A Study on the Impact and Applications of Environmental Audit in India

Vikrant Singh Negi

Abstract

Environmental Audit is an emerging auditing tool and is of substantial interest in view of the increasing recognition that global warming and climate change have already begun to take place, and cannot anymore be perceived as likely future events. It is generally accepted that the survival of the human kind (and of all living organisms for that matter) depends on the protection and sustenance of the environment and that no amount of cost incurred to achieve that purpose would be too high. The very mention of the term's 'environment' and 'climate change' will evoke instantaneous reaction in the mind of everyone concerned with the future of mankind. The terms will also raise apprehensions about the well-being of successive generations, - the present and the future. The present research aims to bridge the gap between idea and practice of environmental auditing practice in India. The main objective of this research endeavor is to carry out a systematic study of role of environmental auditing practice in business enterprises in general and Indian corporate in particular. A systematic study is to be carried out to explore the relationship of the financial performance and its relationship with the disclosure of selected environmental parameters by the select Indian companies.

Keywords: *Environmental Audit, Successive Generations, Financial Performance, Environmental Parameters.*

Introduction

Rapid population explosion and rising living standards among the Earth's in habitants are putting an unendurable strain on nature and environment. The word Environment is derived from the French word "Environ" which means "surrounding". Our surrounding includes biotic factors like human beings, Plants, animals, light, air, water, soil, etc. it means "everything outside of your body." Thus, Environment is a complex of many variables, which surrounds human beings as well as the living organisms. Environment includes water, air and land and the interrelationships which exist among and between water, air and land and human beings and other living creatures such as plants, animals and microorganisms. Mankind has been a part of history of negligence, apathy toward such external factors or surroundings for personal

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benefits. This has developed a sense of ignorance towards safety, lethal mechanical glitches and depreciation of the environment owing to uncountable unnatural disasters. The revolution in the field of science and technology during nineteenth and twentieth century led to massive exploitation of natural resources and man was basking in the glory of his supremacy over others so the realization that the existence of humanity lies in the dependence upon the will of nature came as an eye opener but, came very late. So, in the 21stcentury we are experiencing a shift towards nature and spirituality. A change in the ideology is already perceptible all over the world. Consequently, environmental ethics have become an integral part of education, research and development.

The indiscriminative utilization of natural resources for meeting developmental demands, rapid industrialization and unplanned urbanization are adversely impacting the environment. Dumping of wastes into our rivers and lakes, clearing forest land for cultivation, making available the agriculture land for industry and increased emission of harmful pollutants into the environment have all contributed to degrading our environment. Degradation of the environment and its symptoms like global warming and climate change has become a cause of grave concern all over the world. Every society, small or big, is feeling the ill effects of environmental degradation and this poses a high level of risk to the existence of plant, animal and human life. In the light of economic development and various growth models, it is imperative to understand the various elements involved in the present growth model. The last forty years can be called as the age of development, but the greatest paradox is that this period also marked human irresponsibility towards the preservation and sustenance of nature and ecosystem. It appears that the vast and innumerable gifts of nature are not enough to suffice human needs and greed. Sachs W. (1997) has studied that the relations between North and South have been cast in this mould; 'development' provided the fundamental frame of reference for that mixture of generosity, bribery and oppression which has characterized the policies toward the South. For almost half a century, good neighborliness on the planet was conceived in the light of 'development'. Today, the lighthouse shows cracks and is starting to crumble. The idea of development stands like a ruin in the intellectual landscape. Delusion and disappointment, failures and crimes have been the steady companions of development and they tell a common story. Moreover, the historical conditions which catapulted the idea into prominence have vanished. Above all the hopes and desires which made the idea fly, are now exhausted and development has grown obsolete. With the emergence of environmental auditing practice, the parallel concept of environmental and social accountability started getting implications. Meanwhile, John Elkington coined the concept of 3Ps with regard to performance and reporting of corporates viz. reporting and disclosure of Profit (financial) performance, People (social) performance and Planet (environmental) performance. Hence, environmental accountability towards stakeholders became significant. In the backdrop of this Environmental auditing exercise, it is desirable to understand some findings on Environmental Accountability. Environmental reporting moved towards more established grounds imbibing specifications of Millennium Development Goals (MDGs). United Nations (UN) motive to achieve sustainable development for future generations was routed through introduction of the practice of environmental auditing in accomplishment of Millennium Development Goals (MDGs).

