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SUSTAINABILITY REPORTING FRAMEWORK: COMPARATIVE ANALYSIS OF GLOBAL REPORTING INITIATIVES AND DOW JONES SUSTAINABILITY INDEX

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Abstract: Financial growth no longer remains an exclusive driver of business. Social and environmental facets play a very significant role. Engagement and partnership with stakeholders is the foundation stone of sustainable development. Sustainability reporting has become a common practice in a number of countries like USA, Europe, Japan and Australia but is at an emerging stage in Asia, Latin, America, Africa and Russia. In India, the Sustainability Reporting Initiative was started in 2001 but unfortunately it has shown a very slow progress. The aim of present study is to show comparative analysis of two famous sustainability reporting framework: - GRI (Global Reporting Initiative) and DJSI (Dow Jones Sustainability Index). Sustainability reporting should consider each aspect of triple bottom line in more standardized way. However in case of proper disclosure of sustainability reporting, GRI is considered very much acceptable framework for sustainability reporting as compared to DJSI.
Keywords: Corporate Sustainability reporting, Sustainable development, Global Reporting Inititaive (GRI) and Dow Jones Sustainability Index (DJSI).

1. INTRODUCTION

Before 21st century every organization considers only financial aspects of their organization to disclose in front of stakeholder and general public. Profit maximization was the sole motive of the corporate houses. But importance for clean water and air, abundance of forests and bio-diversity, human health and well being were neglected, economic development was at lopsided. The degradation of environment in general, pollution to water, air, and land, and specifically, the emission of greenhouse gases, are causing great concern for society locally and globally. It has been argued that businesses need to operate in a cleaner manner and operate more environmentally friendly production processes for society's survival, if not their own continued functioning (Hawken, 1993; Rasmussen, 1997).

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Because of the unsustainable actions, human destroyed half of the forest and use half of the primary product of the earth. Furthermore, society has become more informed and more aware about the negative impact of the corporate houses activities. However corporate houses are criticizing for their environmental misbehavior. Because of this present corporate reporting is not only concerned with record keeping and reporting of information to the financial aspects but they are disclosing information of the non-financial performance of the organization. Based on poor corporate behavior there is strong need of sustainability in the actions of the companies. Corporate sustainability is a combination of two terms sustainable development and corporate social responsibility. Corporate sustainability reporting is also known as corporate social responsibility (CSR) reporting and triple bottom line (TBL) reporting. Such reports focus on environmental, social and economic performance of companies and are increasingly being published by companies in various parts of the world (Ballou et al., 2006). Furthermore, society has become more aware about the negative impact of corporate houses because of improvement in the communications technologies. Based upon above manifestations, the last two decades has seen various initiatives related to sustainable development, including the world sustainable development summits in 1992 and 2002, and the Millennium Development Goals in 2000.

Against this backdrop, the purpose of the present paper is to review various sustainability reporting frameworks. This paper is structured in to six parts. It begins with a brief introduction followed by a brief overview on sustainable development in second section. The third section provides a discussion on corporate sustainability reporting, its evolution and relationship with Corporate Social Responsibility. Fourth section discuss about the various famous framework of corporate sustainability reporting. In this paper we will discuss two framework of sustainability reporting DJSI (Dow Jones Sustainability Index) and GRI (global Reporting Initiatives). In the fifth section we do comparison between above mention two framework of sustainability reporting and final section i.e six concludes the paper

2. SUSTAINABLE DEVELOPMENT

Sustainable development is a broad concept that stabilizes the demand for economic growth with environmental protection and social equity. Deegan (1996), contend in his study put that globally we must ensure that our generation's consumption patterns do not negatively impact on future generation's quality of life. Hubbard (2008) reported in his study that in 1998, Elkington developed the term "triple bottom line" to argue the case for reporting environmental and social performance together with economic performances.

The triple bottom line concept implicit that the economic, social and environmental should be balanced and give equal importance. It is the metrics of organizational environmental, social and environmental aspect which are also know as three Ps: planet, people and profit. Every corporate house is concentrated only one line of triple bottom line i.e. profit. To be sustainable organization, corporate should give attention to each line of triple bottom line i.e. planet (environment), people (social) and profit (economic). Lopez et al (2007) reported that companies are becoming aware that they can contribute to sustainable development by reorienting their operation and process.

