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The Relationship between Non-Financial and Financial Parameters of Company's Performance- A Study of Selected Listed Indian Companies

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Abstract

Purpose: The purpose of this paper is to study the relationship amongst non-financial parameters derived from selected reporting and disclosure frameworks & ESG risk score, to study the relationship between financial variables i.e. PE ratio, PB ratio, EPS, ROE, ROCE and to study the overall relationship amongst financial variables, non-financial variables, and ESG risk score.
Design/methodology/approach: The study is based on 30 listed companies in the Indian stock market. For non-financial parameters, content analysis (binary- 0 & 1) is employed to calculate the score of integrated reporting framework by IIRC, Global Reporting Initiative (GRI), and Conscious capitalism. ESG risk score is directly taken from Yahoo Finance. Financial parameters i.e. PE ratio, EPS, ROE, PB ratio, ROCE are used and data is collected from the annual report of 2019-2020. All the relationships amongst financial and non-financial parameters are studied by employing Pearson's correlation.
Findings: The result of the study depicts a significant negative relationship between GRI (non-financial variable) and ROE (financial variable). Financial variables depict significant positive relationships whereas non-financial variables depict significant positive and negative relationships amongst each other.
Originality/value: The outcome of this study would not only help the corporate managers but also the policymakers to make a valuable decision, which will eventually contribute to the development of a holistic model for evaluating a company's performance that integrates both financial and non-financial aspects.

Keywords: Integrated reporting, GRI, ESG risk score, Financial variables, Corporate Governance.

1.0.0 Introduction

For many years, the approach of firms on the role of business in society could be summarized with the following words of Milton Friedman (1970): "there is one and only one social responsibility of business to increase its profits" and "Business of business is business."

Now days, an organization is fundamentally not just a profit seeking or economic entity, but also a social organism therefore it must contribute to the society like every citizen does. The philosophy of responsible business is based on the principle of business being accountable to all its stakeholders. The focus of the companies changed in last few decades. The companies shifted its spotlight from profit and wealth

maximisation to all its stakeholders concerns. But if the stakeholders of the company rely only upon numbers in evaluating the company then they might be on a wrong track because financial numbers are highly deceptive. Traditionally, companies only report through corporate annual (financial) reports which mainly consist of the past financial records of the company. Firms these days are scrutinized by customers, shareholders, academia, competitors and journalists and it is therefore important to find an acceptable strategy for reporting. The information requirement by the stakeholders of the companies is increased at a fast pace. As the requirement rises, so is the disclosure needs. Due to availability and quick access to data through internet, stakeholders became educated, alert and aware about the impact of all the concerned parameters i.e. financial & non-financial. A company's overall performance gets affected equally by financial as well as non financial parameters as showed in figure-1. Financial parameters are the quantitative figures related to the company's performance in a particular financial year whereas non-financial parameters are the qualitative or non-quantitative aspects of the company's performance.

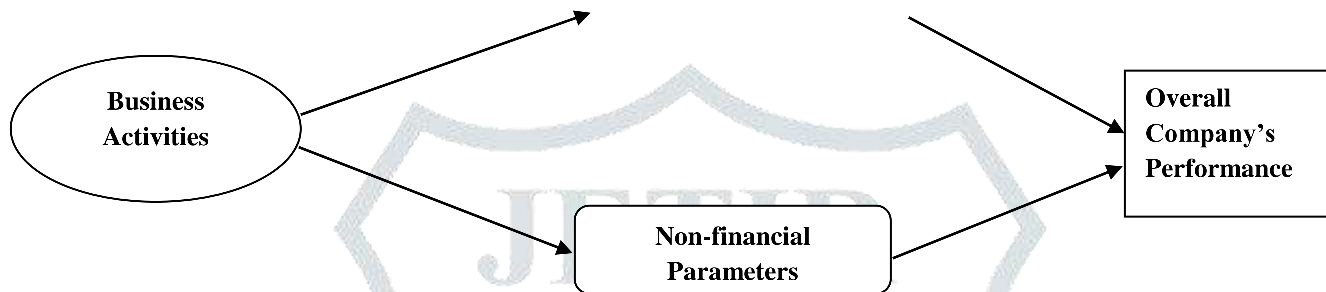


Figure: 1

1.1.0 Non-Financial Parameters: Reporting & Disclosure Frameworks

At global level there are many recognized non-financial reporting, sustainability reporting, integrated reporting or standard-setting organizations like CDP, CDSB, GRI, IIRC, SASB, ISO 26000, United Nations Global Compact (UNGC), BRSR etc exist. In recent years, two sets of reporting frameworks have gained more attention by Indian firms, regulatory body of India, SEBI and stakeholders, namely, the GRI's SR Guidelines and the IIRC's International Integrated Reporting Framework. These frameworks lead companies to report on a more comprehensive range of topics regarding firms' strategies, governance, financial position, future development, and social and environmental impacts.

