



## The Concept of Triple Bottom Line Reporting and India's Perspective

### KEYWORDS

Corporate responsibility reporting, Triple Bottom line (TBL)

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**ABSTRACT** *Corporate responsibility reporting has been slowly and steadily evolving over the last 20 years, once seen as a moral obligation to society, is now being recognized as a business imperative. Today, companies are increasingly demonstrating that CSR reporting provides financial value and drives innovation, reflecting the old adage of "what gets measured gets managed". During the mid-1990s, John Elkington, to measure sustainability, phrased a new concept called the Triple Bottom line (TBL). This concept went beyond the traditional measures of profits, return on investment, and shareholder value to include environmental and social dimensions. While Sustainability had always been a goal for businesses, nonprofit organizations and governments, yet measuring the degree to which an organization is being sustainable, or pursuing sustainable growth have proven to be quite difficult. Many frameworks were developed overtime in this respect these include Global Reporting Initiative (GRI), the AA1000 Assurance Standard, the Corporate Responsibility Assessment Tool (CRAT) etc. these frameworks aim at providing indicators and reports that equip companies to provide evaluations of their TBL performances as well as, the production of indexes for stakeholders to make evaluations of a company's TBL. This study provides a comprehensive view of the concept of Triple Bottom Line and throws light on India Inc. with respect to TBL reporting.*

The notion of "Triple Bottom Line" (3BL) reporting has become increasingly important in management, consulting, investing, and business circles over the last few years. The idea behind the 3BL paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line being profit maximization, but also by its social/ethical and environmental performance. Of course, it has long been accepted by most people in and out of the corporate world that firms have a variety of obligations to stakeholders to behave responsibly. It is also almost a truism that firms cannot be successful in the long run if they consistently disregard the interests of key stakeholders. The apparent novelty of 3BL lies in its supporters' contention that the overall fulfillment of obligations to communities, employees, customers, and suppliers should be measured, calculated, audited and reported – just as the financial performance of public companies has been for more than a century.

### THE TRIPLE BOTTOM LINE DEFINED

Key to sustainability, the concept of the Triple Bottom Line means that business success is no longer defined only by monetary gain but also by the impact an organization's activities have on society as a whole. The TBL is a framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet and profits.

Over the years, the concept has been embraced by many large corporations as guiding principles for the way they strategize and conduct their businesses. The concept of TBL demands that an organization's responsibility is to all its stakeholders rather than only shareholders. Anyone who is influenced, either directly or indirectly, by the actions of the organization is a stakeholder and the organization's primary objective should be to address stakeholder interests instead of a narrow focus on maximizing shareholder profits.

People, the first dimension of the TBL, relates to fair and beneficial business practices towards employees as well as the communities which are impacted by the operations of the organization. A TBL company seeks to benefit both these constituencies and not exploit or endanger any of them. It is

expected to have objective measures in place for ensuring sharing of value / profits with all employees, employ safeguards against unethical practices like use of child labour and destabilizing of local communities, proactively "give back" to society by contributing to the strengthening of local communities in specific areas like livelihood generation, health, education etc.

Planet, TBL's second dimension refers to sustainable environmental practices. A TBL company endeavours to benefit the environment and not engage in any practice which damages the natural ecological balance. The organization reduces its ecological footprint by carefully managing its consumption of energy and non-renewables. It proactively adopts practices for reducing manufacturing waste as well as processing waste to make it less toxic before disposing it in a safe and legal manner. It embraces practices for assessing the environmental impact (and cost) of its products and services throughout their lifecycle and bears its share of the costs in an objective and transparent manner.

Profit, the third and final dimension of the TBL, represents the economic value created by the organization after deducting all input costs, including cost of invested capital. While the original concept defines profit as the real economic benefit enjoyed by the society in which the organization operates, performance under this dimension is often assessed by measuring the financial profits generated by the enterprise to facilitate objective measurement.