Notwithstanding, there are some threat of sustainable development such as population, shortage of drinking water, human health , consumption of energy and deforestation. These threats are convoluted and serious and it can't be transmit in the same way as it was created. But without doubt it can be addressed. In order to encounter these challenges, various indicative actions have been undertaken by global bodies worldwideSustainable development is a vision and a way of thinking and acting so that we can secure the resources and environment for our future generation.

The term was first come in to picture in 1987, in *Our Common Future*, a book published by the World Commission on Environment and Development (WCED) and defines sustainable development as meeting "the needs of the present without compromising the ability of future generations to meet their own needs"(Brundtland ,1987). If you will look at the definition, it consists of two concepts:-

- Deals with present as well as future and;
- It talks about needs in particular the essential needs of the world's poor, to which overriding priority should be given.

The Brundtland Commission also saw sustainable development as a process of change rather than a fixed state of harmony. Although the concept of "needs" or its implications have not been explained in the definition, most discussions "have retained the core ethic of intergenerational equity, emphasizing the current generation's moral obligation, to ensure that future generations enjoy at least as good a quality of life as the current generation has now" (World Development Report, 2003). Thus, many threads of thought have been interlinked into the concept of 'sustainable development'. Though somewhat ambiguous, the concept has relevance and meaning as well as a broad appeal at national and international levels. In translating the concept into specific operational terms, it will be necessary to adapt its principles and values to specific economic, social and environmental circumstances.

3. CORPORATE SUSTAINABILITY REPORTING

3.1 ***Definitions and its Importance*****: -** Corporate sustainability reporting has a long history going back to environmental reporting. This reporting highlighted issues like public awareness of environmental concerns such as conservation of energy, strategies to be taken avoid negative impacts of industries on the environment , social concerns like infrastructure development, employees related issues such as lockout, strikes, grievances and economic concerns such as financial grants which are provided by government or any financial institutions given to the organizations. It is the process of disclosing companies' environmental, social and economic performance to the public and to their stakeholders. Currently, there is no universal definition of sustainability reporting because it is different things for different people.

Sustainability reporting is synonymous with social responsibility reporting or with all those reports which used to disclose information on environmental, social and economic aspects. Presently , corporate houses find that financial reporting alone no longer satisfies the need of stakeholders, customers and communities because financial reporting disclose the financial aspects of organizations only but for overall performances of the organization non-financial performance should also be disclosed. Hence, the concept of sustainability reporting introduced.

Many researchers define sustainability reporting in different ways because there is no universal quoted definition of sustainability reporting. Slater and Gilbert & et al , 2004 defined sustainability reporting is a structured way an entity reports on its economic, environmental and social performance which gives companies a means to report on how non-financial factors affect the financial figures and how these factors can ultimately drive the company's values. Sustainability reporting is a practice of measuring, disclosing, and being liable for organizational performance while working towards the goal of sustainable development (GRI, 2009). Therefore, it is a vital step for managing change towards a sustainable global economy. Therefore to provide guidance to organizations in preparing sustainability reporting various initiatives was launched. Among all these initiatives, the most exhaustive framework currently in use is Global Reporting Initiative (GRI), which is discussed in detail in the subsection below. Table 1 outlines some of the major initiatives that have led to the increased level of sustainability reporting in the world today.

About here Table no.1

3.2 Relationship between Corporate Sustainability Reporting and Corporate Social Responsibility

The term sustainable development originated in the 18th century and was actually used in forestry but the framework of CSR (corporate social responsibility) has already been established in the 1950's and 60's. Sustainable development is a broad concept as compared to the CSR. Actually CSR is an integral part of sustainable development. The basic aim is to incorporate the sustainability aspect into a corporate house to maintain successful companies in the long term. Bhagwat P, (2011) recommended that CSR (corporate social responsibility) is to be used as a social strand of the sustainable development concept which is mainly built on a sound stakeholder approach CSR focus especially on the corporate engagement realizing its responsibilities as a member of society and meeting the expectation of all stakeholders. These two terms are simultaneously used by many industries for the disclosure of the non-financial performances. In case of mining industries socio-economic local development works are taken as a part of their corporate social responsibility (CSR) activity.