1.1.1 Integrated Reporting (IR) by International Integrated Reporting Council

Integrated reporting <IR> by the International Integrated Reporting Council (IIRC) is an alliance of regulators, investors, companies, standard setters, accounting professionals and NGOs at global level. Together, this alliance shares that the next step of evolution of corporate reporting is to communicate about value creation to all the concerned stakeholders. The integrated reporting framework by IIRC has been considered as a step forward to meet the need of full disclosure and provide a foundation to companies for the future corporate reporting. The first integrated reporting developed in 2013 and its members keep on revising the content for more decision-useful reporting. Integrated reporting incorporates financial reporting and sustainability reporting, while also providing a strategic view of an organization's past performance and future prospects.

An integrated report includes the following eight Content Elements (Source: International <IR> Framework, Jan 2021 edition; www.integratedreporting.org/resource)

A. Organizational overview and external environment: An integrated report should contain the information regarding what the organization does and under which circumstances it operates.

B. Governance: An integrated report should contain the information about the organization's governance structure and its ability to create value in the short, medium and long term.

C. Business model: An integrated report should contain the organization's business model and details regarding it.

D. Risks and opportunities: An integrated report should contain the information about the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term.
E. Strategy and resource allocation: An integrated report should contain the information about the organization's long term plan and the road map to achieve those plans.
F. Performance: An integrated report should contain the information about organization's strategic objectives for the particular period and the effect of those objectives on the capital.
G. Outlook: An integrated report should contain the information about the challenges and uncertainties which organization most likely to encounter in pursuing its strategy, and the potential implications for its business model and to future performance.
H. Basis of preparation and presentation: An integrated report should contain the information about the quantification and evaluation of relevant matters.
I. General reporting guidance: The integrated report should contain the relevant information regarding disclosure of material matters, capitals disclosure, time frames for short, medium and long term and aggregation and disaggregation.
The content elements are not mutually exclusive fundamentally but are linked to each other. The content of an organization's integrated report will depend on the individual circumstances of the organization. It is suggested that the content elements are stated in the form of questions rather than the checklists of specific disclosures.

1.1.2 Sustainability Reporting: Global Reporting Initiative (GRI)
GRI considers as the world's most widely recognised and used standard for sustainability reporting – The GRI Standard. At the international level, GRI standardizes the non-financial reporting standards and which the organizations adopt to report to the concerned stakeholders. GRI Standards are developed with the joint efforts from multiple businessmen, investors, policymakers, civil society, labor organizations, regulatory bodies and other experts and promote the use of GRI standards by the organizations around the world.
The GRI Standards create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood. Sustainability reporting based on the GRI Standards should provide a balanced and reasonable representation of an organization's positive and negative contributions towards the goal of sustainable development. The Reporting Principles are fundamental to achieving high quality sustainability reporting. A firm is required to apply the Reporting Principles if the firm wants to claim that its sustainability report has been prepared in accordance with the GRI Standards. (Source: www.globalreporting.org)

a. Stakeholder inclusiveness: The reporting firm shall identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.
b. Sustainability context: The report shall present the reporting firm's performance in the wider context of sustainability.
c. Materiality: The report shall cover topics that reflect the reporting firm's substantive impact from economic, environmental, and social sources and can significantly influence the assessments and decisions of the concerned stakeholders.
d. Completeness: The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting firm's performance in the reporting period.
1.1.3 Conscious Capitalism
Conscious Capitalism is a way of thinking about capitalism and business that better reflects where we are in the human journey, the state of our world today, and the innate potential of business to make a positive impact on the world. The concept of conscious capitalism was coined and popularized by John Mackey, Whole Foods co-founder, and co-CEO, and Raj Sisodia, professor of marketing at Bentley University, in their book 'Conscious Capitalism: the Heroic Spirit of Business'. Mackey and Sisodia (2013) described Conscious Capitalism as built upon four tenets/pillars, including: (a) higher purpose and core values; (b) stakeholder orientation; (c) conscious leadership; and (d) conscious culture and management. Conscious businesses are galvanized by higher purposes that serve, align, and integrate the interests of all their major stakeholders. Their higher state of consciousness makes visible to them the interdependencies that exist

across all stakeholders, allowing them to discover and harvest synergies from situations that otherwise seem replete with trade-offs. They have conscious leaders who are driven by service to the company's purpose, all the people the business touches, and the planet we all share together. Conscious businesses have trusting, authentic, innovative and caring cultures that make working there a source of both personal growth and professional fulfillment. They endeavor to create financial, intellectual, social, cultural, emotional, spiritual, physical and ecological wealth for all their stakeholders.

