companies do not hesitate in reporting and disclosing both their achievements as well as negative impacts/challenges.

What are some of the key issues and challenges being faced by the Indian industry regarding reporting and disclosure of non-financial performance?

There are enormous issues and challenges in the reporting and disclosure landscape in India. The current mandate is for the top 100 companies to report under NVG-SEE; however, it is easier said than done. We know from practical experience that much of this kind of reporting tends to be very routine. Disclosure on real information that is required from the corporates is extremely difficult.

Since the Guidelines are still operating on the principle of 'report or explain' for these companies and since this is the first year, it is quite difficult to estimate the number or the kind of information that would come in. However, the expectation is that once a critical mass of companies comes on board and start disclosing business behavior under NVG-SEE, the 'real value' of this data would come forth. Only then would we know if the guidelines have seriously been taken up, or whether they are still considered as a check-box exercise.

What trends do you see in the uptake of the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business (NVG – SEE) by the business community in India?

The National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business (NVG – SEE) issued by the Ministry of Corporate Affairs is perhaps the first real comprehensive set of guidelines to encourage responsible business action, issued anywhere in the world by a government body. While we have seen guidelines by OECD (Organization for Economic Co-operation and Development) and others, NVG-SEE is the only truly all encompassing set of guidelines which covers every single aspect of business thinking through all its nine elements.

The NVG-SEE is like a litmus test for corporates to test whether or not they are truly a responsible business entity. If a corporate were to ask itself the question- 'Am I truly a responsible business?' then NVG-SEE would help them evaluate their sustainability strategy through its 9 elements.

“There are enormous issues and challenges in the reporting and disclosure landscape in India”

The NVG-SEE not only provides a common and credible platform but also enables us to bring forth the entire discussion together at one single space, enabling an exchange between multiple stakeholders representing corporates, civil society and academics.

The Ministry has also tried to take this initiative one step further by saying that these are not just guidelines to be kept on the shelf, but rather a tool for the corporates to evaluate their business behavior and also ask the right questions back to the government. The response of the corporates has also been encouraging and exemplified by the fact that the industry played an interactive role in deciding the reporting format.

Especially now, with the NVG-SEE disclosure mandate placed by SEBI on the top 100 companies (by market capitalization), the NVG-SEE is set to gain an increasingly higher prominence for businesses to understand the extent of ‘responsibility’ in their business behavior.

It is clear that the NVGs are absolutely rooted in the industry need. In what ways do you think businesses benefit from adoption of NVG given that it is still voluntary to a large extent (other than the mandate for the top 100 large companies)?

While there are multiple benefits, I would focus on two major ones. One major benefit of adhering to the NVGs is enormous public support. Such ‘responsible’ businesses commit that they behave responsibly when it comes to their products, and actions through the value chain, and committing to the NVGs makes this behavior public information. The customers and the public at large hence view that company in a different light due to such positive and encouraging disclosure. This increases the company’s brand recognition, stability and market presence and also helps in gaining customers.

Second major benefit is the good image in front of the investors which have now started showing increasing interest in the non-financial performance of a company while making investment decisions. Responsible business behavior shows the progressiveness of the company and sends a signal to investors showing that they are a well-managed and well governed entity.

Do you think the guidelines would be voluntarily adopted by mid and small sized companies as well? Do you see any commonalities between the guidelines and the CSR Bill?

Well, we certainly hope for uptake of the guidelines by the SME sector and we certainly want that to happen. One of the key accomplishments of the NVGs is that the guidelines are costless– in that sense, these are different than the upcoming CSR Bill under the Companies Act. Developing an ethical/responsible business culture need not require any costs. Neither is any cost incurred for believing in human rights as an approach to corporate governance. Some of the nine elements of the Guidelines are actually more by way of values rather than expenditure items, That is a plus point for medium and small companies to adopt NVGs.

The conflict, or rather the difference, between the Companies Bill and the NVGs is simply that much of the NVGs focus on corporate governance which is impossible to measure in numbers. On the other hand, the CSR Bill talks about these aspects in terms of money. One company cannot value its ethics at Rs. 102 and score higher than another companies’ ethics valued at Rs. 98 because values and commitments aren’t measurable. Therefore the NVGs do not commit an organization to any expenditure to show impact made by the company. This is also a key drawback of the NVGs since it gives an opportunity to corporates to bring out a flashy wonderful document showing their top notch ethical behavior which might not be in sync with the ground reality.

That being said, while NVGs have many advantages, it is also clear that just by showing commitment to the NVGs, corporates cannot attain a carved-in-stone good image. However, we need to start with smaller steps. And when it comes to NVGs, it is a giant step in itself.

Could you give us some information about what the Ministry or the IICA is looking to do to drive disclosure in the next 12 -24 months?

Part 1 of the approach is generating awareness about the Guidelines since a large majority of the industry still does not know that these Guidelines exist. IICA is working closely with partners like GIZ for this purpose. One way of doing this is conducting series of workshops and widespread dissemination through posters and other communication materials for distribution. There are also plans of creating a virtual network – an online community – where people could log in and interact as needed.

“NVG-SEE is the only truly all encompassing set of guidelines which covers every single aspect of business”

Part 2 is influencing industry behavior through organizations like SEBI which would take further steps to making NVGs mandatory for a larger set of companies. Once a small critical mass gets rolling and starts reporting, it will generate further momentum. Hence, a combination of a nation-wide awareness drive is the next step coupled with persuasive mandates which have been put in place by catalyst organizations.

Are there also plans for holding industry consultations to address concerns or answer questions regarding NVG reporting?

Yes, in fact Confederation of Indian Industries (CII) recently held a workshop with the same agenda, where I addressed a large number of representatives from corporates who asked me the hardest questions regarding NVGs. We are also trying to hold similar conclaves of this nature where the industry can highlight their queries about NVGs, proposed CSR Bill, reporting formats etc.

Our goal is to create transparency and increase responsibility in business behavior so that there is one common place where information on the non-financial performance of all companies is available. This data would then be extremely useful for the companies to benchmark themselves against other companies and also make critical analysis and evaluations of the industry on the whole.

Dr. Bhaskar Chatterjee is presently the Director General and CEO of the Indian Institute of Corporate Affairs, an autonomous organization established by the Indian Ministry of Corporate Affairs, a capacity-building institution and a think-tank for knowledge development/ dissemination and for rendering policy advice to the Government of India on issues relating to Corporate Affairs. He joined the Indian Administrative Service in 1975 and has held many distinguished positions.

Dr. Chatterjee is a graduate from Hindu College, Delhi and a Post-graduate in History from St. Stephen's College, Delhi University. Thereafter, he completed his MBA from the All India Management Association. He received his M.Phil from the Indian Institute of Public Administration in 1989-90 and his Doctorate from the Chitkara University in 2011.



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