



## CORPORATE SUSTAINABILITY INITIATIVES REPORTING : A STUDY ON INDIA'S MOST VALUABLE FMCG COMPANIES

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### Abstract

*In an uncertain and volatile world, we have to find new ways to operate that do not negatively impact society and the environment, and hence this study analyses the sustainability initiatives of India's top FMCG companies across multiple variables related to sustainability. The study reveals significant variance in reporting on the basis of companies annual turnover in the year 2012 as well as on the variables reported. The highest reported variables were related to corporate governance, followed by those related to CSR initiatives and measures to improve operational efficiency. Most initiatives in the area of CSR focused on four areas—education, healthcare, community livelihood, and infrastructure development. Operations related measures included resource conservation (energy, water, paper) and waste management (emissions, solid waste, water). Less than 20% of the companies that were surveyed currently disclose information on sustainability issues related to the supply chain. Voluntary sustainability reporting was still limited. Disclosures on CSR finances and donations were also nearly non-existent.*

**Keywords:** *Corporate Sustainability Initiatives, Governance, Reporting, Indian companies, CSR.*

### 1. INTRODUCTION

This research study analyses the sustainability initiatives of India's most valuable FMCG companies as disclosed on their Websites, including the annual reports, sustainability reports, policies, and various codes. The objectives of this study are to investigate what type of information related to sustainability and business operations, companies were currently being disclosed and to map the type of information to the industry type and sector.

### 2. METHODOLOGY

In the present study, specific sustainability initiatives taken up by the companies under study as disclosed on their Websites and in their annual reports, sustainability reports, policies, codes, and so on were considered for analysis. In general, Corporate Sustainability Initiatives (CSIs) were defined to include:

- Any voluntary action taken by the company to ensure reduced impact of their operations on the environment or the society beyond legal compliance;
- Those initiatives that are embedded in the core or mainstream business or are carried out by an extended arm of the corporate; and
- All initiatives that depict that the company in general is concerned about the social and environmental aspects along with the economic aspects explicit in its strategic behavior or planning.

The research findings regarding the Corporate Sustainability Initiatives (CSIs) incorporated by the sample companies are reported in three sections—Organization and Management; Operations and Core Business Practices; and Corporate Social Responsibility (CSR).

#### 2.1 Sample Selection and Data Collection

In order to review the kind and extent of initiatives undertaken by the prominent companies of India to address the issues outlined earlier, the present study was carried out on a focus group of the 21 most valuable private sector FMCG companies, as rated by Business Today 500 (BT 500) in 2013, and some other rating agencies based on some specific criteria.



**Figure 1: Research Findings related to CSIs**

Organization & Management	This section describes organizational structures within the company to execute the Corporate Sustainability Initiatives and various ways to manage it like policies, codes of conducts, audits and certifications, communications and adherence to (inter)national voluntary sustainability principles.
Operation & Core Business Practices	The findings with regard to greening and ethically advancing their operations and reducing their negative environmental impacts are included in this section.
Corporate Social Responsibility	Initiatives to improve the lives of the people in the surrounding communities and society at large are highlighted in this section. These initiatives are not directly impacting core business practices of a company as such; however, these can be a part of Public Relations, CSR commitments.

## 2.2 .Data Collection and Analysis

For the present report, data on the sustainability initiatives undertaken by these companies was collected from their respective Websites and/or from the information provided in their annual reports or CSR/sustainability reports. The period of data collection was July 2012 to September, 2013. The latest reports provided on their Websites were referred to for both the sectors in order to collect information on their sustainability initiatives.