1.1.4 ESG Measurement Tool: ESG Risk Rating/Score

ESG Risk Rating is a measuring tool which evaluates company's exposure to industry-specific material ESG risks and how finely company is managing those risks. This measurement tool is multi-dimensional in nature as it combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. The categories of ESG risk rating severity that could impact a company's value is classified under 5 levels i.e. negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+). In India there are many companies who are involved in calculating and providing ESG sores or ratings to companies like Yahoo Finance, Morning Star, Sustainalytics, S&P Global, Refinitiv etc.

1.2.0 Financial parameters

Financial parameters (i.e. PE ratio, EPS, Tobin's Q, EVA, MVA etc) and its impact on firm performance are studied and researched since the conception of business. In India, we have multiple statutory bodies to keep an eye on the functioning of the company's financial end and systematic procedures are also defined under Companies Act for the reporting and disclosure of financial information. But non-financial parameters were overlooked for so long and it showed the repercussions in the form of huge scams, scandals, frauds and even global financial crisis. The COVID-19 pandemic has caused widespread disruption and exposed vulnerabilities in ways businesses are managed across the globe. In the fourth edition of survey conducted by Deloitte India, 'Indian Corporate Fraud Perception Survey Edition IV', about 80.3% of respondents of the survey believe that current business disruption can spur fraud over the next two years, 19.09% cybercrime, 13.11% vendor/business favoritism and 11.97% bribery and corruption are most likely to experience in future. The rate by which Indian financial and industrial sector is boosting, with the same rate or even higher the graph of scams and frauds are reaching heights too. In the end employees lose their jobs, shareholders lose their money, customers lose their faith, ultimately all the concerned stakeholders suffer financially, physically and mentally.

This research is an attempt to study the relationship between financial and non-financial parameters of the company's performance.

2.0.0 Literature Review

'Firm Performance' is defined as the firm's ability to efficiently exploit available resources to achieve the goals set by the company (Taouab & Issor, 2019). Firm performance is a broad concept that encompasses various operational dimensions, management, and the competitive advantage of a firm and its activities (Tarigan et al., 2018). The basic purpose of any enterprise is to earn maximum profit in order to sustain itself and promote growth. Managements across the world endeavor in this aspect – be it be a sole proprietorship concern or a multinational giant having its foothold across geographies.

Needles et al. (2017) pointed that current financial reporting framework can no longer satisfy the growing needs of financial statement users as shareholders and potential creditors not only care about a company's past performance but also pay great attention to its future prospects. Current and potential lenders want to see a holistic picture of company in both financial and nonfinancial aspects. As per Frost and Toh (1998), Sciulli (2009) and UNEP (1998) the benefits of non-financial reporting are that it allows the tracking of progress against specific targets; raises awareness about broad environmental and social matters throughout a company; delivers corporate messages both internally and externally; leads to improved credibility from greater transparency; helps companies obtain reputational benefits; enhances business development opportunities; and boosts staff morale.

2.1.0 (A) Non-financial Reporting

Barnett and Salomon (2006) argue that investors not only focus on monitoring a firm's financial performance but they also actively monitor the manner in which a company achieves its goals. Therefore, in setting strategies to maximize shareholders' wealth, boards tend to increase and report on their firms' environmental and social activities, in order to appease stakeholders (Jizi, 2017). Milne and Gray (2007), Farneti and Guthrie (2009), Ernst and Young (2002) and KPMG (2005) observed and stated that stakeholders are increasingly seeking disclosures, not just on companies' financial matters but also on environmental and social practices.
According to Donaldson and Preston (1995), approaches to reporting of non-financial information can be categorized as descriptive (focusing on what is disclosed and why it is being disclosed), instrumental (why it is financially beneficial for firms to disclose such information) or normative (why companies have a duty to disclose information, even when reporting has no bearing on financial metrics). Cuesta and Valor (2004) suggested that quality reports should meet four criteria: relevance (or materiality), comparability, reliability and accessibility.
2.1.0 (B) Non-financial reporting framework

In past few decades non-financial reporting became popular amongst the researchers and academicians. Multiple reports, articles and research papers covering the adoption of trends in non-financial reporting are published. Glass (2012) found that environmental and social reporting was started somewhere from 1960s and first time done in Europe. Ioannou and Serafeim (2011) observed that since 1980s the 'negative screening' by ethical investment funds had set the stage for increased participation in non financial reporting. Kolk (2003) studied the extent of non-financial reporting of the Global 250 companies for the period of three years starting from 1998 and found that 50% of the multinational companies showed continued and significant increase in non financial reporting.

