Sustainability Reporting Practices in India: A Select Case Study of Computer – Software Companies

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Abstract
In the era of globalisation, there has been a paradigm shift to a number of companies in India, which have made an endeavour to attain global standards. These companies working globally have formulated operational strategies to achieve sustainable growth in the Global environment. As a result, in the last few years they have been taking this issue of sustainability extremely serious through active participation in strengthening their internal governance and taking initiatives for protection of environment and development of society at large. It is needless to mention that contribution of computer - software industry cannot be ignored in case of economic growth in India. Select large corporate houses including major players in computer - software industry like *Tata Consultancy Services; Infosys; Wipro* adopted global standards in preparing sustainability reports. Major corporate entities including select companies in computer – software industry used framework proposed by Global Reporting Initiative (GRI) for preparation of the report.
In this backdrop, the paper attempts to critically analyse sustainable reporting practices of select companies in Indian computer-software industry. The paper makes a comparative study on structure of sustainability reports and disclosure of performance parameters of the select companies.
Keywords: Sustainability Reporting; Computer– Software Industry; Global Reporting Initiative; G3.1 Guideline; Tata Consultancy Services; Wipro.

1. Introduction

Climatic change due to draught, earthquake, and flood results in massive destruction of resources each year in India. Indian companies adopt policies to mitigate climatic risk in attaining operational efficiency in order to ensure sustainable operation [German Agency for International Cooperation (GAIC) Research Project, 2012]. However, such practices intending sustainability was very less before liberalisation. Focus on sustainability have grown extremely only after economic reform in 1991 when Indian companies were required to attain global standard and sustainable operational growth in accessing global market and attracting foreign investors. Therefore, large corporate houses in Indian origin extending their operation in foreign countries started integrating sustainability with their core operational strategies to enjoy competitive benefits in terms of employee retention, risk management and resource conservation over their foreign counterparts. Globalisation also prompted an Indian company to actively participate in social developments in collaboration with Non-Government Organisations (NGOs) for improving their brand image in global markets (Sustainability Outlook, December 2, 2012). For the last 10 years, Indian companies are actively participating in sustainability practices and reporting the same to fulfil growing information needs of stakeholders' community (GAIC Research Project, 2012). However, sustainability reporting by Indian companies is still lagging behind their western counterparts in terms of integrating financial and operational efficiency with environmental and societal measurers (Mitra, 2012). Therefore, with a view to bringing more uniformity in reporting process, select large corporate entities in India are preparing their sustainability reports as per G3.1 guideline proposed by Global Reporting Initiative (GRI), a consortium of different global stakeholders group for issuing standards on sustainability reporting. In last few years, Indian government also showed optimistic outlook in this regard proposing several regulatory pronouncement standardising and mandating sustainability and its reporting practices (e.g. National Voluntary Guideline (NVG) by Ministry of Corporate Affairs (MCA), Companies Act, 2013, SEBI circular on Business Responsibility Report etc.) (GAIC Research Project, 2012).

Indian Computer Software industry led by Information Technology (IT) or IT Enabled Services (ITES) sectors contribute substantially to Gross Domestic Product (GDP), employment and exports of Indian economy.

There was a remarkable development in this industry in the post-reform era when e-transactions, free movement of employees between countries, foreign investment in this sector were liberalized. As this industry was emerged out with a global foundation, it faced an utmost need for sustainability practices and its reporting from its inception (NASSCOM Key Highlights, 2012). Few important players within this industry who took pioneering steps in this regard were Tata Consultancy Services (TCS), Infosys, Wipro, Satyam Computer Services Ltd., and HCL Technologies etc. (Wikipedia Article: Information Technology in India). However, recent accounting fraud at Satyam and financial crisis in this sector following global meltdown (Sengupta, 2010) brought us in front of the question, whether this sector has successfully implemented policies and practices on sustainable developments which are depicted through their sustainability reports. In this paper, an attempt has been made to critically analyse sustainability practices and its reporting by Indian companies with special reference to Indian Computer – Software Industry.