### Thus, as said by Andrew Savitz for TBL:

The TBL "captures the essence of sustainability by measuring the impact of an organization's activities on the world . . . including both its profitability and shareholder values and its social, human and environmental capital."

### TRIPLE BOTTOM LINE-SOME MEASURES OF THE INDEX

There is no universal standard method for calculating the TBL. Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories. This can be viewed as a strength because it allows a user to adapt the general framework to the needs of different entities (businesses or nonprofits), different projects or policies (infrastructure investment or educational programs), or different geographic boundaries (a city, region or country).

Both a business and local government agency may gauge environmental sustainability in the same terms, say reducing the amount of solid waste that goes into landfills, but a local mass transit might measure success in terms of passenger miles, while a for-profit bus company would measure success in terms of earnings per share. The TBL can accommodate these differences.

Additionally, the TBL is able to be case (or project) specific or allow a broad scope—measuring impacts across large geographic boundaries—or a narrow geographic scope like a small town. A case (or project) specific TBL would measure the effects of a particular project in a specific location, such as a community building a park. The TBL can also apply to infrastructure projects at the state level or energy policy at the national level.

The level of the entity, type of project and the geographic scope will drive many of the decisions about what measures to include. That said, the set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data. While there is significant literature on the appropriate measures to use for sustainability at the state or national levels, in the end, data availability will drive the TBL calculations. Many of the traditional sustainability measures, measures vetted through academic discourse, are presented below.

**Economic Measures**

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product

**Environmental Measures**

Environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area. Specific examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

**Social Measures**

Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree

or certificate

- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

Data for many of these measures are collected at the state and national levels, but are also available at the local or community level. Many are appropriate for a community to use when constructing a TBL. However, as the geographic scope and the nature of the project narrow, the set of appropriate measures can change. For local or community-based projects, the TBL measures of success are best determined locally.

**INDIAN PERSPECTIVE**

The Karmayog Corporate Social Responsibility (CSR) study and ratings present a snap-shot of the largest 500 companies in India, with specific focus on their CSR initiatives. The study enables an understanding of how different kinds of companies (government owned, private, multi-national) from different industry sectors are responding to global and local conditions that demand and need more responsible behavior by all stake-holders, especially corporates. It rates the companies on a scale of 0 to 5, where company with a rating 5 stands for being highly socially responsible.

**Results of the Karmayog CSR Ratings of the 500 largest Indian companies - 2010**

Karmayog CSR Rating 2010	No. of cos.	Percentage
Level 5 (highest)	0	0 %
Level 4	12	2 %
Level 3	66	13 %
Level 2	161	32 %
Level 1	148	30 %
Level 0 (lowest)	113	23 %
Total	500	100%

**Companies with a Level 4 rating are:** Ballarpur Industries, HDFC, Infosys Technologies, Jubilant Organosys, Kansai Nerolac, Larsen and Toubro, Mahindra and Mahindra, Moser Baer, Tata Consultancy, Tata Steel, Titan Industries and Wipro. A summarized view of these companies with a comparative score in 2009 and 2010 is as follows:

Company Name	CSR Rating 2010	CSR Rating 2009	Sales	Profit before Tax	Industry Category	Three CSR Areas
			2009 - 2010 (in Rs. crores)	(in Rs. crores)		
Ballarpur Industries Ltd	4	4	3896	279	Paper	Livelihood creation, Education, Empowerment of women
Housing Development Finance Corporation Ltd.	4	4	12356	3884	Financial Services	Community welfare, Children, Healthcare
Infosys Technologies Ltd.	4	4	22742	7899	Information Technology, Software and ITES	Social Rehabilitation and Rural Upliftment, Learning and Education, Art and Culture, Healthcare