Literature Review

Vasudhaiv Kutumba kamthe gist of Indian vedantic philosophy believes in symbiotic existence of man and nature where adherence to ecosystem is a part of life. It insists minimal usage of natural resources to support life system. The research work by Singh C. B. (2002), reflects the same philosophy. He opined that the existence of nature is always closely linked with the emotional sensitivities of man. The discovery of so many values and truth of life of Indian culture has taken place under the umbrella of 'Nature'. The environment, synonym of nature, its functional behavior and character are related to the environment in one form or another. In support he further argues that, in the Vedic and Upanishad periods man and his society attained a new direction through nature to discover the truth of Indian spiritualism along with the survival and development of nature, forest life and plants. The Yajurveda has emphasized the prayer of Vaayu (air), Prithvi (earth), Jal (water), and trees and plants for peace. This prayer is the symbol of the high moral values of man showing the deep love of man for the environment. Further he adds that the relation of man and environment has been very sensitive and deep. All the creatures are created by Parmaatma(Almighty God) with help of Panch Mahabhoota(five elements) and have relations with each other. Therefore, environment and its existence have its inherent significance in literature, religion, medical, science, art and other disciplines. The motto of 'save the environment': for the earth, for civilization, for humanity, for the protection and continuity of natural life cycle is the soul of Indian culture and humanity. In the Vedas, the earth is considered as mother and aakash as father.

Vyas, N. (1996) has discussed about relationship of Nature and Man, and noted that Man has been always curious to know the real world around him. In course of time, he could develop deterministic cognition strengthened as it is by the evidential and critical study of experience at all levels. From this stage of Science as Knowledge, he could successfully translate it into Science as Power. The moot problem is that all this linear pursuit of man goes in the name of progress and humanism. Agreeing as though with scientific and technical application for man's own betterment and welfare, the painful predicament of exclusive technological obsession of man via the natural ecological setup is the focal point of reconsideration. The doom lurks urge in nature as due to the very process of progress made by man. For the technological quest seems as if open ended and non-selective prompting competitive craze for goods. This is done by disturbing and destroying the life supporting systems of earth.

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Gupta K. (1999) has observed that the origin of 'audit' can be traced to the need to ensure that a person who came into possession of money or property belonging to another has properly accounted for by him. Thus, in the beginning, it was merely a scrutiny of cash transactions and the auditor merely 'heard' or was satisfied with oral explanations to 'pass' the transactions as genuine and correct. The Industrial Revolution in England gave a boost to the organization of large undertakings for carrying on large-scale industrial and commercial operations. In our two epics, the 'Ramayana' and 'Mahabharata' also there is mention on systemofmaintenanceofbooksofaccountsandexaminationorverification of the same subsequently for control purpose. So, the existence of audit discipline can be traced back even to Pre-Vedic and Vedic period where the literature posits numerous references indicating that accountancy and audit were practiced in elementary form in ancient India. Valmiki's Ramayana presents one incident when Lord Rama asks Bharat on meeting him in the while leaving Ayodhya for vanvasa: "is your income more than your expenditure and your expenditure less than your income?" (Valmiki Ramayan, Ayodhyakand, Sarga, 100). Another reference prominently brings forth the prevalence of accountancy and auditing in Mahabharata times when King Yudhisthira ordered his brother Nakula to look after the army's accounts (Mahabharata, Shantiparva, Sarga).

Campbell, (1995) has noticed that the CERES Principles were written in the wake of the 1989 Exxon Valdez oil spill which occurred in Alaska's Prince William Sound. They were developed by the Coalition for Environmentally Responsible Economies; a confederation of United States based environmental groups, socially conscious investors, pension fund trustees, and religious organizations. The CERES Principles require a commitment to the disclosure of environmental performance, restoration of the environment, minimization of pollution, and conservation of natural resources.

Objectives of the Study

1. Expound the theoretical understanding of environmental accounting frame work.
2. To study the objectivity of environmental reporting in India.
3. To study application of 'Environmental Auditing' i.e., Assessment or Evaluation with reference to 'Environmental Disclosure' practices and its Impact in India.

