WATER DISCLOSURE PRACTICES IN INDIAN COMPANIES
- A ROAD LESS TRAVELLED

Dr Namita Rajput
Associate Prof in commerce
Sri Aurobindo College (M)
drnamitarajput@ymail.com

Ms Ruchika Kaura
Assistant Prof in Commerce
ARSD, College
ruchikakaura@gmail.com

Ms Akanksha Khanna
Research scholar
akanksha.kh@gmail.com

ABSTRACT

Present era marks the beginning of addressing the issues of all the stakeholders associated with the company profile, environment, societal change and governance. All these concerns including the climate change, carbon emissions, water usage and significant changes in demographics and society have become the mainstream in corporate reporting. The shrinking per capita accessibility of water in India force that all the Corporates must have a formal plan for water management that includes formal disclosures and reporting mechanisms. The per capita water availability in India, which is currently at 1544 cubic meters in 2011 vis-à-vis the international benchmark 1,700 cubic meters, is proposed to further shrink to 1,140 cubic meters by 2050. Statistics clearly signify that India has already acquired the prominence of a water-stressed nation. So far only 39 Indian companies have released sustainability reports in adherence to the Global Reporting Initiative (GRI). Increasing awareness about this issue has been prompting investors to seek water-related disclosures from companies. In response to the growing importance to businesses of both water use and disclosure, a proliferation of initiatives are seeking to provide guidance on how companies can measure their water performance, understand their water-related challenges and opportunities, develop effective water management strategies, and communicate these issues to stakeholders. Companies are adopting variety of incomparable metrics thereby weakening the value of disclosure offerings. The objective of the present paper is to highlight the present trends in Indian corporate sector relating to water related policies. The present policies of Indian corporate sector do not adequately capture the incredible complex and location –specific nature of water resource dynamics and corporate action. Monitoring of water usage/waste water discharge, through proper accounting and reporting to the stakeholders/general public, must form the core of business strategy towards sustainable growth as water continues to emerge as a critical corporate sustainability challenge. There is an urgent need to develop a common tool to map the water foot prints to achieve sustainable growth.

Key words: sustainable growth, water disclosure, sustainable strategy, Global Reporting Initiatives.

INTRODUCTION

Present era marks the beginning of addressing the issues of all the stakeholders associated with the company profile, environment, societal change and governance. All these concerns including the climate change, carbon emissions, water usage and significant changes in demographics and society have become the mainstream in corporate reporting. In this new reporting environment some Corporates will be gainers and some will be losers. The companies which are able to create and focus
their communication with the stakeholders relating to how their environmental, societal and governance practices are integrated with their core business strategy will be gainers. All internal management reporting practices create focus and direction to help a company’s approach to these vital issues whereas external reporting practices sharpen the focus on performance and guide the companies as to how to appreciate these initiatives which further create value and investor credibility and when these reporting practices are validated by independent agencies, this process is reinforced. The reporting practices should be designed in such a way that they are able to envelope all important practical considerations of compiling effective and more challenging issues so that all the stakeholder expectations and business priorities are reflected in the report. The reporting practices should be clearly aligned with the overall business strategy and to be directed to the target audience and their expectations associated with the company. The spectrum of the reporting i.e. which aspect is to be highlighted and positioned from basic to strategic to leadership should be clear to the company. Some widely adopted frameworks for a comprehensive reporting must be applied by the companies across all industry sectors. These issues are most critical to the ongoing success and viability of the company.

