SUSTAINABILITY REPORTING IN INDIAN FOUNDRIES

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ABSTRACT

This study is aimed at investigating the Sustainability Reporting Practices followed by Indian foundries. Foundries, from their inception in 19th century have made a remarkable growth in the Indian Economy. They have strived continuously to meet the high precision and high quality output demanded by various customers including both domestic and international markets. The industry is growing day by day, presently there are around 4500 foundries in India, 90 percent of them are small and medium enterprises. Annual production is around 7.4 million tons approximately valued at $8 billion and employing around 2 million people directly and indirectly. The sector is contributing to the Indian Government around Rs 7000 per ton produced in the way of excise and other levies. These figures depict the importance of foundries to the Indian Economy. The strengths of the Indian foundry industry lie in the fact that it has a large base which is spread all over the country. India has a traditional legacy of metal casting and manpower is available at a reasonable cost. Another advantage is that of access to latest technology and support by various government bodies and availability of vast natural resources Moreover, the country has a large transportation and railway network which supports the movement of goods in an orderly manner. On the contrast foundries are responsible for various forms of Air Pollution and Water pollution. Hence development in monetary terms alone is not sufficient, it has to be a sustainable development. Keeping this in mind many organisations have been set up to monitor the sustainability reporting practices in foundries in India.

KEYWORDS: Sustainability Reporting, Indian Economy, Foundries, Sustainable Development.
INTRODUCTION

The concept of Sustainability Reporting is in evolutionary phase in India. Clause 55 of the SEBI listing Agreement has brought out landmark reforms to improve the quality of environmental disclosure of the Indian companies. This study is about Sustainability Reporting practices of foundries in India. The objectives of the proposed study is

a) To examine Sustainability Reporting Practices in Indian Foundries

The annual reports pertaining to the financial year 2012-13 will be used for the study. Sample size includes Top 15 foundries in India.

DRIVERS OF SUSTAINABILITY REPORTING

A business cannot succeed in isolation. There are various stakeholders involved in the success of a business. Sustainability Report though is a form environmental reporting can be effectively designed only with the support of various stakeholders. Following diagram depicts various stakeholders who drive the company in the preparation of the sustainability report.

THE GRI FIVE PHASE PROCESS

Following are the five phases in the development of Sustainability Reports:

Phase 1: Prepare

- Defining the report scope, boundary and time period which will be company specific.
- Getting started: Linking business goals and sustainability impacts.

Phase 2: Connect

- Understanding the importance of stakeholder engagement in the reporting process.
- Stakeholder identification and prioritization.
- Effective stakeholder communication.

Phase 3: Define

- Identifying relevant sustainability issues for action and reporting.
- Evaluating existing monitoring systems.
- Setting goals and performance targets.

Phase 4: Monitor

- Adhering to GRI indicators and protocols.
- Checking processes and monitoring activities.
- Ensuring quality of information.

Phase 5: Communicate

- Maximizing internal and external report value.
- Incorporating sustainability reporting into traditional annual report.
- Designing report for clarity and readability

SUSTAINABILITY REPORTING IN INDIAN SCENARIO

India is a developing economy, with huge demand for natural resources which has affected the environment to a greater extent. British
Telecommunications revealed that the overall performance of Indian Corporate Reporting is not satisfactory when compared with companies from European Union, China and Japan. According to their findings, although Indian companies are proactive towards sustainable issues, there are still many issues - inclusive employment, education, employment creation, health, corporate/government collaboration, land and displacement, natural resource management, climate change, corporate governance, solid waste and water - to be addressed by them. In fact, Indian companies are failing to come out with innovative approaches for addressing sustainable issues.

SEBI in the circular CIR/CFD/DIL/8/2012 dated August 13, 2012 has made Business Responsibility Reporting mandatory for the top 100 listed companies based on their market capitalization. Business Responsibility Report (Annexure 1) is a form of environmental report similar to Sustainability Report. SEBI has put forth that, if the companies are adhering to Sustainability Reports as per GRI guidelines, they are also required to map Business Responsibility Report to Sustainability Reports accordingly. The framework for BR Report has been specified in clause 55 of the listing agreement.

Why Sustainability Reporting important for Indian Foundries?

Indian Foundries are declared as “Red Category Industry” for discharging hazardous substances such as Gaseous (CO, CO2, SO2, and NO), Suspended particulate matter, Water pollution and Pollution due to solid waste. It's worth mentioning that the forecast for the imports from Indian foundries is ample in coming years. Presently Indian Foundries are experiencing boom due to exponential growth in Automobile and Engineering Sector. Since Sustainability Reporting based on GRI guidelines is an holistic environmental approach of International standard, it will be beneficial for the Indian Foundries who are in the process to establish their identity in Global market.

TYPES OF ENVIRONMENTAL REPORTS

Following are the commonly published forms of Social and Environmental Reports:

- Sustainability Report: Based on Global Reporting Initiative Guidelines.
- Corporate Social Responsibility: Voluntary disclosure activity with no specific guidelines.