The popular non-financial reporting, sustainability reporting, integrated reporting frameworks or standard-setting organizations at global level like CDP, CDSB, GRI,, <IR>, SASB, ISO 26000, United Nations Global Compact (UNGC), TCFD, GRESB, Conscious Capitalism, BRSR etc exist. Based on the literature, in this study we include integrated reporting framework i.e. <IR>, sustainability reporting framework i.e. GRI and conscious capitalism.
2.1.1 Integrated Reporting Framework by IIRC
In reporting practices, the recent moves sought to integrate social, environmental, financial and governance information and have come to be known as Integrated Reporting. (Dey and Burns, 2010; Hopwood et al., 2010) The IR framework promotes the disclosure of factors that substantively affect the organization's ability to create value over the short, medium and long term (Cortesi, A. & Vena, L., 2019). Melloni, G. et al. (2017) mentioned in their research that integrated reporting framework is an attempt to connect and report firms' financial and sustainability (i.e. environmental, social and governance) performance in single report. It is expected from the integrated report of the company to be 'complete and balanced' and include all material information, both positive and negative. IIRC (2013d) reported that there are number of benefits of integrated reporting and the integrated report as the final product. 'Integrated thinking' is the outcome of the process of integrated reporting which is the active consideration by firms of the relationships between its various operational and functional units and capitals that firms use.
2.1.2 Sustainability Reporting: Global Reporting Initiative
According to de la Cuesta, M. and Valor, C. (2011) that GRI has resulted in some standardization of corporate social and environmental reporting, particularly in terms of format, but their approach to indicators is unlikely to produce high quality information that is relevant, comparable, complete and accessible to all stakeholders.
The GRI guidelines for reporting are based on principles of transparency, inclusiveness, audit-ability, completeness, relevance, comparability, clarity and timeliness. GRI has its own rating scale to measure the level of transparency of companies based on disclosures. GRI framework provided a comprehensive sustainability reporting framework intended to be widely used across the world. Sustainability report provides "information relating to a corporation's activities, aspirations and public image with regard to environmental, community, employee and consumer issues. Within these headings will be subsumed other,

more detailed, matters such as energy usage, equal opportunities, fair trade, corporate governance and the like" (Gary, R. et al., 2001).

'The framework proposed by GRI emphasizes the multifaceted performance of the company; consequently, the increasing amount of attention has been placed on the definition of issues that may impact the company's ability to create value over the long run. The GRI Guidelines are the most widely employed standards for disclosure, which propose 'sector supplements,' additional guidelines for specific industries.' (Needles, B. et al., 2016). The GRI guidelines for reporting are based on principles of transparency, inclusiveness, audit-ability, completeness, relevance, comparability, clarity and timeliness. GRI has its own rating scale to measure the level of transparency of companies based on disclosures. GRI database has been experiencing a constant increase in the number of countries and companies reporting on their sustainability initiatives (KPMG, 2008).

2.1.3 Conscious Capitalism

Mackey and Sisodia (2013, p.32) introduced Conscious Capitalism as "a way of thinking about business that is more conscious of its higher purpose, its impacts on the world, and the relationships it has with its various constituencies and stakeholders". Conscious Capitalism serves as a framework for leaders to utilize a foundational understanding of why their organization exists and what value the organization provides to stakeholders as a strategic management resource to guide their decision-making and align stakeholders, including employees, partners, customers, and community members (Mackey & Sisodia, 2013). Conscious Capitalism (CC) understands that organizations can and should have, in addition to economic results, a positive social impact on society (Mackey & Sisodia, 2013).

Mackey and Sisodia (2013) described Conscious Capitalism as built upon four tenets/pillars, including: (a) higher purpose and core values; (b) stakeholder orientation; (c) conscious leadership; and (d) conscious culture and management. First, Mackey and Sisodia (2013, p. 33) defined higher purpose as 'the reason a company exists', from which leaders may understand the value their organization provides to their stakeholders, while they defined core values as 'the guiding principles which business uses to realize its purpose'. Mackey and Sisodia (2013, p. 30) understand that there is a correlation between purpose and society's consciousness growth, including stressing that this is an ongoing process. Mackey and Sisodia (2013) presented higher purpose and core values as the foundational tenet of conscious capitalism, explaining that leaders of purposeful companies reflect upon why their organization exists and the core values that unite their stakeholders.