The adoption of materiality assessment process helps in identifying as to which particular issue should be covered in these reports. The issues which are deemed to be material and are associated with direct short term financial performance, best practices of the peer group, concerns and behaviour of stakeholders, norms of the society and any other issue which is linked to the potential future regulation should be covered within the report. The value and success of the company is dependent upon its commitment to provide and exhibit a balanced and representative view of economic, social and environment performance. Any area of underperformance or a negative feedback of shareholders must be appropriately considered in the report preparation process. This will bring quality and objectivity in data and the information which is presented therein. Its quality is of fundamental importance if all the vital issues relating to environmental social and economic impact of its operations which are demonstrated to the stakeholders are committed to in an unbiased way. Corporate disclosures are very important in this evolving era. Investment analysts, capital markets and all the stakeholders are showing keen interest in these dimensions. Recognition and endorsement of these reports by an independent assurance, delivers value to the reporting company and also enhances the level of transparency and credibility. The scope, spectrum and assurance must be clearly understood by the corporate professionals by virtue of emerging needs of corporate disclosures. The content of the company’s report may be largely determined by objective factors, guidelines of materiality, Global reporting standards and should allow greater flexibility vis a vis financial statements. An effective format should be deliberated to all the stakeholders in such communication style and position that all the needs of the target audience are clearly adhered to. Special care should be taken by incorporating separate target element to take care of different stakeholders. Specific rather than adopting one style fits all approach. To make it more meaningful and realistic, there should be scope for continuous improvement by incorporating stakeholder feedback.

IMPORTANCE OF WATER DISCLOSURE

Companies play an imperative role in administration of water resources. Effectual water management is not only a socially responsible act, but there are also sturdy benefits a business can derive from recognizing the water-related risks and opportunities to a business. The following points highlight at the drivers for improved water disclosure:

- **Investor Demand**: Investors want robust corporate disclosures including environmental, social and governance (ESG) issues for making informed investment decisions as these issues can affect the corporate financial performance. Anything that affects a firm’s business model can affect the financial performance and valuation, and ESG issues are no exception.

- **Business drivers**: There are primarily four key business risk areas arising from water scarcity and management:

  1. **Corporeal Risks**: It means the risks related to general changes in the quantity or quality of water arising from increased water scarcity, declining water quality or changing global/local hydrological conditions.
2. **Financial Risks associated with competition and cost because of scarcity**: These are the risks arising from competition, rise in water tariffs and other pricing mechanisms, and cost inflation of water and energy as a result of increasing water stress across regions globally.

3. **Reputational Risks and its implication on business**: It signifies the risks that arise in case of businesses failure to understand the impacts that their operations and discharges have on water resources, aquatic ecosystems and local communities. These issues can be bent by a compound combination of events, information, media, public opinion, NGOs etc. and can have brutal implications on the business.

4. **Dogmatic Risks associated with policy framework**: These risks arise from current or anticipated national or global policies that could place extra financial burdens on the corporate. For example, the governments may decide to control business water use and decrease the number of water extraction licenses issued, or change the rules that govern water use etc.

- **Stakeholders' Approval on ESG considerations**: Companies are increasingly being held accountable when ESG considerations are not managed and disclosed. Gaining community acceptance is indispensable and demands meaningful stakeholder involvement to recognize the material issues and develop strategies to manage the risks and opportunities. As companies progress on their way to the water disclosure, stakeholders and community groups will be better educated of the issues and be able to compare a company’s performance against its industry peers.