2. Sustainability Reporting in Indian Companies

Progress of sustainability reporting in India is slow in comparison with other developed countries (e.g. Japan, United States of America, United Kingdom, China etc.) (Mitra, 2012), while there has been a sound and significant sustainability reporting in India. Main reasons identified for preparation of sustainability reporting by Indian companies are as follows: (Sustainability Outlook, December 2, 2012)

   (i)   Growing Indian companies are accessing global market which require them to prepare sustainability reports;
   (ii)   Sustainability reporting is also prepared to attract foreign investors who are looking for investing in Indian companies with good involvement in environmental, social and governance issues;
   (iii)   Companies can integrate its sustainability into its core operational strategy and enjoy competitive benefit in terms of employee retention, risk management and resource conservation;
   (iv)   Extensive media coverage and operations of Non-Government Organisations (NGOs) also raised business concern for preparation of this report and improve their brand image;
   (v)   Climate change in terms of drought and flood are traditional risks in Indian environment. Therefore, attaining operational efficiency as well as mitigating risk from climate change in the backdrop of optimistic government outlook prompts Indian companies to prepare this report.

Indian companies have been reporting with sustainability parameters for about ten years now. Over last five years, a number of Indian companies preparing this report have increased following legislative moves from government and increasing expectations from investors' community (GAIC Research Project, 2012). However, Indian companies are still lagging behind their western counterpart in preparation of this report and integrating their financial and operational efficiency with environmental and societal measures (Mitra, 2012). Issues like inclusive employment, education, employment creation, health, corporate/government collaboration, land and displacement, natural resource management, climate change, corporate governance, solid waste and water are yet to be addressed in sustainability reports by Indian companies (ICSI Article).

Unlike France, United Kingdom and South Africa where sustainability reporting has been made mandatory for all or select class of companies, major corporate houses in India are still following third generation of voluntary guideline proposed by GRI for preparation of this report (Gray, 2006). Large corporate houses in India (e.g. Tata group companies, Reliance, ITC, TCS etc.) prepare their sustainability report as per this guideline. Securities Exchange Board of India (SEBI) in its recent circular has mandated preparation of sustainability reports by top 100 listed companies based on their market capitalisation. However, this regulatory move does not reduce importance of GRI guideline, as companies preparing their report under this framework are not required to prepare any separate report as per SEBI regulation. They just need to show that sustainability report fulfils the entire disclosure requirement under SEBI norms (Sustainability Outlook, November 29, 2011).

3. Sustainability Reporting Practices in Select Computer Software Companies in Indian

In this section, two companies in Indian computer-software industry have been selected for the purpose of case study. They are:
♦   Tata Consultancy Services Ltd. (TCS); and
♦   Wipro Ltd. (Wipro).
A company can be called sustainable based on certain parameters. They are:
♦   Internal governance;
♦   Economic sustainability;
♦   Environmental sustainability;
♦   Labour sustainability;
♦   Protection of human rights;
♦   Social sustainability; and
♦   Customer sustainability.

Based on information on aforesaid sustainability parameters obtained from sustainability reports of TCS and Wipro for the year 2011-2012, a comparative analysis between them has been made as follows:

3.1 Internal Governance

Specific issues on internal governance structure of two companies are presented in the following table:

Table 1. Internal Governance

Issues	TCS	Wipro
Board structure	Unitary	Unitary
% of independent members in the board	50	50
Separation of chairman and CEO	Yes	Yes
Additional checks and balance to avoid conflicts of interest	No	Yes
Provision for recommendation by shareholders and employees	Present	Present
Compensation of senior board members linked to organisational performance	Yes	No information
Internal code of conduct	Yes	Yes
Endorsement to external charter	Yes	Yes
Membership is association	Yes	Yes
Stakeholder engagement	Yes	Yes

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings

♦ Governance structure of these two companies is almost equal. Their governance is comprised of unitary board and board committees.