Jubilant Life Sciences Ltd.	4	4	3639	518	Chemicals	Environment, Community Welfare, Water
Kansai Nerolac Paints Ltd.	4	4	1856	239	Paints	Community Welfare, Healthcare, Education
Larsen & Toubro Ltd.	4	4	46565	7345	Engineering and Machinery	Healthcare, Education, Vocational Training
Mahindra & Mahindra Ltd.	4	3	31689	4030	Automobiles	Environment, Education, Girl Child
Moser Baer (India) Ltd.	4	4	2823	0	Engineering and Machinery	Livelihoods and Training, Education, Environment
Tata Consultancy Services Ltd.	4	4	30301	8290	Information Technology, Software and ITES	Energy, Community welfare, Education
Tata Steel Ltd.	4	4	104230	31	Metals and Minerals	Environment, Community welfare, Rural development
Titan Industries Ltd.	4	4	4690	322	FMCG and Consumer Durables	Education, Physically Challenged, Women
Wipro Ltd.	4	4	27651	5510	Information Technology, Software and ITES	Environment, Education, Energy

## HIGHLIGHTS OF THE TRIPLE BOTTOM LINE REPORTS OF TWO LEADING INDIAN COMPANIES

### Wipro's Sustainability Report

Wipro's sustainability report aka Triple Bottom Line approach is based on the GRI framework. It is assessed an A+. On an A/B/C rating matrix, the 'A' rating represents the highest levels of disclosure.

- WIPRO continues to use the metaphor of the mobius strip for sustainability – something that they had introduced in their first report – reflecting how intertwined the three aspects of economic, ecological and social sustainability really are.
- Material sustainability parameters laid down by them are: Energy and GHG intensity, water efficiency, waste recycling, employee health and safety, diversity, people development, customer stewardship, green IT, education and community initiatives, advocacy and public policy.
- WIPRO's energy efficiency has improved by 19% over the last five years – from 335 units of electricity per employee per month (pepm) to 274 units pepm – largely driven by the transition to green buildings, centralized cooling and more energy-efficient computing equipment.

- In the last two years, they have made great strides in building their capabilities on measuring the internal carbon footprint accurately enough. The margin of error in their reported carbon emissions of 372, 000 metric tons of GHG (for India IT operations) is not more than 5%. This has enabled them to define detailed GHG reduction goals for the next 5 years.
- A corporation-wide program, 'Women of Wipro' reflects Wipro's inclusive culture, and their commitment to workforce diversity
- Wipro's Green PC is rated the No: 2 Green Electronics brand globally, based on a rigorous assessment by Greenpeace. Wipro's Green PC is a great example of everything that an environmentally responsible product should be – 100% RoHS compliant, Energy Star rating 5 and an extensive take-back program for end-of-life (EOL) models.

### Infosys Sustainability Report

Infosys triple bottom line report is prepared in accordance with the GRI 3.1 framework for the year 2012–13. It delineates its sustainability agenda across three areas — social contract, resource intensity, and green innovation

- 14.86%(scope 1 and scope2 emissions)reductions in percapita since 2011-12 in Carbon emissions,5% morereductiontargeted.
- 10.71% reduction in percapita Electricity consumption,5% more reduction targeted.
- Share of renewable energy in total electricity consumption increased from 17.9% to 22.1%, 5% increase targeted
- Implemented a biogas plant at Mysore and Thiruvananthapuram campus,another one in progress in Pune campus
- Trained and enabled 1692 faculty members and 60809 students under Campus Connect program for engineering colleges
- Total coverage of Project Genesis in Fiscal 2013 was 78 academicians and 933 students in 38 colleges. Also introduced in Bhutan colleges
- Awarded Infosys Prize to the best researchers and scientisto establish them as role models for next generation
- Have rolled out learning interventions for all employees and contractors thru multiple media, goal to educate 100% of employee on sustainability practices.

### CONCLUSION

For long, industry has pursued a uni-dimensional model of economic wealth creation without considering issues relating to sustainability and the consequent impacton future generations. The key challenge today, both globally as well as in India, is to focus on inclusive growth by ensuring economic wellbeing across all sections of society while at the same time protecting our environment and eco-systems. It has now been conclusively proved by large corporations in multiple countries that industry can play asignificant role in promoting inclusive and sustainable practices while pursuing economic wealth creation by adopting the Triple Bottom Line approach.

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