Methodology

This part of the study discusses the research methodology followed and road map to fulfill the research objectives. This section explains research design, methods of research, research instruments, population, sample size, sampling method, sample unit, data source and data analysis tools. This part of study reveals absolute idea for understanding environmental auditing practice and its impact and applications in India. For the present research study descriptive cum exploratory research design is used to study the possible relationships among variables under study. Primary data have been collected through structured questionnaires, interviews and secondary data have also been collected from various sources as outlined in the subsequent part. Primary data has been collected using research instrument i.e., Structured Questionnaire. Structured questionnaire is used to collect opinion of practicing accountants, other professionals, executives, managers, research scholars, academicians and post graduate students with commerce background.

Results

An upward trend in corporate environmental reporting is being noticed worldwide, as companies in developed countries such as France, Finland, Germany, Japan, Netherland, New Zealand, Norway, Sweden, UK and USA have started disclosing corporate environmental information voluntarily. However, the same cannot be said of developing countries since the extent of environmental disclosure has remained predominantly very low (Belal, 2000). Nevertheless, given the heightened interest and increasing demand from stakeholders for corporate accountability, this study further provides an avenue for organizations on ways to identify, classify, record, summarize and disclose various aggregations of environmental information. This invariably allows management to identify opportunities for cost savings. It provides an insight to organizations on how to satisfy the growing demands and continuous yearning for the voluntary disclosure of corporate environmental information in their annual reports. More so, it makes available for companies both within the private and public sectors on the need for environmental improvement and corporate environmental performance. This in the long run, it helps to visualize an image of the company as having a moral obligation to account for its environmental activities. Furthermore, this study will educate policy-makers on ways in which the environmental performance of companies can be measured and analyzed using ISO requirements. Besides, the study of present reporting practices by Indian corporates this research endeavor attempts to expound the environmental auditing practice in India. This research acts as a link between objectives of environmental accounting system, environmental auditing practice and environmental reporting for business enterprises. The research attempts to contribute towards appraisal of environmental accounting and environmental auditing practice and objectives of transparent environmental reporting framework for the organization, which facilitates in preservation and protection of environment. Further, such intertwined exploration of framework may prove useful to management and other stakeholders in different ways for their decision making.

Discussion

Environmental Auditing: Disclosure Practices in India

From the very inception of idea of environmental reporting as part of social responsibility, it is continuously argued that such disclosure by an entity is an important and useful gesture by the business. Number of studies identified such disclosures as value creators for the firm. Even after having identified environmental accounting and auditing practice as need of the present days to have long term sustainability of the business, different studies revealed that developed societies and economies like U.K., U.S.A. and Australia are also aware and show concern about issues related to environment, but developing countries like India ignore such issues of grave concern to mankind and society. There are two theories in the field of Environmental performance disclosures, one is known as Legitimacy theory and another is Stakeholder theory. According to Legitimacy theory, it is essential to meet the societal norms and expectations to ensure the survival of firm in long-term (Lindblom, 1993). The supporters of this theory argue that corporate social and environmental responsibility tends to reduce the risk of regulatory actions and boycotts by stakeholders and strengthens the firm's license to operate. Thus, it is also assumed that non discloser may lead to rejection by investors and they may not invest in the said business.

Another theory called as Stakeholder theory advocates the environmental performance disclosures with an argument that firms have accountability towards a broad range of stakeholders, apart from shareholders, i.e., customers, suppliers, employees, government, community, environment, future generations, etc. Corporate social and environmental responsibility helps in strengthening the relationship between firm and society in which it operates. Ignoring the stakeholder interests may taint firm's public image, which would unfavorably affect its financial performance.

Importance of Environmental Parameters in Disclosure Practices

John Elkington introduced the concept of Triple Bottom Line (TBL) where financial (profit), social (people) and environmental (planet) aspects were given importance. After the introduction of 'Triple Bottom Line' (TBL) reporting framework and its importance in terms of Corporate Social Responsibility (CSR), the environmental pillar was required to be given due attention by the business entities. So, paradigm shift in reporting practices is experienced by corporate reporting practices where equal importance is given to people and planet with profit. In India global presence of the major corporates and their keen interest to stand with repute led to adoption of reporting practices in line with global reporting practices led by developed countries addressing needs to take care of all the stakeholders. Such reporting practices were also insisted by statutory bodies in India initially as a desirable requirement and the same were recently made mandatory for listed corporates. Ho and Taylor (2007) investigated Triple Bottom-Line (TBL) disclosures of 50 of the largest US and Japanese companies and found that for total TBL disclosure (combining economic, social and environmental categories), the extent of reporting is higher for firms with larger size, lower profitability, lower liquidity, and for firms with membership in the manufacturing industry. Also, the extent of overall TBL reporting is higher for Japanese firms, with environmental disclosure being the keydriver.