**Table 1: Industry Sector and name of the Companies Studied**

Name of the FMCG Companies that are studied	
F M C G	1-Hindustan Unilever 2- ITC Ltd. 3-Amul 4-Pidilite Industries 5-Godrej Consumer Products Limited 6-Dabur India Ltd. 7-Emami 8-Colgate Palmolive India Ltd. 9-Zydus Wellness 10-Britannia 11-GlaxoSmithKline Consumer Healthcare Ltd. (India) 12-Wipro Consumer Care & Lighting Ltd. 13-Marico 14-Future Consumer Enterprises Ltd. 15-CavinKare 16-Parle Agro 17-Jyothy Laboratories 18-Haldiram's 19-Nirma 20-Himalaya Healthcare Ltd. 21-Bikanervala

**Table 2: Section-Wise Classification of 24 Variables**

Organization & Management	Operations & Core Business Practices	Corporate Social Responsibility
<ul style="list-style-type: none"> <li>. Organizational Structure</li> <li>. Policies</li> <li>. Internal Codes of Conduct</li> <li>. Voluntary Sustainability Principles and Codes of Conduct</li> <li>. Certifications and Audits</li> <li>.Communication with Employees and Stakeholders</li> <li>. Awards</li> </ul>	<ul style="list-style-type: none"> <li>. Green Operations</li> <li>. Climate Change</li> <li>. Research &amp; Development</li> <li>. Greening Supply Chain</li> <li>. Renewable Energy</li> <li>. Health and Safety</li> <li>. Workplace</li> </ul>	<ul style="list-style-type: none"> <li>. CSR Finances</li> <li>.Donations &amp; Sponsorship</li> <li>. Disaster Relief</li> <li>. Education</li> <li>. Healthcare</li> <li>.Infrastructure Development</li> <li>. Cultural Conservation</li> <li>. Community Livelihood</li> <li>.Environment Conservation</li> <li>. Other CSR Initiatives</li> </ul>

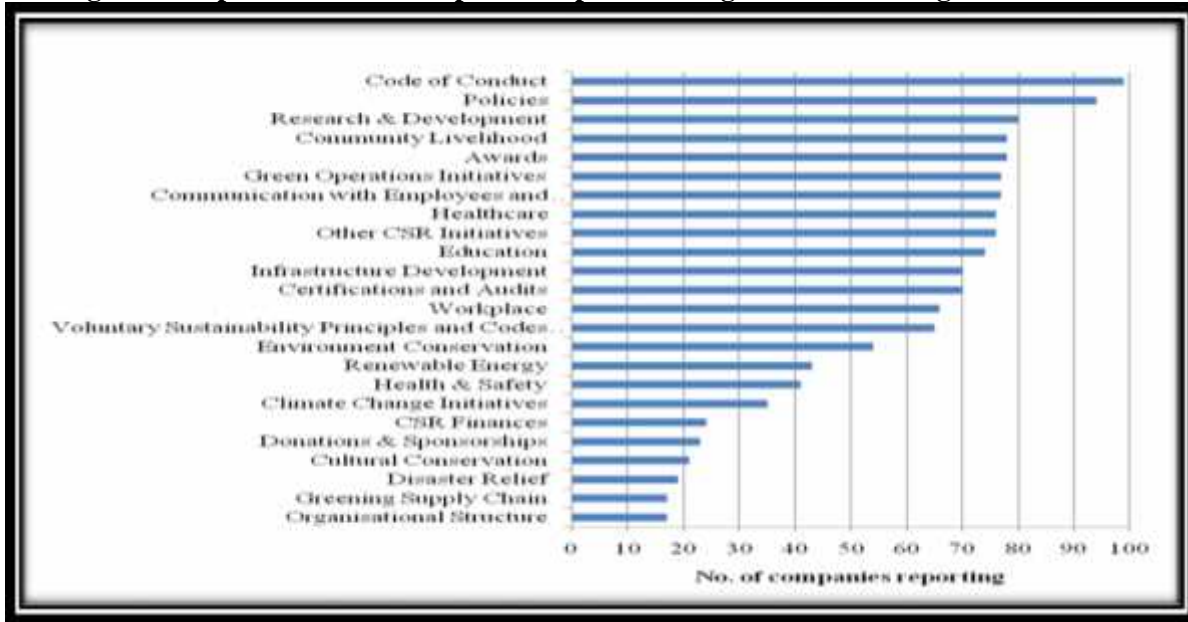
## 3.OVERALL FINDINGS

An analysis of the reported Corporate Sustainability Initiatives (CSIs) for the top 21 companies revealed that more than 90% of these companies had developed codes of conduct as well as internal policies (Figure 2). This



indicates a strong emphasis at the top with respect to governance. After governance, the most reported initiatives were CSR-related (community livelihood, healthcare, education, and so on), operational efficiency-driven (green operations, including energy and resource conservation), or communication-centred initiatives.