♦ A good proportion of the board members are independent and there are separation of duty between chairman and CEO which helped them to avoid conflicts of interest.

♦ Wipro is also found to employ additional checks and balance mechanism to avoid conflicts of interest. TCS and Wipro are found to have a mechanism where shareholders and employees are allowed to give recommendation to the board.

♦ In TCS, compensation of senior board members is linked with organisational performance. Both the companies have their own code of conduct.

♦ With a view to ensuring good sustainable practices, Wipro is found to endorse to some external charters (e.g. UN Global Compact, Carbon Disclosure Projects etc.). Both the companies are found to be members of external associations (e.g. CII, NASSCOM etc.).

♦ Both the companies engage with different stakeholders based on the need of the organisation to discuss sustainability issues in a holistic and integrated manner. Frequency of such engagement differs based on the nature of stakeholder.

3.2 Economic Sustainability

There are some issues relating to economic sustainability of two companies as shown below:

Table 2. Economic Sustainability

Issues	TCS	Wipro
Revenue	$10.17 billion	$7.44 billion
Economic Value Added	No information	$.52 billion
Government grant	$.22 billion	Nil
Tax payments	$.658 billion	$.34 billion
Benefit plan obligation	$196 million	Insignificant
Financial impact of climatic change on product	Nil	Nil
Relation with local community	Strong	Strong
Infrastructure development	Yes	Yes

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings

♦ As stated earlier, in terms of revenue TCS ranks first followed by Wipro. Naturally TCS pays more tax to the government. Wipro reports a good amount of EVA where EVA figure is not available in TCS's report.

♦ During the reporting period, TCS has not received any government grant whereas Wipro received a great amount of fiscal benefit from the government. TCS has a good amount of benefit plan obligation which is not observed in Wipro. Reports by these two companies also do not point out the financial impact of climatic change on the product of the company.

♦ Both the companies under consideration, treats their local community as an important parameter of economic sustainability. That is why they maintain a good relationship with local suppliers and recruits from local community or local academic institution. This is observed in a good proportion of spending on local suppliers and recruitment of senior managers from local community by both the companies.

♦ As a measure of economic sustainability, both the companies participate in developing infrastructure. However, among them only TCS considers this as an important strategic issue for sustainable development and do it in a systematic manner.

3.3 Environmental Sustainability

An attempt has been made to consider certain issues relating to environmental sustainability of two companies here:

Table 3. Environmental Sustainability

Issues	TCS	Wipro
% of material used as input	74	No information available
Primary energy source	Grid	Grid
Energy consumption	90%	72%
Indirect energy source	Fuel combustion, green energy	Captive sources
Energy consumption	10%	28%
Water usage	2.03 kilo litre	1.07 kilo litre
Contribution towards biodiversity	Yes	Yes
GHG emission	2.12 tonnes	No information
Ozone depleting substance	.21 tonnes	.112 tonnes
NOx	615 tonnes	63 tonnes
SOx	5 tonnes	11 tonnes
Wastes	paper, e-resources, biodegradable assets etc.	garden waste, food scraps, paper, biomedical waste, e-sources, batteries, oil etc.
Quantity of wastes	16.9 kg	2066 tonnes
Water disposal	Nil	Yes
Measures to mitigate environmental impact on product	No	Yes
Compliance	Fully	Fully

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings

♦ Information on material usage and proportion of material used is not obtained from the sustainability reports of Wipro. In case of TCS, 74% of the material is used as input.

♦ Companies under consideration use energy from Grid or other indirect sources. Both the companies use majority of power from Grid. However, proportion of grid energy for TCS is higher than that of Wipro. Indirect sources in case of TCS are fuel combustion and green sources. But for Wipro captive sources are used.

♦ All three companies use good amount of water. Water usage by TCS is more than Wipro.