Creel Timothy S. (2010) reported that the environment is one of the most important issues the world faces today. Climate change, energy supply and demand, waste removal, and other issues are growing in magnitude. The corporate world faces a challenge in how it responds to the environment and what it can do to improve the current situation. U.S. organizations such as Target, Apple, and Dell report positive environmental events on their websites and in the news, but questions remain as to the depth of the commitment of U.S. companies towards the environment. Even though it is voluntary, many U.S. corporations upload internally generated reports that summarize their environmental performance, but only a few have their environmental activities reviewed by an independent third party. Some companies use the Global Reporting Initiative (GRI) as the framework for their environmental strategy because it offers a comprehensive guide to follow for environmental reporting. One way to examine the commitment of organizations to their environmental strategy is to examine their overall environmental reporting. Many large U.S. companies report significant amounts of environmental activities on their websites and in advertising, but how committed are they to environmentally friendly business strategies. The 100 largest U. S. companies are examined to verify if they discuss the environment on their websites, produce a separate report based on their environmental performance, follow the guidelines of the global reporting initiative, and have their separate report on the environment reviewed by an independent third party.

National Voluntary Guidelines for Disclosure Practices (NVG)

In the year 2011 Global Reporting Initiative held a consultation with stakeholders to prepare a draft on National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of business (NVG). The consultation meet was designed to facilitate dialogue among companies and industry associations on adopting 'Responsible Business' practices and sustainability reporting Non- financial metrics such as those relating to environmental, social and governance (ESG) factors need to be captured by companies and thus, the need for a standardized reporting framework. UN Global compact, Global Reporting Initiative (GRI) and Carbon Disclosure projects are internationally accepted reporting frameworks which provide a platform for companies to disclose their sustainability practices and policies. However, there had been no Indian guidelines / framework which took into account the needs of the Indian stakeholders. The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG) in the year 2006, an initiative by Indian Institute of Corporate Affairs (IICA) with support from GIZ, is a step in this direction. After 2006, the process started in end of 2009 by establishment of Guidelines Drafting Committee (GDC), which submitted its final recommendations of the draft NVGs to Ministry of Corporate Affairs (MCA) in November 2010.

Environmental Parameters Disclosure

Even after identification of important issues for about more than 30 years of debates and deliberations, ideas related to environmental concern are not yet accepted and implemented widely, concepts and issues of environmental concern for business world and society as a whole i.e., environmental reporting and environmental auditing are still in infancy and used by corporates as ornamental value to the reporting practices. Hence, this part of the present research study tries to study and document the environmental accounting disclosure practices of select corporates in India. For this, content analysis of different pieces of information related to important components identified as above are discussed. Besides, an effort is made to catalogue the different items and their frequency of reporting by select Indian corporates.

Even after serious efforts made by researchers, social scientists, professionals and environmental scientists across the globe for about more than thirty years of emergence of environmental reporting and auditing idea, a few companies have started disclosing environmental accounting and auditing related information. In India none of the regulatory authority or bodies had issued any guidelines for environmental accounting and auditing related disclosure practices. In recent past i.e., in year the 2011 - Ministry of Corporate Affairs, Government of India came out with suggestion for 'National Voluntary Disclosure Guidelines' (NVGs).

All these guidelines and efforts by different bodies, are the outcome of long debate which formally commenced with the idea floated by and Benston (1982). He came out with an idea to delineate and analyze the ways in which social responsibility accounting can be used to measure and serve as a means of controlling externalities. Further, he stated that the means by which corporations could be more accountable is through reports of financial position and performance. He examined rationale and techniques of social responsibility accounting analytically. He found that corporate managers were concerned with those with whom corporation contracts viz. stakeholders as creditors, workers, consumers, etc. Even after floating the idea of recognizing corporate entity on the basis of how they can be evaluated on the parameter of corporate social responsibility, it was not accepted much by corporates. This debate was further boosted by an argument of having such practice valuable than the cost of such practice. This argument was also made by Lang and Lundholm, (1992), that the firm's performance must exceed some threshold value before it warrants incurring the cost to disclose, and the more sensitive a firm is to the perceptions of outsiders, the more it will disclose.

