

RESEARCH ARTICLE

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Sustainability Reporting – A Complement to Financial Reporting

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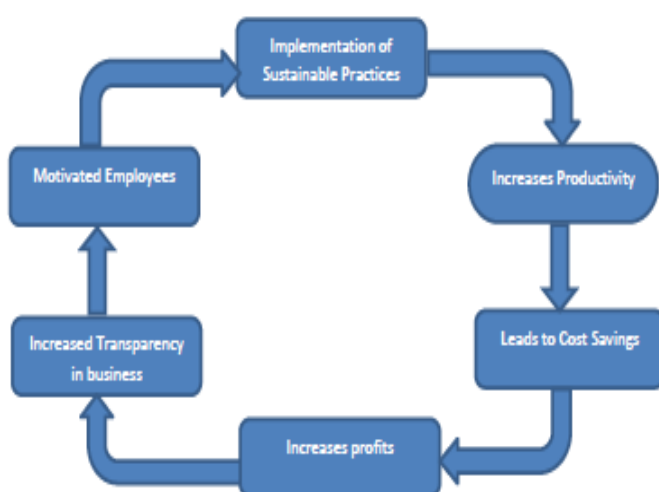
A Sustainability report is an organizational report that gives information about economic, environmental, social and governance performance. On the other hand the traditional financial reports portray the economic viability of an organization. This report contains the graphs of the performance of the company in the financial year. But economic development alone cannot help the company to sustain in a long period. Over the years companies have understood the importance of sustainable development and want to make their operations sustainable. Organizations are leaning towards long term profitability and which is possible only through sustainable development. Sustainability Reporting is a framework which helps organization to set goals, monitor and implement sustainable practices within organization.

Keywords: Sustainability Reporting, Financial Reporting, Organization Performance

Objective of the study:

The current study aims at understanding the importance of Sustainability Reports and also the barriers for implementation of Sustainable practices.

Benefits of Implementation of Sustainability Reporting



Implementation of Sustainable Practices:

Implementation of Sustainability practices will be expensive for an organization. As per GRI guidelines the implementation process calls for a dedicated team, interaction with various stakeholders, analysis of pollution control devices, evaluation of work environment and

many more. But once the implementation is done, it will surely offer wide range of advantages to an organization. The organization will sustain economically in a long run.

Increases Productivity:

Sustainable is holistic in nature, these practices increases productivity over time. The reason for increased productivity may be due to revival of existing practices, cost reduction, motivated employees etc. Due to global warming more and more companies are leaning towards sustainable practices, hence only a ecofriendly company can exist in the long run.

Leads to Cost Savings:

Sustainable practices restructures the organization. All the processes will be monitored and will be fixed in a productive manner. Due to process re- engineering there will be huge reduction in production costs.

Increases Profits:

Implementation of Sustainable practices modifies the existing systems of the organization. Decreased cost of production, improved supply chain practices, reduction in wastage etc will result in increased profits.

Increased Transparency:

Sustainability reports contain the details in regard to the various practices of organization. As compared to traditional financial reports, this report will contain the sustainable aspects of the organization. This obviously will

result in greater transparency in regard to the practices of organization.

Motivated Employees:

The most important outcome of implementation of sustainable practices in an organization is its motivated employees. In the era of cut throat competition employees are considered only as means to earn more profits and grab the market share. But due to sustainable practices employees feel related to company and the individual goal gets combined with the organizational goal.

Barriers to Sustainability Reporting:

Companies desiring to report on their sustainability practices have to incur high implementation costs as well as maintenance costs. The cost which a company incurs generally will be salaries to sustainability reporting staff, cost incurred for surveying and tabulating the result for implementation of sustainable practices. Re - engineering the existing processes results in added cost. In respect to employees, they may be reluctant to accept the change, they may feel discomfort with the new processes introduced. If the stakeholders are unhappy with the process of an organization, the company cannot derive the expected result. In regard to external stakeholders, they will be concerned mostly about the return on investment from the company. As a result of incurring heavy expenditure on implementation of sustainable practices, the company may announce lesser dividends compared to previous years. If the internal and external stakeholders feel the exercise is non- profitable, an organization cannot survive in the market.

Conclusion: From the above discussion it is clear that Implementation of Sustainable practices have both benefits and barriers. A company has to do the cost-benefit analysis to implement the sustainable practices. But in today's rapid world only an sustainable company can run in a long run. Global warming and climate change are big threats to organization. Initially a company may feel the hitch due to implementation of sustainable practices, but in long run the success is guaranteed. Hence Sustainability Report should become complement to Financial Report.

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