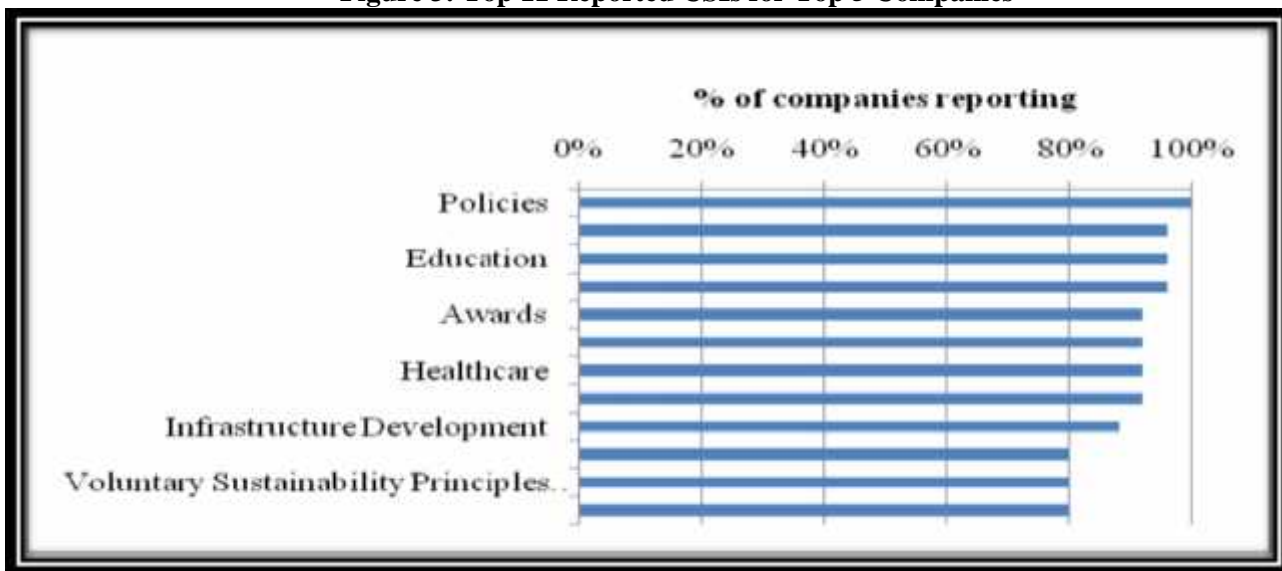
**Figure 2: Reported CSIs for Top 21 Companies Categorized According to 24 Variables**



*In the horizontal line 100 shows all 21 companies and 0 shows no companies and accordingly*