Initially, environmental disclosure practices were identified as the need for corporate entity to fulfill the corporate social responsibility but was not much accepted and practiced by corporates. Such disclosures are necessary and helpful to the stakeholders as good management practice gained momentum in the second half of nineties when Gray et al., (1996) has noted that the stakeholder theory emerges from the view that corporate disclosure is a management tool for managing the informational needs of the various powerful stakeholder groups (employees, shareholders, investors, consumers, government and others).

After emergence of ideas to incorporate environmental accounting and auditing parameters as part of Annual Report disclosures, initially few corporate entities started giving importance to information by placing them in Annual Reports. Academic and research community has been continuously discussing related issues with intention to create awareness and make idea of environmental accounting and auditing disclosure practices more and more acceptable as part of Corporate Social Responsibility. To strengthen the idea of environmental related disclosures as part of CSR a number of researchers and social scientists have started keeping an eye on related contents of Annual Reports. For this purpose, content analysis across the globe particularly in U. K., U. S. A., Canada, Australia and New Zealand has contributed positively by identifying parameters to be added to enrich such disclosure practices. This has been reflected in the research work of Adams et al. (1998) who examined corporate social reporting practices for a sample of 150 annual reports from six European countries. The study divided social disclosures into three categories: environmental reporting, reporting on employee issues and ethical reporting. The findings of the study indicate that the amount and nature of social disclosure varied significantly across countries. The German firms, in particular, disclosed the most information across all three categories. Netherlands had the lowest disclosure level in terms of environmental information.

- **Carbon Disclosure**

  At present, pressure is surmounting on the corporates to minimize the impact on environment. Emission of Carbon Dioxide (CO2) and other Green House Gases (GHGs) have substantially damaged the planet Earth due to industrial activities. So, companies have started taking initiative towards disclosing the efforts and steps taken on 'carbon footprint'. Today, the term 'carbon footprint' is often used as shorthand for the amount of carbon (usually in tones) is being emitted by an activity or organization. The carbon component of the Ecological Footprint takes a slightly differing approach, translating the amount of carbon dioxide into the amount of productive land and sea area required to sequester carbon dioxide emissions. This tells us the demand on the planet that results from burning fossil fuels. Measuring it in this way offers a few key advantages. On a practical level, the Ecological Footprint shows us how carbon emissions compare and interact with other elements of human demand, such as our pressure on food sources, the quantity of living resources required to make the goods we consume, and the amount of land we take out of production when we pave it over to build cities and roads. The carbon footprint measures CO2 emissions associated with fossil fuel use. In Ecological Footprint Accounts, these amounts are converted into biologically productive areas necessary for absorbing this CO2. The carbon Footprint is added to the Ecological Footprint because it is a competing use of bio productive space, since increasing CO2 concentrations in the atmosphere is considered to represent a build-up of ecological debt.

- **Global Reporting Initiative (GRI)**

  GRI has pioneered corporate sustainability reporting since 1997, transforming it from a niche practice to one now adopted by a growing majority of organizations. GRI is an international, independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. We live in a world of challenge and change. Shifting landscapes in the environmental, social and governance arenas constantly test our abilities to create innovative approaches to address global issues, such as climate change and human rights. Within this flux and flow, GRI has occupied a prime position. The past 17 years has seen sustainability reporting move from a practice undertaken only by pioneers to become standard practice for thousands of organizations worldwide. GRI has played a fundamental role in catalyzing and enabling this movement, with the establishment of a robust set of Sustainability Reporting Guidelines, at a time when little else existed. The GRI Sustainability Reporting Guidelines are now generally regarded as the most trusted and respected, with over 5,000 organizations having used them across more than 90 countries at the end of June 2014. In addition, they are referenced in the policies of 24 countries and their development is underpinned by continual, global, multi-stakeholder engagement - a process which ensures that every group has an equal voice at the table. GRI is continuously building on its legacy as a pioneer in sustainability reporting. Forward thinking, future focus not only gives a structured insight into GRI s activities and its sustainability impacts since the launch of G4 - the recent version of the Guidelines - but also demonstrates how the organization is addressing the rapid changes taking place in the sustainability reporting field. G4 has also provided the backbone for GRI's Organizational Stakeholder Program during 2013-2014, which connected nearly 600 organizations in 60 countries committed to advancing sustainability reporting.