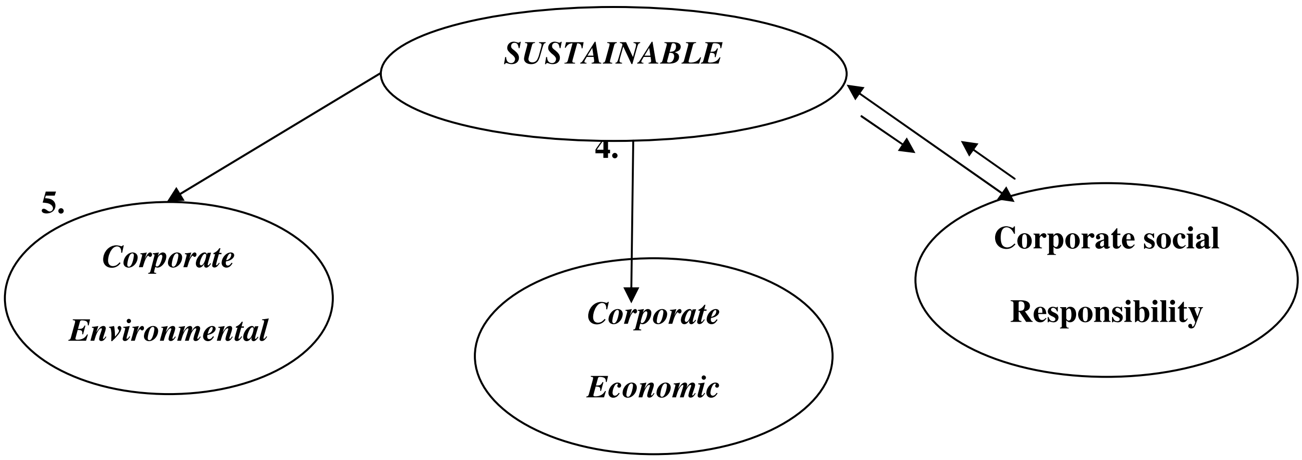

Fig1: Relationship between Sustainable Development and Corporate Social Responsibility

4. FRAMEWORK OF SUSTAINABILITY REPORTING

Nowadays corporate houses have criticized for the negative impact on the environment and on society. Proper disclosure of non-financial performance is very much needed and for sustainability reporting there are various type of sustainability reporting framework such as carbon disclosure project, GRI (Global Reporting Initiatives), CERES out of which in this paper we discuss two famous frameworks which are using three aspect of sustainability reporting for disclosing non-financial performances.

4.1 ***DJSI (Dow Jones Sustainability Index):-***

The DJSI was launched in 1999 to track the financial performance of the leading sustainability-driven companies. This index is the first global indexes tracking the financial performance of the leading sustainability-driven worldwide. These are a set of indices to measure the financial performance of companies that are considered sustainability leader. The DJSI family contains one main global index, the DJSI World, and other indexes based on geographic regions such as: Asia Pacific, Nordic, Europe and North America. The DJSI is designed to measure financial success according to market capitalization of companies that fit a certain criteria. The DJSI is based on an analysis of corporate economic, environmental and social performances, assessing issues such as corporate governance, compliance, supply chain standards and labor practices. These are classified in to three main heading:-

- Economic: - This category includes codes of conduct/Compliance/Corruption, Corporate Governance and risk/crisis management.
- Environment :- it includes environmental Reporting
- Social: - this category includes corporate citizenship/philanthropy, labor Practice Indicators, human capital development, Social Reporting and Talent Attraction ad Retentions.

These are complemented by specific industry criteria and are given individual weighting. As a result any company's sustainability can be judged. Selection criteria evolve each year and companies must continue to make improvements to their long-term sustainability plans in order to remain on the index. Indexes are updated yearly and companies are monitored throughout the year. These efforts culminated in the creation of the DJSI World in 1999 by the Sustainable Asset Management (SAM) Group of Zurich and the DJSI. The DJSI covers the top 10 percent of the biggest 2,500 companies in the Dow Jones Global Index that pursue economic, social, and environmental reporting (DJSIs, 2009).