**REVIEW OF LITERATURE**

There are numerous research studies carried out in the past, both by academicians and researchers, to evaluate the extent and nature of corporate environmental disclosures, vehicles used for communicating their performance, and reasons for such disclosures across corporations and countries. The studies relating to different countries are: Gray Rob et al (2001) attempted to explain the disclosure of social and environmental information in the annual reports of large companies by reference to observable characteristics of those companies such as corporate size, profit and industry segments. This paper provided an extension of the existing North American and Australian literature by taking into account a more disaggregated arrangement of social and environmental disclosure and by employing a detailed time-series data set. The results provided support for these explanations as sufficient, if not necessary, conditions for explaining the unpredictability in previous results. Brown Noel & Deegan Craig undertook an empirical study within Australia regarding the association between the print media coverage given to various industries’ environmental effects and the levels of annual report environmental disclosures made by a sample of firms within those industries. They documented the results that for the majority of the industries studied, higher levels of media attention as determined by a review of a number of print media newspapers and journals are appreciably related with higher levels of annual report environmental disclosures. Cormier Denis, Magnan Michel, analyzed that many firms are happily increasing their level of environmental disclosure in response to investors' and other stakeholders' concerns about corporate environmental policies. They proposed to recognize the determinants of corporate environmental reporting by Canadian firms subject to water pollution compliance regulations during the 1986–1993 period using a cost-benefit framework. As per the results, information costs and a firm's financial condition are chief determinants of environmental disclosure. Also, size of the firm, the regulatory regime governing corporate disclosure, and industry, also add to environmental disclosure. Deegan Craig et al (2002) examined the social and environmental disclosures of BHP Ltd (one of the largest Australian companies) from 1983 to 1997 to find out the amount and nature of annual report social and environmental disclosures over the period, and whether such disclosures can be explained by the concepts of a social contract and legitimacy theory. They found that there are significant positive correlations for the general themes of environment and human resources as well as for various other themes, and that the management release greater positive social and environmental information in the annual reports of BHP in recent years in response to unfavorable media attention thereby supporting to legitimation motives for a company’s social and environmental disclosures. Sun Nan and Salama Aly et al (2010) examined the
The relationship between corporate environmental disclosure (CED) and earnings management (EM) and the impact of corporate governance (CG) mechanisms on that relationship. They used performance-matched discretionary accruals (DA) as a measure of EM to examine the association between CED and EM for a sample of 245 UK non-financial firms for the financial year ended on March 2007. They found insignificant statistical association between various measures of DA and environmental disclosure and that some CG attributes affect the relationship between CED and EM thereby suggesting that UK corporate managers are not using environmental disclosure as a technique to lessen the possibility that public policy actions will be taken against their companies. Niskanen Jyrki, Nieminen Terhi (2001) examined the objectivity of Finnish listed companies' environmental reporting regarding the disclosure of negative versus positive environmental events that are ex ante publicly known in their normal annual reports during 1985–1996. As per the results, the environmental reporting of the sample firms cannot be taken as objective, since the relative share of negative events reported was negligible compared to the respective percentage for positive events over the entire research period. Qin-qin YU et al (2011) chose the firms participating in the environmental performance rating and disclosure program in Changshu City and examined their overall environmental performance improvement and precise environmental behavior changes. By using an econometric model for the relationship of corporate environmental performance change and their rating records of environmental performance an attempt was made to examine the more active firms in the corporate environmental performance rating and information disclosure program. It was found that firms getting bad environmental performance records or firms with foreign capital were more likely to make an improvement. Suttipun Muttanachai et al (2012) investigated the level and nature of environmental information disclosure provided in the annual reports of 75 listed companies (based on 2007 annual reports) on the Stock Exchange of Thailand (SET), and tested whether there were any relationships between the amount of environmental disclosure and a number of company characteristics used in previous studies conducted in more developed countries. The study highlighted the facts that 83% companies provided environmental information in their annual reports, and that the most common location of such information disclosure for most of the companies is under the topic of corporate governance and the most common themes of disclosures being environmental policy, environmental activities, and waste management. A positive relation was observed between the amount of environmental disclosures and size of company. Bhasin Madan Lal (2012) also explored the status of Environmental Disclosure made by 39 corporations (Kazakhstan) during the year 2005-06, by analyzing content using Technology Adoption Model. The analysis indicated that corporations provide more ED on their Websites as they consider such information to be ‘very’ significant to the ‘visitors’ of their websites, whereas reporting made within their Annual Reports is general, extensive and narrative in nature, without expressly mentioning the environment management policy followed by the corporation and statement of assurance from the corporate management regarding compliance with the external standards, if any. Thus, there is considerable scope for corporations to improve their Internet- and Web-based corporate EID. Earnhart Dietrich, Lizal Lubomir (2010) attempted to empirically analyze the impact of corporate environmental performance on financial performance i.e. profitability in a transition economy by using an unbalanced panel of Czech firms from the years 1996 to 1998. The results point out that better environmental performance strongly and robustly improved profitability by pushing down costs more than it drives down revenues. The strong drop in costs is due to the reasons like considerable regulatory scrutiny exerted by environmental agencies in the forms of widespread inspections and enforcement and increasing emission charge rates. Sobhani Farid Ahammad et al (2009) studied the state of Corporate Social and Environmental Disclosure (CSED) through content analysis of annual reports of 100 companies, listed both on the Dhaka Stock Exchange and the Chittagong Stock Exchange, in a developing country like Bangladesh. The study revealed that the extent of disclosure has enhanced over the last 10 years, but from a global standpoint the extent of disclosure are found to be skimpy. The results showed that all companies under study disclosed at least one item of disclosure on human resource issues; while community issues (47%), consumer issues (23%) and environmental issues (19%).