- **ISO 14001- Environmental Management System (EMS)**

  An ISO 14001 Environmental Management System (or commonly referred to as an EMS) is a structured system designed to help organizations manage their environmental impacts and improve environmental performance caused by their products, services and activities. An environmental management system provides structure to environmental management and covers areas such as training, record management inspections, objectives and policies. Implementation of an environmental management system requires the following steps to be completed by an organization:

  — Development of an environmental policy that reflects its commitments;

— Appointment of a person(s) responsible for its coordination;

— Identification of how the organization interacts with the environment;

— Identification of actual and potential environmental impacts;

— Identification of relevant legal and other requirements;

— Establishment of environmental objectives, targets and programs;

— Monitoring and measurement of the progress to achieve its objectives;

— Reviewing the system and environmental performance; and

— Continuous improvement of the organization's environmental performance

International Organisation for Standards (ISO) has a multi-faceted approach to meet the needs of all stakeholders from business, industry, governmental authorities and nongovernmental organizations, as well as consumers, in the field of the environment. ISO 14001 is the world's most recognized framework for Environmental Management Systems (EMS) implemented that helps organizations both to manage better the impact of their activities on the environment and to demonstrate sound environmental management. Other environmental management tools developed by ISO/TC 207 include, ISO 14004, which complements ISO 14001 by providing additional guidance and useful explanations.