♦ TCS and Wipro have set up their biodiversity conservation projects. While TCS has 2 projects as of now, Wipro has reported of only one. While TCS set up their projects with the sole purpose of protecting natural habitats, Wipro has many agendas (e.g. increase in the number of trees, reduction in carbon footprint, efficient water use etc.).

♦ Emission of Green House Gas (GHG), ozone depleting substance and NOx in TCS is more than Wipro. However, SOx emission is more for Wipro. Both the three companies generate similar types of wastes. However, total quantity of wastes generated by Wipro is huge as compared to small amount of wastes in TCS. In TCS, there is no instance of water disposal. But in 39 out 66 locations of Wipro water was disposed off due to poor quality.

♦ No specific initiatives have been taken to mitigate environmental impact on product by TCS, while Wipro took several measures for this purpose.

♦ Both the companies fully comply with environmental laws.

3.4 Labour Sustainability

The following table shows some issues with regard to labour sustainability at both the companies as under:

Table 4. Labour Sustainability

Issues	TCS	Wipro
Workforce	238853	125304
Attrition rate	10.6%	8.1%
Return to work after parental leave	93%	93.8%
Freedom of association and collective bargaining	Less	Less
Occupational health and safety measures	Yes	Yes
Employee training	Yes	Yes
% of female employees	32	28
Discrepancy in remuneration based on gender	No	No

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings

♦ In terms of total workforce and attrition rate, TCS ranks ahead of Wipro. In terms of return to work after parental leave, both the companies report a good percentage with Wipro slightly higher than TCS.

♦ In both the companies freedom of association and collective bargaining offered to the employees are very less. Minimum notice period in both the companies is 1 month.

♦ Both the companies have mechanism for education and risk control measures for the employees in case they suffer from serious diseases.

♦ In both the companies, there is a mechanism for employee training.

♦ TCS has less gender diversity than that of Wipro.

♦ Male and female respondents are not differentiated in terms of revenue in both the companies.

3.5 Protection of Human Rights

Details about protection of human rights made by these two companies are shown here:

Table 5. Protection of Human Rights

Issues	TCS	Wipro
Contracts entered violating human rights	Nil	Nil
Training on HR policies	Yes	Yes
Cases of discrimination	Nil	46%
Violation of freedom of association	Less	Less
Child labour	Nil	Nil
Forced and compulsory labour	Nil	Nil
HR reviews	Nil	No information
Number of grievances on HR issues	Nil	334

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings

♦ During the reporting period, none of the companies enter into contracts that violate human rights. They also provide education and training to their employees on HR policies of the company.

♦ Numbers of operations where freedom of association and collective bargaining are violated in both the companies are less.

♦ None of company reported any instance of child labour, forced or compulsory labour.

♦ In case of TCS, number of cases where human rights were reviewed is zero. However, this information is not received from the sustainability report of Wipro.

♦ TCS has not reported any grievances on human rights issues. However, there are 334 grievances in Wipro.

3.6 Social Sustainability

Social sustainability measures taken by two companies are given here:

Table 6. Social Sustainability

Issues	TCS	Wipro
Nature of community engagement	Preventive	Preventive and corrective
Education on anti-corruption policies	Yes	Yes
Cases of corruption	Nil	51
Political lobbying	No	No
Development of public policy	Yes	Yes
Compliance with national and international laws	Fully	Fully

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)
Findings

♦ Both the companies got involved in community engagement during the reporting period. Where activities performed by Wipro addressed mitigation of negative impacts on society, community development programs by TCS are mainly preventive in nature.
♦ All employees of both the companies are given education and training on anti-corruption policies of the company and during the reporting period. Cases of corruption is nil for TCS. However, there are few cases where complaints of corruption in Wipro have been received. Suitable actions have been taken against these complaints.
♦ None of these companies are involved in any kind of political lobbying. However, TCS and Wipro being members of several organisations participate in public policy development.
♦ All the three companies comply with all relevant national and international laws during the reporting period.