Similarly, Hossain M. et al also explored the extent and nature of social and environmental reporting in corporate annual reports in Bangladesh by developing and using a disclosure index and found noteworthy differences in levels of social and environmental disclosure and lack of efforts on part of companies to provide social and environmental information on a voluntary basis showing lowest levels of social and environmental disclosure. Dutta Probhul et al (2008) examined the use of corporate websites for disclosing corporate environmental information by the listed companies of Bangladesh and revealed the facts that web based corporate environmental reporting in Bangladesh is still in its immaturity as the level of environmental disclosures on corporate websites is very squat. Marquis Christopher et al (2012) explored the concept of “green washing” which means a form of selective disclosure where companies promote environmentally friendly programs to deflect attention from an organization’s environmentally unfriendly or less savoury activities. They tested a hypotheses using a dataset of 4,484 public companies in many industries during the period of 2005 to 2008, when environmental disclosure increased among global corporations and found that domain-specific visibility mitigates selective disclosure, that it mitigates selective disclosure more so than generic visibility, and that generic visibility mitigates selective disclosure only in the presence of civil society scrutiny. This way they tried to understand how corporations administer the symbolic use of information and how corporate behavior is affected by civil society scrutiny rooted in institutional processes. Bowman and Haire (1975) and Alexander and Buchholz (1978) put forward that the firms which act in a socially responsible way may be able to give an affirmative impression to various groups of stakeholders. As per Early stakeholder theory, even though CSR activities are very pricey, firms will be able to reduce other explicit costs. Ullmann’s (1985) paper discussed the legitimacy theory relevant to the powerful stakeholders. CSR actions and activities are anticipated to develop improved relationships with shareholders and other groups of stakeholders. Building a satisfactory status for the enterprise is tactical to supporting relationships with different stakeholders and to improve the access of capital financing. Thus, the financial and economic performance of an entity has a positive relationship with its social responsibility. (Ullmann, 1985; McGuire et al., 1988; Salama, 2005). Lee Tanya M. et al (2005) studied environmental disclosure by categorizing the prior studies on the basis of laws and regulations, legitimacy, public pressure and publicity, firm/industry characteristics, rational cost-benefit analysis, and cultural forces and attitudes. They attempted to address the forces affecting the decision to disclose environmental information, thereby providing suggestions for future research. There are a few studies relating to water disclosure practices across different countries. Lambooy Tineke (2011) explored the responsibility of today's companies regarding freshwater and discussed about specialized water reporting instruments like the 2007 Global Water Tool and the 'water footprint' calculation method. She conducted an exploratory analysis on 20 Dutch multinational companies to obtain concrete information about corporate water strategies and practices. An attempt was made to exhibit that companies have a responsibility for their impact on water resources particularly when it impacts public access to water in areas with freshwater scarcity and/or weak government. A focus should be made on the progression in corporate research regarding the sustainable water use and the expansion of greener products and greener ways of production. Morrison Jason et al (2004) examined the current global water issues, assessed the water-related risks most relevant for the business community, and described the general kinds of activities companies should take to address them. Understanding the business risks related to water is vital not only for businesses reliant on water, but for our entire global economy. Water-related risks cause a potential multi-billion dollar threat to a wide range of businesses and investors. Corporations and institutional investors face their own specific challenges relating to water such as decreases in water allotments, more stringent water quality regulations, growing community activism, and enlarged public scrutiny of water-related corporate activities. All of these factors may influence site selection, license to operate, productivity, costs, revenues, and finally, profits and corporate viability. Larsen Wendy et al (2012) proposed a decision framework for business water-risk response that considers financial instruments and supply management strategies which address financial impacts such as revenue protection but they do not directly serve to maintain available supplies to carry on production. The financial services industry is playing an increasingly important role, by considering how water risks impact decision.
making on corporate growth and market valuation, corporate creditworthiness, and bond rating. An effort was made to express risk assessment informed by Conditional Value-at-Risk (CVaR) measures and the position of the financial services industry is characterized. There are very few studies that document the Environmental Disclosure practices of organizations, especially in India. Joshi Prem Lal et al (2011) examined the factors influencing the level of environmental disclosure information from a sample of 45 Indian industrial listed companies in their websites by using legitimacy theory and revealed a tendency to disclose the environmental protection information but at a low level. Multiple regression analysis shows a positive connection between size and industry type with the disclosure index. Large heavily polluted firms tend to disclose higher level of information. Nonetheless, profitability and financial leverage have no impact on the disclosure level. Malarvizhi P. and Yadav Sangeeta (2008) assessed that corporate giants address the environmental issues through identification and estimation of environmental costs, benefits, investments, assets and liabilities into mainstream accounting and reporting practices, for varied managerial decisions. These efforts have improved the global reporting standards. They observed that Indian companies pursue varied reporting practices on the internet viz., stand alone environmental reporting (satellite accounts) or reporting along with the Annual/Financial Reports, or Sustainability Reporting. But Indian companies have not yet developed a holistic approach to environmental reporting, as there is lack of environmental reporting guidelines. Pahuja Shuchi (2007) in her paper attempted to obtain the opinions of Chartered Accountants (CAs) on the need for verifying environmental statements produced by large manufacturing companies operating in India and desired status and qualifications of experts doing such an audit. The study revealed the fact that maximum of the selected companies prepare only statutorily required environmental statements and claim that they provide audited information in these statements verified generally by external environmental auditors. Bhattacharyya Asit et al (2009) investigated the corporate social and environmental reporting (SER) practices by studying SER practices of 100 small and large Australian and Indian organizations across five industries. Using 35 GRI based social and environmental indicators, the study evaluated disclosure information presented in annual reports and indicated that SER by Indian organizations is lower in quantity and poorer in quality than Australian organizations. Regression analysis was used to empirically check the determinants of SER practices in both countries. It was found that the amount of total disclosure is not linked to organizational age, external auditor size, and degree of multinational influence for both countries. From the above review it is clear that there is no comprehensive framework for water disclosure neither in India nor across globe, hence there is an urgent need to counter this issue by coming out with such framework which covers various issues like scarcity, availability, treatment, waste water treatment, disposable issues, recycling issues, cost factors, quality aspects etc. The most important thing which must form the part of disclosure guidelines is that local factors must be deeply embedded as they affect the water related issues the most. This research paper is a modest attempt to highlight the above mentioned issues in Indian perspective and also a comparative picture is drawn in this perspective. This paper clearly highlights the urgent need for disclosure of water used and related issues.