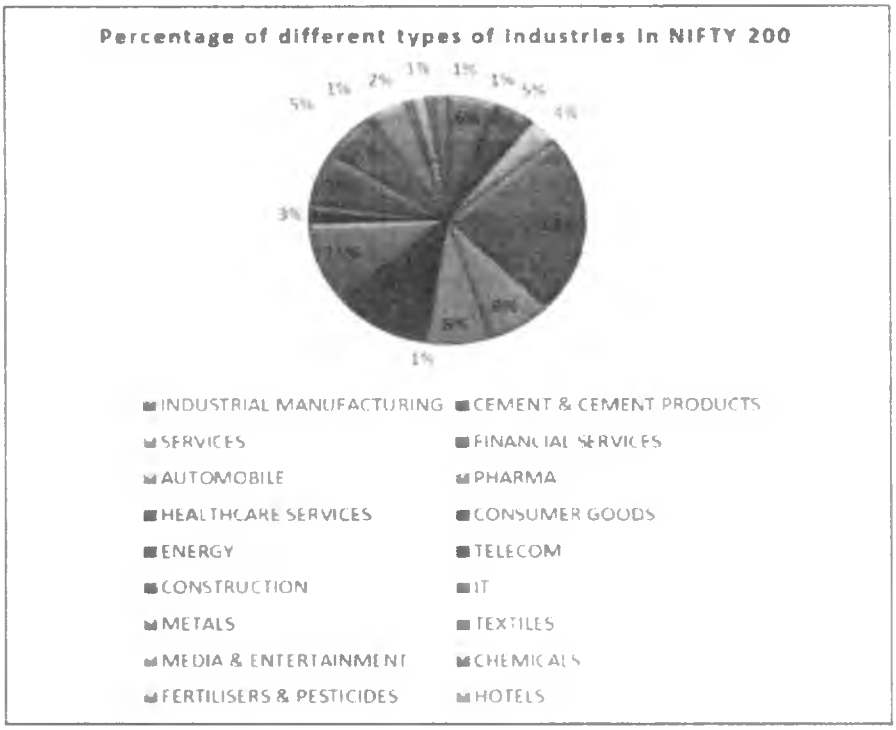
• **Renewable Energy**

Renewable energy is energy generated from natural resources such as sunlight, wind, rain, tides and geothermal heat-which are renewable (naturally replenished). Renewable energy technologies range from solar power, wind power, hydroelectricity/micro hydro, biomass and bio fuels for transportation. This energy cannot be exhausted and is constantly renewed. Alternative energy is a term used for an energy source that is an alternative to using fossil fuels. Generally, it indicates energies that are non-traditional and have low environmental impact. The term alternative is used to contrast with fossil fuels according to some sources. By most definitions alternative energy doesn't harm the environment, a distinction which separates it from renewable energy which may or may not have significant environmental impact. India also is the world's third largest producer of coal, and relies on coal for more than half of its total energy needs. Indian Renewable Energy Development Agency Limited is a public limited Government Company established in 1987, under the administrative control of Ministry of Non- Conventional Energy Sources (MNES) to promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects with the motto 'Energy for Ever' (Investors Manual for Energy Efficiency Confederation of Indian Industry Energy Management Cell - www.greenbusinesscentre.com). The information of Conservation of Energy as required under Section 134 (3) (m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is applicable to certain business segments. However, as part of Business Responsibility Report, few companies have started providing details of steps taken in the areas of energy conservation and other Sustainability Initiatives.

Analysis of Disclosure Practices in Indian Companies

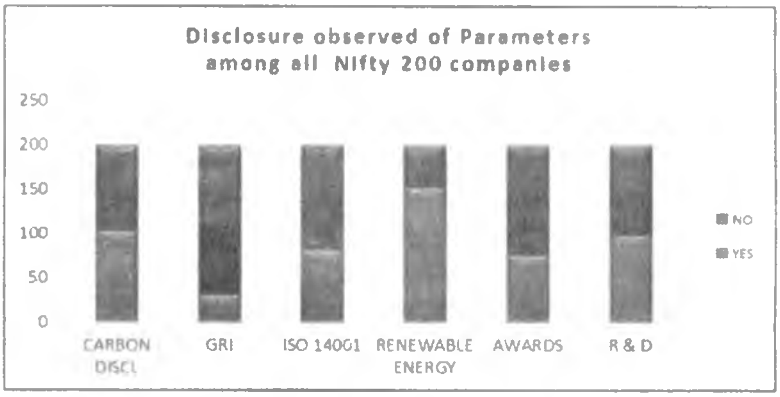
In India any specific enactment does not clearly provide for the disclosure on environmental parameters in the financial statements of the corporates. Still, the premier professional bodies viz. The Institute of Chartered Accountants of India (ICAI) has not issued any specific guidelines and accounting or auditing standard on environmental accounting, auditing and disclosure aspects. Therefore, it is up to the companies to determine how much evidence, what information and in which form they desire to disclose voluntarily in their Annual Reports along with the financial statements or elsewhere. But admitting the arguments rose in favor of the environmental information disclosure and auditing practice, some companies have voluntarily begun the disclosures relating to environmental parameters. Recently Securities and Exchange Board of India has made an initiative for 'Business Responsibility Report' where the listed companies are required to disclose the specified information principle wise.

Figure 1: Industry wise Compositions of Nifty 200 companies



It is explored here that different companies which were constituent of Nifty 200 index on selected date are grouped in eighteen industries by National Stock Exchange. These are Industrial Manufacturing, Cement and Cement products, Services, Financial Services, Automobiles, Pharmaceuticals, Health care services, Consumer goods, Energy, Telecom, Construction, IT, Metals, Textiles, Media and Entertainment, Chemicals, Fertilizers& Pesticides and Hotels. 24% companies fall into Financial Services sector, 11% companies fall into Energy and 11% companies fall into Consumer goods sector. Automobile and Pharmaceuticals sector constitute 8% each and Construction sector 7% in Nifty 200. Healthcare services, Textiles, Chemicals and fertilizers and Hotel's sector contribute 1% each in the composition of Index on reporting date.

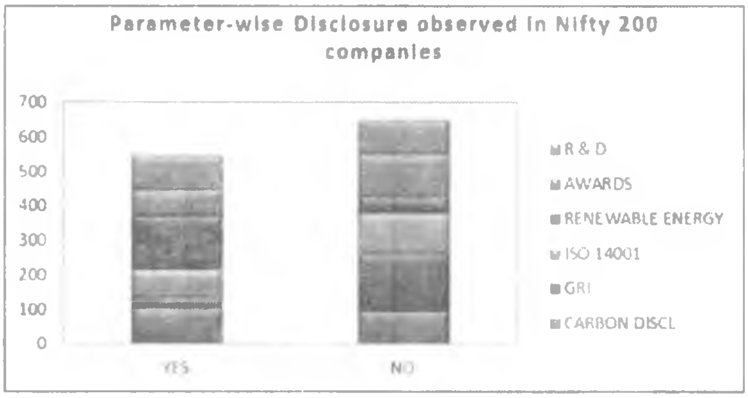
Figure 2: Summary of Disclosure for Parameters in Nifty 200 Companies