4.2 GRI (Global Reporting Initiative):- During 1997-98, CERES (Coalition for Environmentally Responsible Economies) began developing a disclosure framework for sustainability information and instituted a Global Reporting Initiative (GRI) project division (Willis, 2003). Soon, a GRI steering committee was formed. In 1999, the United Nation Environmental Program (UNEP) joined this effort bestowing a worldwide scope to GRI and its disclosure framework (Fet and Michelsen, 2003). The first version of GRI guidelines was issued in 2000. In 2002 a second generation guidelines, known as G2, was brought out at the

World Summit on Sustainable Development in Johannesburg. GRI launched the third generation of its guidelines, G3, in 2006 and all companies have made an effort to adapt to these new changes in the reporting framework. These guidelines indicators are divided in to three categories such as economic (9), social (45) and environment (30). At present GRI are the world de facto standards used by every organization to present corporate sustainability reporting. The GRI has developed a set of core metrics intended to be applicable to all corporate houses, sets of sector-specific metrics and a uniform format for reporting information integral to a company's sustainability performance.

5. ANALYSIS OF GRI AND DJSI INDEX

As it has been shown in above section, during 2011/12 there were 5789 organization are having profile on GRI and out of which 15787 reports hosted in this application. However, 14846 GRI reports in this application are based on the GRI framework including a GRI content index. Out of 14864 companies only 80 Indian companies are presenting handful report on sustainability reporting as GRI guidelines (GRI database, 2012). In the year 2011-2012, out of total companies 3208, only 1544 companies assessed on DJSI index. Organizations that use GRI’s disclosure guidelines, as the basis for their sustainability report, are requested to:

- Strategy and profile;
- Management Approach; and
- Performance Indicators.

At present GRI considered world the facto standards because it provides a metric that can be used by any organization of any size. The level of loyalty to the GRI disclosure guidelines is monitored through three application `level, starting from C (for beginners) to A (for advanced). Furthermore, organizations can evaluate their performance by denoting a “plus” (+) next to their levels, if an external assurance provider (GRI or other) offered an independent opinion with regard to their self-declaration. GRI has set of core metric and GRI guidelines are as per the industry specific. In general way there are 90 indicator of GRI index out of which 30 belong to environment, 45 belong to social and 9 indicators belong to economic.

DJSI is primarily a financial performance based metric and evaluate its performance relative the Morgan Stanley Capital International Index, often used as common standard for “world’ or “global “stock market. The sustainability reporting disclosures fall in three categories:

- Economic: This deals with codes of conduct/compliance/corruption, corporate Governance and risk crisis.
- Environmental reporting: deals with environmental reporting.
- Social: deals with corporate citizenship/ philanthropy, labor practice indicators, human capital development and social reporting.

This index is the longest-running global sustainability standard worldwide and have key reference point in sustainability investing for investor and companies alike. However, in Indian context Dow Jones Sustainability Index is very new concept and only Wipro is the Indian company which is listed on the DJSI index.

In summary, from the above information and discussion, we may draw the following conclusions:

- Both frameworks are having same but disclosure formats/ indicators are different. In GRI , organization disclose information on non-financial performances which help corporate houses to build sustainability measurement disclosure but in DJSI is framework which also show non-financial performance but help to screen sustainability performances for investing purpose.
- Both the frameworks are having different approaches and different disclosure pattern for corporate assessment and reporting.
- GRI guidelines are having total 90 indicator to disclose sustainability reporting where as in DJSI only 9 indicators are used to disclose information.
- DJSI is flexible as compared to GRI. For example, a DJSI member could also be a GRI member if that organization chooses to do so, but in GRI only the top 10 percent of 2500 DJ global Index member organization can be member of DJSI but not every organization eligible for DJSI membership.
- The faithful of application level under GRI is misleading sometimes and varies widely by country and region. For example: the European alone comprises about 50 percent of the GRI –registered members and their member organizations are the primary users of GRI audits.
- In developing country Indian both the concept are in nascent stage but DJSI is very new concept because only one companies is listed on the DJSI index as compared to 80 Indian companies which are listed on GRI guidelines.
- Indian companies are providing proper handful reporting on the sustainability reporting by using GRI index but unfortunately companies are not using of DJSI index.

- High level of information disclosure on sustainability reporting in GRI as compared to DJSI index because the impact of various activities on environment and society is not reflect as much in the DJSI.