**SECTION 111: DATA AND METHODOLOGY**

To achieve the objective of paper, statistics and facts are collected from various sustainability reports of Indian companies along with some OECD documents, UN WWAP, Glossary of Hydrology, CDP, CDP Water Disclosure 2012 report, GRI, G3.1 Sustainability Reporting Guidelines, FAO, Aquastat.

**SECTION IV: ANALYSIS AND INTERPRETATIONS OF WATER DISCLOSURE PRACTICES IN INDIA AND ABROAD**

This section gives the brief description and analysis various frameworks available internationally relating to disclosure practices along with various issues, need, challenges relating to water disclosure policies and practices pursued in India and internationally.

1) **APPROACHES TO CORPORATE WATER DISCLOSURES/REPORTING**

At present, there is no internationally accepted standard for measuring and reporting on corporate water consumption and its effects, yet, there are a number of frameworks available that guide
companies in disclosing their water related management activities and performance. These water disclosure frameworks are:

1. **Global Reporting Initiative's G3 sustainability reporting guidelines**
   The Global Reporting Initiative (GRI) is a network-based organization with participants representing businesses, civil society, labor and professional institutions. In 2006, the GRI developed the G3 sustainability reporting guidelines. The guidelines set out the principles and indicators that companies use to measure and report their economic, environment and social performance, and enables companies to benchmark their performance with respect to laws, norms, codes, performance standards and voluntary initiatives, to demonstrate commitment to sustainability and to compare performance over time. The guidelines include five water-related indicators that focus on a company’s direct water use i.e total water withdrawal from the source, significant affect on water source, percentage and total volume of water recycled and reused, total water discharge by quality and destination and to identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting company’s discharge of water and runoff.