In the chart it is clear that, out of 200 select companies, 104 companies consider Carbon disclosure related parameters as part of their annual report. It further reflects that only 32 companies and 77 companies are considering disclosure parameters related to GRI and Awards respectively. The content analysis further revealed that out of 200 companies, 82 companies are disclosing adoption of ISO 14001, 153 companies have applied the measures to initiate renewable energy measures and 100 companies have disclosed in the Annual Reports that they have undertaken the research and development activities in processes, operations and activities to reduce the environmental impact.

That highest weightage is given to Renewable energy measures, then on Carbon issues disclosures, investing in Research and development, adoption of ISO 14001 and performing well and bagging Awards and accolades. The lowest weightage is given to adoption of Global Reporting Initiatives guidelines. These numbers represent importance given by different corporates to the different parameters across the industries. But to have idea about sensitivity of different industries towards different environmental parameters, further analysis is undertaken to check number of organizations considering industry wise environmental parameters in reporting disclosures. This analysis is undertaken as different industry affects environment at different scale.

Figure 3: Parameter wise Disclosure in Nifty 200 Companies



Relationshiop Between Firm's Environmental Accountability and Financial Performance

Several theoretical analysis and empirical researches have been conducted to examine the relationship between environmental accountability i.e., responsibility cum disclosures and financial performance of the firm. But the results are mixed, inconsistent and often contradictory; ranging from positive, to negative, to statistically insignificant relationship; depending upon the choice of measure of environmental responsibility, measure of financial performance, sample composition, time-period and control variables. Rio Tinto (1998) has explored that over recent years there has been a swing as companies come round to the view that excellence in environmental performance is an integral part of excellence in business. Early environmental regulations were seen as a costly add-on to production. Now it is realized that, unlike taxes, environmental performance is intimately tied in with efficiency of production. Akbas, H. E. (2014) has found that company size, industry membership and profitability are important company characteristics that can have influence on the extent of environmental disclosure. According to the results of his study, size and industry membership have a positive and statistically significant relation with the extent of the environmental disclosure, while profitability has a negative relationship. In consistent with the previous studies, finding supports the argument that larger firms disclose more environmental information than smaller firms for the purpose of increasing their legitimacy.

Conclusion

The previous era of the twentieth century has been observed as the period of the environment. During this period apprehensions over pollution, climate change, resource exhaustion and other forms of environmental damage have amplified significantly. Safeguarding of environment has developed as an issue of prominence to mankind, which has also become concern of great standing to business enterprises. Business enterprises are now running into with snowballing number of environmental laws and regulations, compression from external environment and concern of management and employees pertaining to environmental performance. In order to meet environmental encounters, business organizations have been evolving management schemes that are planned to attain organization's environmental goals and intentions. With reference to Environmental Auditing practices in India, it is revealed that there is still tremendous scope to exercise this practice. Yet the criteria or parameters have not been uniformly identified by the corporates. Even the researchers have little explored this practice from Accounting, Compliance and

Auditing perspective. Here, it would be pertinent to note that companies should be made aware of the environmental policy as well as encourage incorporating environmental protection measures in their mission statement to protect and nurture the environment, by creating moral pressure with the help of social awareness and sensitization programs. For all the identified environmental sensitive industries, adoption of ISO 14001 should be made mandatory along with the stipulated requirements. We live in a world of challenge and change. Shifting landscapes in the environmental, social and governance arenas constantly test our abilities to create innovative approaches to address global issues, such as climate change and human rights as well as local issues, such as protection and nurture of environment. Within this flux and flow, the trinity of environmental accounting, environmental auditing and environmental reporting should be practiced with fair conduct. In the light of the present study, it becomes necessary to make environmental auditing more meaningful and effective for entities in general and companies in particular. Even our ancient Indian scriptures can be studied thoroughly to understand the basics of environment and preservation cum nurturing of our planet Earth.

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