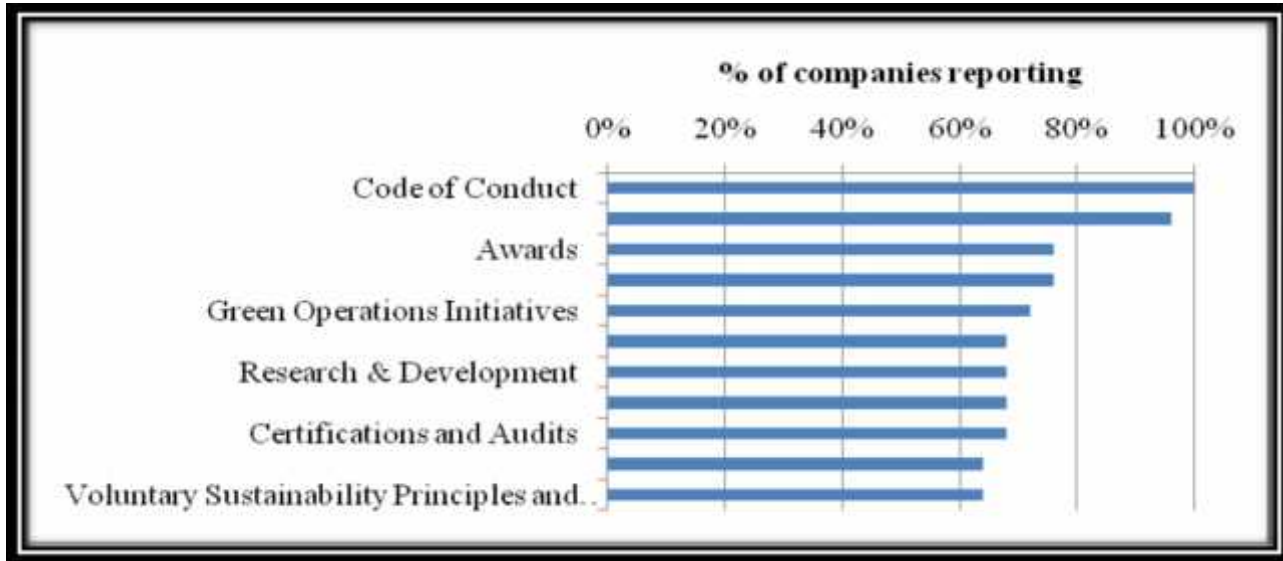
An analysis of the CSIs that were most reported by the top 5 and bottom 5 companies revealed that the difference lay not in which CSIs were reported (in fact, the same or similar CSIs were the most reported for both groups) but the extent of data reported. The top 5 companies were more likely to report on a greater number of CSIs than the bottom 5. Almost 80% of the companies reported all the top 12 CSIs for the top 5 companies (Figure 3), whereas only 60% of companies reported all the top 11 CSIs in the bottom group (Figure 4).

**Figure 3: Top 11 Reported CSIs for Top 5 Companies**





**Figure 4: Top 11 Reported CSIs for Bottom 5 Companies**



#### 4. ORGANIZATION AND MANAGEMENT

In order for companies to become more sustainable entities, they need to incorporate sustainability principles through goals and objectives, vision, mission, strategies, management practices, and operations. Companies can apply different methods to achieve this, such as changing their organizational structure, updating their policies and codes of conduct, having their practices verified and certified, and communicating any changes in management, operations, and progress towards more sustainable business practices to their employees and customers. The various CSIs that fall under this category are listed in Table 4.

**Table 4: Organization and Management CSIs**

CSI	Description
<b>Organizational Structure</b>	Special structural arrangements to address Corporate Sustainability Initiatives: • Environment department, CSR department, R&D department for sustainable issues, and Health & Safety department .
<b>Policies</b>	Policies related to sustainability used by the company: • CSR, environment, health & safety, HIV/AIDS, human resources, quality, and any other policies related to corporate governance.
<b>Internal Codes of Conduct</b>	Sustainability-related concepts that are included in a company's codes of conduct: • Compliance with laws, diversity, environment, equal opportunities, differently-abled people, gender, non-discrimination, harassment, health & safety, society, whistle blowing.
<b>Voluntary Sustainability Principles and</b>	Adherence to voluntary principles and codes of conduct related to sustainability, developed by external organizations and adopted by the company: • Global Reporting Initiative (GRI), United Nations Global Compact (GC),
<b>Codes of Conduct</b>	Carbon Disclosure Project and Millennium Development Goals (MDGs), and sector-specific initiatives .



<b>Certifications and Audits</b>	Verification and certification of current systems and practices to identify progress towards sustainable business practices: • AA1000, ISO14000 and 9000 series, OHSAS18000, Quality certification, SA8000, and Six Sigma.
<b>Communication with Employees and Stakeholders Awards</b>	Communication with employees about sustainability and with consumers about products and services (safe usage, life-cycle, etc.). Awards received for CSR, energy conservation, environment conservation, green building, quality, R&D, resource conservation, safety, sustainability, water conservation, and so on .

#### 4.1 Organizational Structure

**CSR Department:** The CSR department would be responsible for implementing the CSR initiatives of the company.

**Environment Department:** The aim of this department would be to focus on the environmental management of the operations of the company and regularly monitor the efficiency of the manufacturing processes to ensure compliance with environmental standards.

**Safety Department:** This department would be responsible for maintaining the safety of the employees as well as the factories. The responsibilities could include training manpower, conducting audits and mock drills, framing policies, conducting health check-ups, and taking up other initiatives that improve safety.