2. **Carbon Disclosure Project's Water Disclosure Initiative**
   The Carbon Disclosure Project is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. In 2010, the CDP released its water disclosure programme which acts as a platform for the collection and dissemination of robust business relevant data on the impacts of changing water availability to business and investors. For this purpose a water disclosure questionnaire was sent to over 300 of the world’s largest companies, operating in water-intensive sectors such as consumer goods; forestry and paper products; beverages; mining; pharmaceuticals; and power generation. It is still in its evolving stage.

3. **Water Footprint Measurement**
   The water footprinting methodology is being continually developed, disseminated, and supported by the Water Footprint Network. The WFN coordinates efforts by its corporate, academic, and NGO members to develop broadly shared global standards on water footprint accounting for corporations. Water footprint means the total volume of freshwater that is used to produce the goods and services produced by the business. Water foot printing helps in determining a company's basic water use and also provides a standard for comparing and benchmarking water use with industry peers. Water foot printing is geographically explicit, representing the location of water withdrawal or discharge, and includes both direct (e.g. the company’s water withdrawals) and indirect water use (e.g. water used in the supply chain). A water footprint measures three primary components – blue, green and gray – all of which are expressed in terms of water volume. These components are defined as follows:
   - Blue water: The volume of consumptive water use taken from surface waters and aquifers.
   - Green water: The volume of evaporative flows used (often found in soils rather than major bodies of water).
   - Gray water: The theoretical volume of water needed to dilute pollutants discharged to water bodies to the extent that they do not exceed minimum regulatory standards.

4. **The United Nations Global Compact**
   The United Nations Global Compact (UN Global Compact) is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. In 2007, the UN Global Compact launched the CEO Water Mandate, a public–private initiative created in partnership with the Government of Sweden and a group committed companies and specialist organizations dealing with the problems of water scarcity. The Mandate is designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices and to make water management a priority. The Mandate highlights the need for companies to work with governments, UN agencies, NGOs and other stakeholders to address the global water challenge. It covers six key areas: direct operations, supply chain and watershed management, collective action, public policy, community engagement, transparency. As of 2010, participation in the Mandate is restricted to those companies that are signatories to the UN Global Compact.
This is clear conclusion after analyzing different frameworks available that there is no single framework which grips all the vital issues and perspectives of water disclosure, although GRI framework is to a major extent enveloping vital issues. But still there is a need to develop such guidelines which is globally accepted also along with comprehensive coverage of all the parameters keeping in mind the future scarcity of water and water becoming a scare commodity.

11) WATER DISCLOSURE PRACTICES OF INDIAN COMPANIES

This section analysis the importance of water disclosure practices, comparative analysis with global peers etc.

A) DISCLOSURE PRACTICES OF INDIAN COMPANIES

The shrinking per capita accessibility of water in India force that all the Corporations must have a ceremonial and formal plan for water management that includes formal disclosures and reporting mechanisms regarding resources used. The per capita water availability in India, which is currently at 1544 cubic meters in 2011 vis-à-vis the international benchmark 1,700 cubic meters, is projected to further shrink to 1,140 cubic meters by 2050. Statistics clearly signify that India has already acquired the prominence of a water-stressed nation. According to a research conducted by CRISIL (2010) a comprehensive assessment of water disclosure practices of 500 publicly held companies in India only 30% of companies reported that they have company level water policy for prudent management of water usage. Similarly, 22% of companies reported that they have policies to manage waste water discharge. Only 3.3% of companies disclosed information on total quantity of water used and merely 1.5% reported the source from where water used is drawn. The study pointed out that sectors like energy, materials and utilities are more positive in disclosing information on waste water discharge see Table 1.

| Company level water policy for prudent management of water usage | 30% |
| Policies to manage waste water discharge. | 22% |
| Total quantity of water used | 3.3% |
| Sources from where water is drawn | 1.5% |
| Companies having positive policies on waste water discharge | Energy, Material and Utility |
| Released sustainability Reports in adherence to the Global Reporting Initiative (GRI). | 80 Indian Companies |