Comparing the GRI with DSI criteria, we observe that concept is similar but difference in the disclosure pattern and depth of sustainability indicator. GRI is using 90 indicators as compared to 9 indicator of DJSI for disclosing non-financial performance of the corporate house.

6. CONCLUSION

Based upon the above discussion, this paper is to call importance of the standardized sustainability reporting practices in the corporate houses if they want to sustain in future. In addition we show that sustainability reporting is a broad concept as compared to corporate social responsibility. Corporate houses should disclose non-financial performance in proper standardized way by using proper sustainability reporting framework.

Though voluntary, organizational social and environmental performances became part of metrics of corporate performances and accountability. Moreover corporate sustainability reporting should not be seen as a cost of corporate house but as an opportunity to sustain itself for the long in future. While more and more organization started disclosing their performances on ESG parameters in their annual report, websites and in some cases separate reports. Corporate houses do not always integrates sustainability reporting practices because lack of awareness. Therefore problem in implementation of sustainability initiatives arises. Awareness building initiatives need to be taken for various stakeholder communities, both at the firm level as well as sector level.

Based on above discussion on the best sustainability reporting framework, GRI framework is globally acceptable framework as compared to the DJSI index. GRI is providing broad picture of sustainability reporting as compared to DJSI index. Therefore, majority of the organization in the world are listed on the GRI index. However DJSI is also valuable index for sustainability reporting but this index does not reflect the impact of environmental and social incidents.

At last I want to conclude this paper that sustainability reporting is very much essential for every organization and for this we have to standardize ESG reporting. Furthermore, SEC and FASB should step up their involvement in such in order to achieved desirable sustainability objectives. In addition to this proper framework is also needed to consider. Sustainability reporting framework should disclose and reflect every information's of non-financial performance in front the general public and stakeholders.

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Table 1
Significant International Sustainable Development Initiatives

International Initiatives	Year	Description
Rio Earth Summit	1992	The 1992 United Nations Conference on Environment and Development (UNCED), which took place in Rio de Janeiro, had over 20,000 participants from 178 countries representing governments, non-governmental organizations (NGOs), and the media. In addition to looking at solutions for global problems such as poverty and the growing gap between developed and developing countries, the summit also considered solutions for achieving sustainable development. At its conclusion, six conventions emerged from the summit, including the Rio Declaration, a set of 27 principles committing governments to environmental protection and responsible development; and Agenda 21, which provides a global plan of action for sustainable development and forms the basis of national sustainable development strategies.
UN Global Compact	2000	Launched in 2000, the Global Compact brings companies together with UN agencies, labour and the general public to support principles in the areas of human rights, labour, environment and anti-corruption. As a voluntary initiative, the Global Compact relies on public accountability, transparency, and the enlightened self-interest of companies, labour, and the public to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.
Millennium Development Goals	2000	Signed by all UN Member States in 2000, the Millennium Development Goals commit the international community to a new vision of development that sees human development as key to sustaining social and economic progress in all countries. The eight goals establish national targets for poverty, education, gender equality, and environmental sustainability. The targets set for each goal are to be achieved by 2015.
Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	2000	The Guidelines constitute a set of voluntary recommendations to multinational enterprises in the major areas of business ethics, including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. They are part of a greater program that seeks to improve the fit between business

		and society by clarifying the rights and responsibilities of governments and enterprises in the area of international business.
World Summit on Sustainable Development	2002	As a ten year follow-up to the Rio Summit in 1992, the 2002 World Summit in Johannesburg brought various interest groups together, including heads of state and government, NGOs, businesses, and other major groups to focus the world's attention and direct action towards meeting challenges associated with sustainable development. Although there were mixed reviews on the success of the summit, it did produce two documents: the *Johannesburg Declaration on Sustainable Development,* which expresses commitments and direction for implementing sustainable development, and the *Johannesburg Plan of Implementation* that will guide government activities.
UN Norms on Human Rights Responsibilities of Companies	2003	Interpreted from the Universal Declaration of Human Rights (1948), the UN Norms on Human Rights Responsibilities of Companies provide the first set of comprehensive international human rights norms specifically applicable to transnational corporations and other businesses.

Source: Compiled from Certified General Accountants Association of Canada (2005)