2.1.4 ESG Reporting and Scores

As per UNPRI (2011) ESG reporting is a term used widely in the capital markets to describe formal corporate reporting outside the published financial reports required under the Accounting Standards. Murphy, D. & McGrath, D. (2013). An increasing number of firms have been voluntarily publishing stand-alone ESG reports detailing their compliance on environmental and social issues. Many researches and academic studies undertaken stakeholder and legitimacy theory as explanatory model while studying the ESG reporting (Lehman, 2001). Unerman, J. et al (2007) identified two main organizational motives behind preparing ESG reports. First approach is that ESG reporting aims to transform business practice to move the organization closer to a state of environmental and social sustainability. The other perspective holds that firms engage in ESG reporting as a tool by which they can win or retain the support of key stakeholders. Scholtens, B. & Zhou, Y. (2008) stated that it is important to use at least one year lag between ESG performance and financial performance. The impact of ESGP on FINP will not occur at once. ESGP is an aggregate measure that arises from many CSR activities. It is not clear whether some aspects will mainly contribute to the CSR–FINP relationship.

2.2.0 Financial parameters & company's performance

Needles, B. et al. (2016) has developed a structure or framework named Financial Performance Scorecard (FPS) for considering the interaction of financial ratios, with particular emphasis on the drivers of performance and their relationship to performance measures. 'FPS is based on the premise that management must achieve certain financial objectives in order to create value and that these financial objectives are interrelated. Further, underlying the performance measures that analysts and the financial press commonly use to assess a firm's financial performance are certain independent financial ratios, called performance

drivers that are critical in achieving the interrelated performance measures'. According to Siegel (2006) that EVA and MVA have performance measure in the belief that the company's EVA correlate between performance management with stock returns. Moreover compared with other performance measurements such as Return on Capital (ROC), Return on Equity (ROE), Earning per Share (EPS), cash flow growth, and Economic Value Added (EVA) have higher correlation in creating value for shareholders. Goyal, P. et al. (2013) found that financial performance is used as proxy to firm performance in most of the researches. Poolthong and Mandhachitara (2009) mentioned that it is necessary for firms to measure the return on investment related to both financial and non-financial parameters of the firm performance.

3.0.0 Objectives

The study aims at exploring the relationship between non-financial parameters identified and based on the principles of selected reporting and disclosure frameworks, ESG risk scores and financial parameters of listed Indian companies. Thus, the specific objectives are as follows:-

1. To study whether there is any significant correlation exists amongst selected non-financial reporting and disclosure parameters derived from integrated reporting framework, global reporting initiative (GRI) framework, conscious capitalism and ESG risk score of the selected Indian companies.

2. To study whether there is any significant correlation exists amongst the financial parameters like PE ratio, EPS, ROE, PB ratio and ROCE of selected Indian companies.

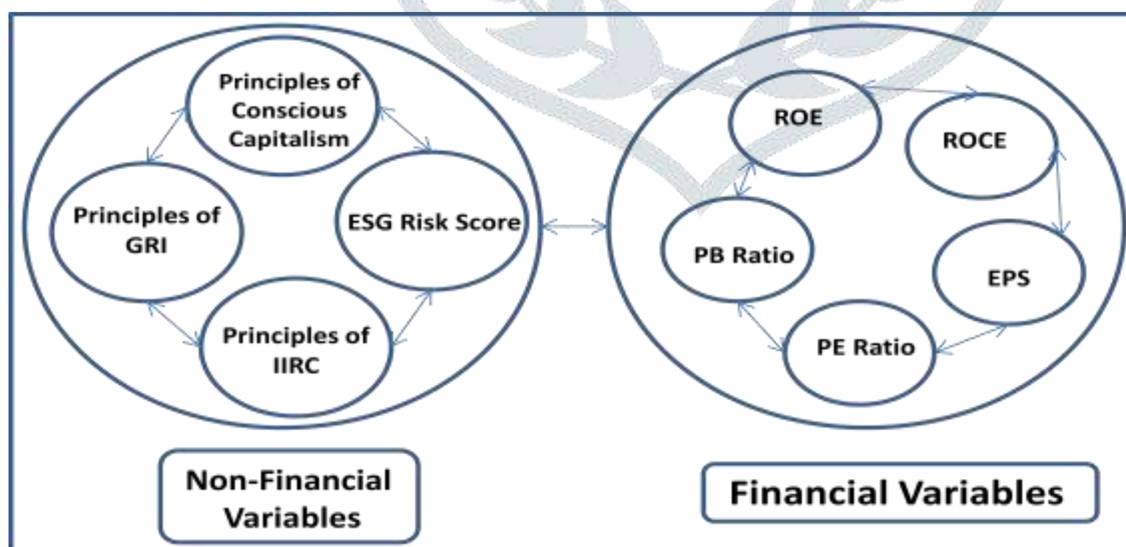
3. To study whether there is any significant correlation exists between non-financial and financial parameters of company's performance.