SOURCE: COMPILED FROM CRISIL REPORT, GRI REPORTING REPORTS (2012)

Most companies continue to have a haughty approach towards use of water/waste water discharge and consequently, have been forced to face physical, dogmatic and reputational indemnity. This has often led to momentous blow on the financial performance, and in select cases, companies have even had to shift or shut down their business operations. On watching these consequences Indian companies must
therefore manage their water usage/discharge in a responsible and sustainable manner. In case of non-pursuance financial losses are quite evident.

**B) SLOW MOVEMENTS OF CORPORATIONS TOWARDS PRUDENT WATER DISCLOSURE PRACTICES**

So far only 80 Indian companies have released sustainability reports in adherence to the Global Reporting Initiative (GRI). Increasing awareness about this issue has been prompting investors to seek water-related disclosures from companies. Going forward, growing scarcity and pollution of water, coupled with challenges arising out of climate change could pose serious risks to industrial and business operations in India. Given the likely impact of these risks on companies’ financial performance, recently SEBI has made it mandatory for top 100 listed companies in terms of market capitalisation to submit *Business Responsibility Reports*, as a part of their Annual Reports, describing measures taken by them along the key principles enunciated in the ‘National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business’ framed by the Ministry of Corporate Affairs (MCA). Companies are slowly and essentially changing the way to address water related problems and some vital issues which have emerged

1) Corporate water disclosure—the act of collecting data on the current state of a company’s water management,

2) Assessing the implications of this information for the business and developing responses,

2) Finally reporting to stakeholders all of this information—has emerged as a key component of *Corporate Water Management Practice*.

In response to the growing importance to businesses on important issues relating to water use and disclosure practices, there are proliferation of initiatives coming to provide assistance on how companies can measure their water related performance, assess conditions in the river basins where they operate, understand deeply their water-related challenges and opportunities, develop effective water management strategies, and are diverting their important resources to communicate these issues to stakeholders. There is one big challenge in which companies are using different metrics that are not easily analogous therefore it weakens the value of disclosure offerings and sometimes it does not adequately capture the inconceivable complex and location-specific nature of water resource dynamics and corporate action. Therefore there is an urgent need to counter these problems and have a very important framework to envelop these issues more effectively and address all the issues of corporate water management more effectively. **C) COMPARITIVE ANALYSIS OF INDIAN COMPANIES AND GLOBAL PEERS REGARDING WATER DISCLOSURE PRACTICES:**

Indian companies are quite behind their global peers; United States of America leads the pack with 470 companies developing Sustainability Reports followed by Spain with 342 and China with 238 Sustainability Reports. Even among the BRICS countries, India has the lowest number of companies developing Sustainability Reports. See Figure 1. Out of total of 9966 Sustainability Reports submitted to the GRI since 1999, only 104 are from India see Figure 1.

![Figure 1. Number of companies developing Sustainability Reports among the BRICS countries (1999-June 2012)](image-url)
While Sustainability Reporting is a decade old idea, it is relatively in its early years with the methodology evolving constantly. Still, many nations and organizations have started to understand the concept and incorporate it in their business functions. See Figure 11.

Figure 11: Growth in number of Sustainability Reports published in India

Figure 11 clearly shows that there is a rise in Indian companies' sustainability reporting. The Indian businesses started looking at sustainability only in the middle of the last decade. While the trend has been positive with more companies adopting Sustainability Reporting with each passing year, there is scope for greater response from Indian businesses in coming years. Some of the reasons are lack of awareness, lack of subject expertise in Sustainability, lack of skilled personnel to develop Sustainability Reports and the general economic conditions where Indian businesses were more focused on survival in the short term rather than have lofty altruistic ambition. In the recent past however, there has been a fair amount of capacity addition in the number of skilled persons and organizations who work in the field of Sustainability in India. At present, there is good institutional setup and enough skill set in India for developing Sustainability Reports and there are no excuses for Indian businesses to not include them in their portfolio. Sooner a company makes it a part of their business, the greater would be its chances for long term survival.