3.7 Customer Sustainability

There are a number of issues pertaining to customer sustainability as under:

Table 7. Customer Sustainability

Issues	TCS	Wipro
Product impact measurement on customer health and safety	No	No
Product and service labelling	Yes	No information
Programs to ensure marketing communication	Global marketing strategy	No measure
Compliance with applicable laws	Yes	Yes

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)
Findings

♦ None of the countries have measured impact of their product on health and safety of customers.
♦ TCS used product and service labelling to convey product information to their customers.
♦ TCS also have few programs for adhering to laws on marketing communication.
♦ Both the companies have complied with applicable regulations and protected interests of their customers.

4. Reporting of Sustainability Performance

Both TCS and Wipro prepare their sustainability report as per G3.1 guideline under Global Reporting Initiative (GRI). It is a voluntary guideline and it does not propose any structure of sustainability report (GRI G3.1 Guideline). However, Sustainability report of both the companies necessarily include message from key decision maker of the organisation who may be CEO or chairman, a report profile, GRI Indicator showing compliance with G3.1 guideline and External assurance of the report. In terms of GRI certification and external assurance, sustainability report of TCS is rated higher than that of Wipro. A brief structure of sustainability reports along with underlying parameters is presented here:

Table 8. Structure of the Report and Reporting of Sustainability Performance Parameters

TCS		Wipro	
Structure of the report	Underlying performance parameter	Structure of the report	Underlying performance parameter
Corporate governance	Internal governance	Organisational profile	Internal governance
Sustainability of business performance	Customer sustainability	Strategic perspective	Internal governance
Financial sustainability	Economic sustainability	Wipro and its stakeholders	Internal governance
Supply side sustainability	Economic sustainability, Labour sustainability	Employees and sustainability at the workplace	Labour sustainability
Occupational health and safety	Labour sustainability	Ecological sustainability	Environmental sustainability
Community engagement	Protection of human rights, Social sustainability	Customer stewardship	Customer sustainability
Corporate social responsibility	Social sustainability	Sustainability and the responsible investor	Economic sustainability
Environmental impact	Environmental sustainability	Ethical supply chain	Protection of human rights
		Education and community care	Social sustainability

(Source: TCS Corporate Sustainability Report and Wipro Sustainability Report, 2011-12)

Findings
- Sustainability report of TCS is more user friendly than that of Wipro in terms of identifying specific performance parameters;
- While TCS focus more on social, environmental and labour sustainability, Wipro considers internal governance, customer sustainability, and social sustainability to be more important parameters.
- While TCS fully complied with all disclosure requirements under G3.1 guideline for each performance parameter, a partial compliance of disclosure requirement under protection of human rights and customer sustainability is observed for Wipro.

5. Conclusions

Economic reforms and liberalisation paved the way for India's economic growth. Among many other industries, computer-software industry is the born of this phase. During this period when the concept of sustainable development was flourishing all over the world, this industry in India recognised this need very early and started performing activities to ensure their sustainable development. A good governance structure, sustainable economic growth, participation towards environmental protection, labour welfare, protection human rights, sustaining consumer base and social development were considered as important parameters of sustainable development of companies in this industry. Major players in this industry started performing aforesaid activities and reported the same based on G3.1 guideline to meet global standards on reporting. However, in the last decade quite a few debacles in this industry raised our concern on their sustainability. Two major players in this industry - TCS and Wipro have been selected to conduct a case study on their sustainability performance and its reporting. In our analysis, it is observed that Wipro is underperforming TCS in terms of sustainable performance and reporting sustainability issues. It is evident that companies in this industry are taking the issue of sustainability incredibly serious. However, more initiatives are still required to be taken on their part. Absence of a mandatory framework often create problem for stakeholders to assess sustainable performance of a company. Therefore, recent measures proposed by Ministry of Corporate Affairs or Securities Exchange Board of India on sustainability reporting should be considered by Indian companies besides GRI framework for preparing sustainability report.

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