4.0.0 Research Methodology

As mentioned in the previous section, this study is an attempt to explore the relationship between non-financial parameters (identified and based on the principles of selected reporting and disclosure frameworks), ESG risk scores and financial parameters of listed Indian companies.

4.1.0 Conceptual framework

The basic relationships between non-financial variables, ESG risk score and financial variables were identified (Figure-2). Non-financial variables were further determined based on the principles of IIRC, principles of GRI and principles of conscious capitalism.



- Figure-2: Showing relationship between financial and non-financial variables

4.1.1 Relationship between financial and non-financial parameters of company’s performance:

To check whether there is any correlation exists between financial and non-financial parameters of the company’s performance. Pearson’s correlation was calculated and its significance level was checked.

Following steps were followed to estimate the correlation between financial and non-financial parameters of company’s performance:-

Step-1 - Correlation 1: Amongst the variables identified from the principles of integrated reporting framework by IIRC, principles of GRI framework and principles of conscious capitalism.

Step- 2 – Eliminated highly correlated and significant variables to get the exact number of non-financial variables.

Step- 3 – Correlation 2: Amongst selected variables identified from principles of integrated reporting framework by IIRC, principles of GRI framework, principles of conscious capitalism ,ESG risk score and financial variables.

4.2.0 Measurement of Concepts

4.2.1 Non-financial parameters:

1. ESG Scores: ESG Risk Ratings measure the degree of company’s exposure to the risk driven by environmental, social and governance issues. The rating employs a two-dimensional framework that combines an assessment of a company’s exposure to industry-specific material ESG issues with an assessment of how well the company is managing those issues. The final ESG Risk Ratings scores (Table:1) are a measure of unmanaged risk on an absolute scale of 0-100, with a lower score signalling less unmanaged ESG Risk. In this study, we have taken calculated ESG risk score of the selected companies from Yahoo Finance.

Table:1 ESG Score Range

Category	Range
Negligible	0-10
Low	10-20
Medium	20-30
High	30-40
Severe	40+

2. IIRC Framework: We have applied content analysis on the current integrated reporting framework proposed by International Integrated Reporting Council. Based on the principles of content element we have derived the number of variables for each principle. From the table: 2 for integrated reporting framework we are going to have total 33 variables and all are in the form of questions. For every ‘yes’ answer 1 score and for every ‘no’ answer 0 score is given to the companies. In the end by adding the scores of all the questions we arrive at the total score of IIRC for individual company.

Table: 2 - List of Integrated Reporting Variables

S. No.	Principle of Content Element	No. of Variables
1	Organizational overview & external environment (Countries in which company operates, number employees employed, ability to create value, competitive landscape, market positioning, principal activities & market, operating structure, ownership of company, ethics in the workplace, values & culture, mission & vision statement clarity)	15
2	Governance (Remuneration & incentives linked to short, medium and long term value creation, strategic decision to monitor culture of company)	2
3	Business model (Identify key elements, stakeholders dependencies, factors affect external environment, KPI, strategies, narrative flow, more than one business model, outcomes on capital up & down value chain)	6

4	Risk and opportunities (Indentify specific risk and opportunities, fruition & magnitude of effect, steps to mitigate and manage key risks)	3
5	Strategy and resource allocation (Resource allocation plan)	1
6	Performance (Connectivity of financial performance with other capitals, qualitative information, quantitative information, instances of significant effect on performance)	4
7	Outlook (Uncertainties and challenges in pursuing strategic objectives)	1
8	Basis of preparation and presentation (Relevant material matters)	1
	Total	33

3. Global Reporting Initiative: We have applied content analysis on the current sustainability reporting framework proposed by Global Reporting Initiative (GRI). Based on the principles of content element we have derived the number of variables for each principle. From the table: 3, for global reporting initiative (GRI) framework we are going to have total 23 variables and all are in the form of question. For every 'yes' answer 1 score and for every 'no' answer 0 score is given to the companies. In the end by adding the scores of all the questions we arrive at the total score of GRI for individual company.