Just as the Indian companies feel a pressure from their international stakeholders to incorporate sustainable business practices, the Indian companies can in turn encourage their Indian stakeholders to adopt sustainable business practices. A major challenge to the reporting community at large in India is to improve comparability amongst various forms of reports as well as the lack of explanation on how Indian companies decide on what issues are to be addressed or left out in their environmental, social or sustainability reports. According to the IFC Sustainable Investments Country Report 2009, numerous organizations, such as TERI, the Confederation of Indian Industry (CII), the UN Global Compact and IFC itself are active in promoting corporate responsibility and sustainability reporting. ESG transparency and disclosure by Indian companies in the form of corporate sustainability reports and responses to the Carbon Disclosure Project are slowly improving, but from a very low starting point. Another baseline study conducted by the Emerging Markets Disclosure Project (EMDP) at the end of 2009 on corporate environmental, social and governance (ESG) reporting trends among the largest publicly traded companies in emerging markets suggests that the level of sustainability reporting in India is still evolving. While currently there are no officially recognized guidelines or reporting standards on sustainability reporting (by accounting or regulatory bodies), Indian companies are becoming increasingly oriented towards global standards on sustainability reporting, in particular the Global Reporting Initiative framework. On the other hand, two important initiatives have generated the movement of non-financial disclosure at a rapid rate. First, in 2008 Standard and Poor’s CRISIL and KLD in India. With every passing year, the disclosure for companies reporting on social and environment factors is increasing.
India, the incorporation of environmental and social costs and benefits into mainstream financial reporting is an embryonic field at present but it is certain to grow. At present this approach and practice of considering a full array of metrics tied directly to business performance and risk management is yet to take root. Involvement and commitment of corporate accountants and strategy managers in sustainability management appears to be limited.

SECTION V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Corporate water disclosure—the act of collecting data on the current state of a company’s water management, assessing the implications of this information for the business, developing a strategic response, and ultimately reporting this information to stakeholders (investors, NGOs, consumers, communities, suppliers, employees, and others)—is a critical component of a company’s water management efforts and water-related sustainability more generally. Disclosure supports more sustainable and impartial management of water resources by improving the ability of stakeholder audiences to evaluate a company’s water practices, make comparisons across companies, and thus cultivate superior corporate accountability. Our review of the current situation indicates that the regulatory framework is still evolving across the globe. While the regulatory instruments are purely voluntary at the global level, at the national level a dense network of voluntary and increasingly mandatory sustainability reporting standards and related legislation have been identified. This research shows that while water-related issues are frequently being addressed in sustainability reporting, there is still room for many companies to improve their disclosure on the management of water-related risk issues. The research also highlights the need for a common reporting standard for water disclosure, particularly lagging when compared with other recent mandating of reporting around greenhouse gas (GHG) emissions and energy consumption.

RECOMMENDATIONS

- Companies need to adopt an established and internationally accepted benchmark.
- Companies should report more comprehensively on employee education initiatives.
- Companies for which water is a material issue should develop and disclose formal community engagement programmes where appropriate.
- Companies should include material water risk factors and performance data in these findings and reporting in order to communicate management oversight and awareness of key risks and opportunities in detail. Companies should disclose complete data on water use and discharge.
- Companies should provide data broken down to the facility level for operations in water-stressed regions, and put the company’s risk exposure in context by disclosing the percentage of facilities operating in areas of water stress.
- Corporate reporting should provide detailed explanation of how water risks are being assessed, addressed by key policies, and integrated into governance and management systems from the boardroom to the facility-level.
- Disclosing quantified water use and wastewater reduction targets communicates commitment, and helps investors gauge a company’s capacity to minimize risks and prepare itself for a more water-constrained future.
- Targets are more credible when articulated with respect to high-risk operations, and when backed by detailed management plans.
- A more active role for government regulators should be encouraged; • Regulators should acknowledge the principle of complementarity – i.e. the regulator should raise the bar in terms of minimum reporting requirement, but leave enough space for voluntary disclosure and innovation;
- Relevant incentives should be given to encourage voluntary disclosure, beyond the minimum mandatory requirement.
REFERENCES