It is observed from the data that around 30% of FMCG companies are reporting departments for CSR, Health & Safety, and/ or Environment

#### 4.2 Policies

Policies are issued by companies for their employees on various issues; the employees are required to comply with these policies. In this study, we looked at the policies for environment protection, CSR, HSE, HIV/AIDS prevention, Total Productivity Management, and any other sustainability-related policy.

**It is observed from the data that 61% of the FMCG companies are reporting Internal Policies**

#### 4.3 Internal Codes of Conduct

A vast majority of the top 21 companies have either formulated their own codes of conduct or have disclosed elements that usually form codes of conduct.

#### 4.4 Voluntary Sustainability Principles and Codes of Conduct

The Global Reporting Initiative (GRI) Sustainability Reporting Framework, the Carbon Disclosure project, and the United Nations Global Compact (GC) are the three most popular global sustainability initiatives that companies can become a member of; the member companies must adhere to the principles of these initiatives and use their guidelines for reporting progress on incorporating sustainable business practices. About 25% of the companies studied had published GRI-based Sustainability Reports.

Another global initiative that can be used by companies to help them progress on their sustainability path is the Millennium Development Goals (MDG). The MDG includes 8 target goals set by the United Nations that are to be achieved by countries across the world by 2015.



**Figure 5: Percentage of Companies Reporting on Millennium Development Goals**



**92% (Green Shaded portion) of the companies are making effort to achieving, Millennium Development Goal**

#### **4.5 Certifications and Audits**

The International Organization for Standardization (ISO) has developed the ISO 14000 series and the ISO 9000 series for Environment Management System and Quality Management, respectively, which are certification schemes that can be applied by companies. The certifications are handed out by third parties after third-party audits have been conducted. Implementing ISO standards assists organizations in producing services and products through more efficient, safer, and environmentally friendlier processes. Both ISO 9000 as well as ISO 14000 can be applied by service sectors, manufacturing companies, big or small organizations, private or public owned organizations, companies, and enterprises.

A review of the certifications that the companies underwent shows that environment, health and safety, and quality are the most popular focus areas for companies. Most companies are not mature enough to undergo human and social rights certifications (SA 8000). It is also evident that audits are an emerging trend and it may take a while before more companies commit to conducting energy and safety audits. **Only 7 out of 21 companies studied conducted audits.**

#### **4.6 Awards**

Nearly 80% of the companies studied had won an award in one of these categories. This indicates that the vast majority of the top 21 companies are doing laudatory work in at least one CSR- or environment-related area. Oddly enough, there seems to be little correlation between following voluntary sustainability guidelines such as the GRI, UNGC, etc. and winning awards. For instance, the electric utilities and infrastructure sectors had the high percentages when it came to following voluntary guidelines but seemed to lag when it came to winning awards. **75% of chosen FMCG companies have received awards.**

### **5. OPERATIONS AND CORE BUSINESS PRACTICES**

#### **5.1: Green Operations**

About 80% of all companies that were studied reported at least one green operations initiative. This high percentage could be linked to the economic benefits such as lower operating costs that result from implementing such initiatives. Unsurprisingly, the sectors that had an impact on the environment such as oil and gas, mining, and other manufacturing-related companies disclosed information on their green operations. This was also true for sectors such as IT where energy and water costs make up a significant part of the operating costs. However,





sectors like Telecom and TV and Banking & Finance do not display the same level of maturity as compared to the rest of the sectors. **Around 81% of the studied FMCG companies are reporting Green Operations Initiative.**

## 5.2 Climate Change

**Climate change initiatives can include the following**

**Carbon Trading:** Companies could be involved in trading carbon credits with other companies or any other entities. Companies could sell their credits by saving on the carbon emissions from their manufacturing units.

**Clean Development Mechanism (CDM):** Projects are taken up by companies in adopting Clean Development Mechanism to reduce their carbon emissions

**Reduction in CO<sub>2</sub> Emissions:** Initiatives are taken by the companies as part of their operations to reduce carbon dioxide emissions. This includes new technologies and practices adopted by the company to curb carbon emissions from their units and other information such as emissions reduced annually by the company, new targets set by the company, etc.