Table – 1 Comparative study between Sustainability Report and Business Responsibility Report

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<td>Corporate Governance</td>
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<tr>
<td>8</td>
<td>Stakeholder Engagement</td>
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<td>9</td>
<td>Economic Performance</td>
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<tr>
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<td>Workforce Management</td>
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<td>Value Chain Sustainability</td>
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</tr>
<tr>
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<td>Independent Assurance</td>
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</table>

CURRENT STUDY

The main objective of the current study was to understand the Sustainability reporting practices in Indian Foundries. To carry out the research Annual Reports of Top 15 foundries (Annexure 2) pertaining to the financial year 2012-13 were analyzed. The top 15 foundries were selected based on their installed capacity.

ANALYSIS AND FINDINGS

Tata Motors is the only company among 15 top foundries in India who is publishing Sustainability Report according to GRI Initiatives. 12 companies reported on Corporate Social Responsibility (CSR) and 2 companies have not reported on Sustainability nor CSR as part of their annual reports. Following are few of the CSR activities of various foundries:
Mahindra Forge: ESOP, Blood Donation Camp, Nanhi Kali and Mahindra Hariyali.


Nelcast Ltd: Adoption of safe processes, Elimination of hazardous operations, Adherence to Environmental Regulations, Free medical care at Gudur.

Bharath Forge: Project Lakshya – which was a combined effort of various stakeholders to uphold society.


Kalyani Forge: Donations for upliftment of unprivileged communities, Providing of books & stationery to nearby villages.

Ahmedanagar forgings: Employee Welfare programs

Akar tools ltd: Establishment of dedicated R&D unit for development of competitive processes for sustainable living.

Aicon Castalloy Ltd: Project Sahjeevan, Sthree, Swasthya and Ved.

Shree Ganesh Forgings: Energy conservation equipment

Jayaswal Neco Industries Ltd: Tree plantation, Support to Adivasi girls, Free medical facilities

Sanghvi Forging and Engineering Ltd: Efforts to maintain greener planet and reduce carbon footprint, Sponsored CEP course on heat treatment and failure analysis of gears.

Simplex Industries: No reporting in respect to neither Sustainability nor CSR.

Amforge Industries ltd: No reporting in respect to neither Sustainability nor CSR.

CONCLUSION

From the above study it is clear that foundries are contributing to the GDP of the Indian economy to a greater extent. They are striving hard to produce world class products. If Indian foundries start inculcating International reporting practices, they will surely have cutting edge in comparison to their international counterparts. Sustainability Reporting is one such area where a company can distinguish itself from their competitors, because it shows the company's dedication towards a better tomorrow. The above study reveals that Sustainability reporting is a mandatory compliance for top 100 listed companies. But voluntary compliance will surely make the company distinct from others. So I conclude that the Indian foundries can make an attempt to report Sustainability.
ANNEXURE-1

Amendments to Listing Agreement

1. A new Clause 55 shall be inserted to read as under, viz.,

"Listed entities shall submit, as part of their Annual Reports, Business Responsibility Reports, describing the initiatives taken by them from an environmental, social and governance perspective, in the format suggested as under:


Section A: General Information about the Company
1. Corporate Identity Number (CIN) of the Company
2. Name of the Company
3. Registered address
4. Website
5. E-mail id
6. Financial Year reported
7. Sector(s) that the company is engaged in (industrial activity code-wise)
8. List three key products/services that the company manufactures/provides (as in balance sheet)
9. Total number of locations where business activity is undertaken by the company
   i. Number of International Locations (Provide details of major 5)
   ii. Number of National Locations
10. Markets served by the company local/ state/ national/ international

Section B: Financial Details of the Company
1. Paid up Capital (INR)
2. Total Turnover (INR)
3. Total profit after taxes (INR)
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)
5. List of activities in which expenditure in 4 above has been incurred:
   a.
   b.
   c.

Section C: Other Details
1. Does the company have any Subsidiary Company/ Companies?
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company?
   If yes, then indicate the number of such subsidiary company(s)
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the company does business with, participate in the BR initiatives of the company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

Section D: BR Information
1. Details of Director/Directors responsible for BR
   a) Details of the Director/Director responsible for implementation of the BR policy/policies
      ñ% DIN Number
      ñ% Name
      ñ% Designation
   b) Details of the BR head

<table>
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<tr>
<th>S.No.</th>
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<th>Details</th>
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<tbody>
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<td>5.</td>
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## ANNEXURE – 2

### LIST OF SAMPLE COMPANIES FOR THE YEAR 2012-13

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<tr>
<th>Sl no.</th>
<th>Name of the Company</th>
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<tr>
<td>1</td>
<td>Tata Motors</td>
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<tr>
<td>2</td>
<td>Mahindra Forge</td>
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<td>5</td>
<td>Bharath Forge</td>
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<td>Gontermann Peipers India Ltd</td>
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<tr>
<td>7</td>
<td>Kalyani Forge</td>
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<td>Ahmedanagar Forgings</td>
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<td>Akar Tools Ltd</td>
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## REFERENCES

1. [https://www.SEBI.com](https://www.SEBI.com)