Table: 3- List of GRI Variables

S. No.	Principle of Content Element	No. of Variables
1	Stakeholder inclusiveness (Timely issue of reports, dividend & retention policy, default in payment, no harmful ingredient in products, fair trade practices, boosting infrastructure, safety measures, supporting local people, accommodation for poor, workplace practices, equal pay, employee education programme)	13
2	Sustainability context (Performance presentation, relationship between sustainability & organizational strategy, location and communities)	3
3	Materiality (Sustainable development, proper standards, company's significant economic, social & environmental impacts)	4
4	Completeness (Impact of product & services, listing of all events & impacts, entities affected by company's activities)	3
	Total	23

4. Conscious Capitalism: We have applied content analysis on the tenants of conscious capitalism proposed by Conscious Capitalism Inc. by Raj Sisodia and John Mackey. Based on the principles of content element we have derived the number of variables for each principle. From the table: 4 for conscious capitalism we are going to have total 39 variables and all are in the form of question. For every 'yes' answer 1 score and for every 'no' answer 0 score is given to the companies. In the end by adding the scores of all the questions we arrive at the total score of conscious capitalism for individual company.

Table: 4- List of Conscious Capitalism Variables

S. No.	Tenants of Conscious Capitalism	No. of Variables
1	Higher purpose (Function of business, target customer, technical know-how, employee well being, talk beyond profit, societal development, mission & objectives, crafting public image, sustainable growth)	10
2	Stakeholder orientation (Health, safety of employees, anti-corruption & anti-bribery, Supplier selection procedure, corporate citizen, CSR programme, investor grievance, complaint against illegal activities, non-financial information disclosure, corporate governance requirements)	10
3	Conscious leadership (Awards, association with company, innovation, personal contribution, controversy, accidents or mishap, recognition other than financial)	9

4	Conscious culture (Decision making, reality check, purpose, core values, uniqueness, motivation to employees, future image, purpose of existence)	10
	Total	39

4.2.2 Financial Parameters:

1. PE Ratio: PE ratio of the company is calculated by dividing current share price or market value of the by its earnings per share (EPS).

PE Ratio = Market Value per share/ Earning per share

2. Return on Equity (ROE): ROE measures a company's profitability in relation to shareholder's equity. ROE measures the financial performance of the company and calculated by dividing net income by shareholder's equity. ROE is considered as the return on net assets.

ROE = Net income/Average Shareholder's equity

3. EPS: Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares. EPS is an indicator of a company's profitability.

EPS = (Net income – Preferred dividend)/End of period outstanding shares

4. PB Ratio: To compare a firm's market capitalization to its book value, PB ratio is being used by the companies.

PB Ratio = Market price per share/ Book value per share

5. ROCE: Return on capital employed (ROCE) is a financial ratio that can be used in assessing a company's profitability and capital efficiency. This ratio helps to understand how well a company is generating profits from its capital as it is put to use.

ROCE = EBIT/ (Total assets – current liabilities)

4.3.0 Sample and Data

The sample of the study comprises of 30 companies of BSE 30 or Sensex. Data for study were extracted from Prowess Database and Annual Report of the companies for the year 2019-2020. ESG risk rating or score were taken from Yahoo Finance for the year 2019-2020. Scoring of other parameters was done on the basis of the defined scale. As per the circular issued regarding integrated reporting in exercise of the power conferred under Section 11A of the SEBI, 12 companies out of 30 opted for integrated reporting along with general annual reporting.

5.0.0 Findings and Discussions

The present research is carried out to study the relationship between financial and non-financial parameters of the companies.

5.1.0 Descriptive Statistics

1. ESG risk score: Out of 30 companies, 7 companies had low ESG risk score, 10 companies had medium ESG risk score, 10 companies had high ESG risk scores whereas only 3 companies had severe ESG risk score.

2. Integrated reporting by IIRC score: Out of 30 companies, 8 companies scored 33 on 33 score whereas only 2 companies scored less than mean value.

3. GRI score: Out of 30 companies, 7 companies scored full score whereas all the remaining companies scored more than the mean value.

4. Conscious Capitalism score: Out of 30 companies, 12 companies scored full score whereas 2 companies scored less than the mean value.

5.2.0 Relationship between variables derived from integrated reporting framework, global reporting initiative (GRI) framework and conscious capitalism.

The correlations were established amongst 95 variables derived from the principle of integrated reporting framework, global reporting initiative (GRI) framework and conscious capitalism. We observed the following:

- Out of 95 variables, 42 variables showed high and significant correlation.
- Based on literature, we had applied judgmental analysis and eliminated 21 variables from the list which had high and significant correlation. This was done in order to retain only those variables which were exclusive. (Table:5) Out of 23 variables of GRI, 3 variables were eliminated which had high correlation with integrated reporting variables and similar 18 variables were eliminated from conscious capitalism variables which had high correlation with GRI variables.