**Reduction in GHGs:** Practices are adopted by companies to reduce other greenhouse gases such as methane, water vapor, nitrous oxide, etc.

**Sequestration:** Measures are taken by the company to sequester carbon dioxide by promoting forestry, afforestation, tree plantation, or the planting of any kind of vegetation as trees and plants help in the sequestration of carbon dioxide. Some of the other natural sequestrates include oceans and soil.

**32% of FMCG Companies Disclosing Information on Climate Change Initiatives.**

## 5.3 Research & Development

Major manufacturing companies have their own research and development (R&D) centres to conduct research on improving their manufacturing processes in order to conserve energy and water, remove toxic elements, improve packaging and product development, and so on. This section looks into the R&D efforts of the companies that were studied and examines what measures they adopted to make their processes and products environment friendly. The major focus of this section is R&D from a sustainability perspective.

**100% FMCG Companies are Reporting R&D Initiatives**

## 5.4 Greening Supply Chain

Greening the supply chain is one area where the overall maturity of the top 21 FMCCG companies is high. 80% of the companies disclosed any information in this area. The focus here seemed to be on managing vendors and in sourcing raw materials in a sustainable manner. Very few companies focused on end-of-life supply initiatives..

**82% FMCG Companies Reporting on Greening Supply Chain**

## 6. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) initiatives programmes are implemented by a company for the communities around its premises, the society at large, or for contributing towards environmental protection and conservation. These initiatives are philanthropic in nature—they are conducted voluntarily and free of cost for the benefit of the communities and society. These acts could include donations of money, goods, time, and/or effort to support a beneficial cause, with a defined objective and with no financial or material reward to the donor. It may encompass any altruistic activity intended to promote good or to improve the quality of human life. **32% of FMCG Companies Reporting on Donations and Sponsorships**

## FUTURE RESEARCH

With this short period and lack of fund I have considered only 1 sector that is FMCG sector. It can be done by taking multiple sectors so as to make the findings more applicable and realistic.



## 7. SUMMARY AND CONCLUSIONS

This study analysed publically available, sustainability-related information disclosed by India's top 21 companies in FMCG sectors across 24 variables. The analysis was broadly divided into three parts—Organization and Management; Operations and Core Business Practices; and Corporate Social Responsibility.

Overall, the study shed light on some interesting trends. There was a strong focus on corporate governance in all the companies surveyed. Nearly 90% of the companies' surveyed stated that they either had developed or followed externally specified codes of conduct or internal governance policies. Interestingly, this did not translate into a corresponding focus on transparency. Only about a quarter of the companies had published reports based on widely recognized initiatives, such as the Global Reporting Initiative. Disclosures on CSR finances and donations were also low. It is in the interest of corporate India for companies to become more transparent in order to build greater stakeholder trust as well as to improve the internal processes for managing sustainability issues.

Nearly 85% of the companies had a published corporate governance policy. The next highest reported policy was HSE (35% of the companies). Voluntary sustainability reporting is still limited—only 15 reports based on GRI were published online at the time of data collection.

There is an increasing focus on putting systems and processes in place for managing environment, quality, safety, and so on. Nearly 55% of the companies reported having an Environment Management System (ISO 14000). However, very few companies currently reported on their energy audits. Given the increasing concerns about global climate change, this may be an issue that needs more transparency in reporting.

About 75% of the companies communicated regularly with the various stakeholders—employees, customers, vendors—on sustainability-related matters. Operations and Core Business Practices. About 80% of all the companies studied reported on at least one aspect related to greening of operations. Corporate Social Responsibility.

More than 70% of the companies studied focused on four core CSR areas—education, healthcare, community livelihood, and infrastructure development. For education, the focus was on improving access to as well as the quality of education. Companies did this by sponsoring or running schools and also by providing scholarships. Most of the healthcare CSR initiatives were driven by foundations. The initiatives themselves included blood donation drives, eye check-up camps, maternal healthcare, building hospitals, and so on.

Other CSR initiatives included a focus on environment conservation (mostly through tree planting), disaster relief programs, cultural conservation, and employee volunteering. An area for improvement for these companies is increased transparency in CSR finances and donations, which could help drive more efficient CSR programs.

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