Table: 5- Final Variables Count

Non-financial parameters	No. of variables before elimination	No. of variables after elimination
Integrated reporting framework by IIRC	33	33
Global reporting initiative (GRI)	23	20
Conscious Capitalism	39	21
Total	95	74

5.3.0 Relationship between financial variables i.e. PE ratio, EPS, PB ratio, ROE and ROCE

The correlations were established amongst financial variables (Table: 6) i.e. PE ratio, PB ratio, EPS, ROE, ROCE. PE ratio has positively significant relationship with ROE, PB ratio and ROCE. EPS has positively significant relationship with ROE. ROE has positively significant relationship with PB ratio and ROCE. PB ratio has positively significant relationship with ROCE.

Table:6 Correlation amongst Financial Variables

		PE Ratio	EPS	ROE	PB Ratio	ROCE
PE Ratio	Pearson Correlation	1	.125	.552**	.649**	.472**
	Sig. (2-tailed)		.511	.002	.000	.008
	N		30	30	30	30
EPS	Pearson Correlation		1	.383*	.255	.268
	Sig. (2-tailed)			.036	.174	.151
	N			30	30	30
ROE	Pearson Correlation			1	.849**	.778**
	Sig. (2-tailed)				.000	.000
	N				30	30
PB Ratio	Pearson Correlation				1	.759**
	Sig. (2-tailed)					.000
	N					30

5.4.0 Relationship between non-financial variables (derived from integrated reporting, GRI and conscious capitalism) and ESG risk score

The correlations were established amongst non-financial variables which were derived from integrated reporting, GRI and conscious capitalism) and ESG risk score. ESG risk score has negatively significant relationship with GRI. IIRC has positively significant relationship with GRI and conscious capitalism (Table: 7)

Table:7 Correlation amongst Non-Financial Variables

		ESG	IIRC	GRI	CC
ESG	Pearson Correlation	1	-.167	-.383*	.180
	Sig. (2-tailed)		.379	.037	.342
	N		30	30	30
IIRC	Pearson Correlation		1	.650**	.372*
	Sig. (2-tailed)			.000	.043
	N			30	30
GRI	Pearson Correlation			1	.060
	Sig. (2-tailed)				.754
	N				30

5.5.0 Relationship between non-financial variables (derived from integrated reporting, GRI and conscious capitalism), ESG risk score and financial variables

From Table: 8, the correlations were established amongst non-financial variables which were derived from integrated reporting, GRI and conscious capitalism), ESG risk score and financial variables (PE ratio, PB ratio, EPS, ROE, ROCE). GRI has negatively significant relationship with ROE.

Table:8 Correlation amongst Financial and Non-Financial variables

		PE Ratio	EPS	ROE	PB Ratio	ROCE
ESG	Pearson Correlation	-.078	-.186	-.093	-.054	-.203
	Sig. (2-tailed)	.682	.326	.625	.776	.281
	N	30	30	30	30	30
IIRC	Pearson Correlation	.195	-.167	-.155	.014	.063
	Sig. (2-tailed)	.302	.378	.413	.940	.742
	N	30	30	30	30	30
GRI	Pearson Correlation	-.009	-.190	-.388*	-.301	-.110
	Sig. (2-tailed)	.963	.314	.034	.106	.562
	N	30	30	30	30	30
CC	Pearson Correlation	-.047	-.022	-.004	.090	.002

6.0.0 Conclusion and Recommendations

The present research is undertaken to study the relationship amongst non-financial parameters derived from selected reporting and disclosure frameworks, to study the relationship between financial variables i.e. PE ratio, PB ratio, EPS, ROE, ROCE and to study the overall relationship amongst financial variables, non-financial variables and ESG risk score. We have successfully established the variables and scoring criteria for non-financial parameters. The result revealed that there is only significant negative relationship exists between GRI (non-financial parameter) and ROE (financial parameter) which means that sustainability reporting is negatively affecting the return on equity. No other significant relationship was discovered among financial and non-financial parameters which prove that financial results of the companies are untouched by the effect of non-financial parameters and vice versa. This study throws light on the need for the holistic model which includes the effect of both financial and non-financial parameters of company's performance and is useful for the industrialist, academicians, and researchers for further development in this field.

7.0.0 Scope for further study

The present study was done by taking into consideration only three non-financial reporting and disclosure frameworks. More researches should be done by covering more non-financial frameworks. In this study we have taken only five financial parameters of firm performance, so more future researches can be done by incorporating more financial variables. In this study we have taken into consideration only 30 listed companies of Indian stock market. Therefore in future, researches should be conducted by taking large number of companies both Indian and international. Variables are scored on the basis of one year data only; more researches should be conducted by taking the average of data for last few years. In future researches new scoring technique should be designed for evaluating non-financial parameters of company's performance.

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