

MONOGRAPH
on
Sustainability Makes
Business Sense

INDIA 
CORPORATE
WEEK

December 14-21, 2010

Sustainable Business



The Institute of Cost and Works Accountants of India
(Set up under an Act of Parliament)

MONOGRAPH
on
SUSTAINABILITY MAKES
BUSINESS SENSE



ISSUED BY

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Government of India
Ministry of Corporate Affairs
New Delhi



December 10, 2010

MESSAGE

Ministry of Corporate Affairs, Government of India is celebrating second India Corporate Week” during December 14th - 21st, 2010. The theme of this year is “Sustainable Business”. Various programme, seminars and workshops have been planned as a part of commemoration highlighting the progress Indian Business has made in the corporate journey.

As a unique initiative. The Institute of Cost and Works Accountants of India (ICWAI) is bringing out a monograph titled “Sustainability Makes Business Sense” a compilation on the idea based on the available material in a question answer format. I compliment the Institute and Mr. Manivannan R. Rajan, a Practicing Cost Accountant for his contribution in printing this monograph in a short time for release during “India Corporate Week 2010”.

I express my best wishes to ICWAI for organising the programmes and publishing the monograph.



(R. Bandyopadhyay)

FOREWORD



Ministry of Corporate Affairs, Government of India has decided to celebrate third week of December every year as “India Corporate Week”. During this year the events would be held during 14th -21st December, 2010 as second edition of India Corporate Week. The theme of this year is “Sustainable Business”. ICWAI is participating in these celebrations by organising various programmes and publishing the monographs on relevant subjects.

This monograph on “Sustainability Makes Business Sense” has been compiled by Mr. Manivannan R. Rajan, a Practising Cost Accountant in a lucid question and answer format. ICWAI expresses its gratitude to Mr. Rajan, who has taken up the challenge and delivered the monograph in a very short time.

It has been an endeavour of the institute to make headway in the newly emerging topics like sustainability. I hope the readers would benefit from this publication brought out by the ICWAI.

With best regards,



New Delhi
8th December , 2010

Brijmohan Sharma
President

THE PREFACE

Dr. C.K. Prahlad emphatically said¹, “There’s no alternative to sustainable development”, and further added, “Smart companies now treat sustainability as innovation’s new frontier”. Peter Senge calls this “the necessary revolution”².

We have indeed come a long way from the days of Milton Friedman who said, “The social responsibility of business is to increase its profits”³. Totally contrarian views have been expressed by both Henry Mintzberg⁴ – “Social responsibility represents our best hope, perhaps our only hope... Without responsible and ethical people in important places, the society we know and wish to improve will never survive”, and Charles Handy⁵ – “We should, ..., measure success in terms of outcomes for others as well as for ourselves”.

‘Sustainable Development’ has been defined by the World Commission on Environment & Development, 1987, as, “**Development that meets the needs of the present without compromising the ability of future generations to meet their own needs**’.

As Lincoln’s said, “*You can not escape the responsibility of tomorrow by evading it today*”.

The Approach Paper to the 11th Five Year Plan “Towards Faster and More Inclusive Growth”⁶, while expressing optimism about India’s growth prospects also expressed concern at the insufficient spread of benefits of growth. Acknowledging the need for faster growth as a basic requirement, it emphasized that the **growth process** should be much more ‘**inclusive**’ - that raises incomes of the poor for faster reduction in poverty, generates expansion in good quality employment, and ensures access to essential services such as health and education for all sections of the community.”

...A UNDP Report prepared a few years ago, pointed out that 10%

of the richest adults in the world own as much as 85% of the world's household wealth, while the bottom 50% have to contend with only 1% of household wealth. These widening income inequities are indeed a source of widespread discontent and social alienation. Aggravating these inequities is the tremendous strain imposed on nature's life support systems.in less than half a century, the world has lost a fourth of its topsoil and a third of its forest cover. In the last 35 years alone, a third of global bio-diversity was forfeited. Scientific evidence today confirms that humanity's demand on the planet's living resources now exceeds its regenerative capacity by a wide margin. It now takes the Earth one year and four months to regenerate resources used in a single year. And if this continues apace, the equivalent of two Earths will be needed to support humanity's resource requirements by mid 2030s. **The current global economic model is therefore clearly unsustainable**". – Excerpts from Speech by the Chairman of ITC Ltd.⁷.

Leading global corporations, including some from India, are embracing sustainable business development as a strategic framework for integrating their business enterprises, creating innovative solutions to the complex needs and requirements of business requirements of the business environment, and thinking strategically about leading change⁸.

While India is often characterized as an emerging economic super power, it **suffers from acute economic and social disparities**. However, growth and continuance of business in the longer term, while targeting high levels of economic growth, cannot be achieved at the cost of our already fragile environment and weak social fabric.

Indian businesses need to identify strategies and practices that can turn threats into opportunities and contribute to a more sustainable world while **creating sustainable value**. *An integrated business approach, with Sustainability at the core of strategy, is absolutely essential.*

This monograph is intended to answer some of the basic questions that normally rise in the minds of the business executives in India on Sustainability, and highlight its rapidly growing imperative in today's business context.

Sustainability is a constantly expanding field which appeals to vast section of the populace, and represents a major growing body of knowledge. The interested reader is advised to look at this material as an introduction to an extremely interesting and contemporary field of study and pursue further for greater insights.

*A.N. Raman &
Manivannan R.Rajan
Practicing Cost Accountants*

“There’s enough on this planet for everyone’s needs, but not for everyone’s greed”. – Mahatma Gandhi.

1. What is Sustainable Development?

“We have not inherited the world from our forefathers; we have borrowed it from our children”.

Numerous definitions have been proposed for sustainable development.

‘Sustainable Development’ has been defined by the World Commission on Environment & Development, 1987, as, **“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.**

“Sustainable Development is a process of achieving human development in an inclusive, connected, equiparable, prudent and secure manner”. – Gladwin and Kennelly 1995.

Sustainability in a business context is focussed on “how an organization can successfully survive without compromising the ecological, social and economic survival of its current and future environment”. – Elisabet Garriga and Domenec Mele.

“A sustainable business enhances long-term shareholder value by addressing the needs of all its stakeholders and adding economic, environmental and social capital through its core business functions”. – CII – ITC Centre of Excellence for Sustainable Development.

2. What are the various names Sustainability is known by?

Sustainability goes by several names / variants. Some of them are: Corporate Social Responsibility (CSR), Social Responsibility, Corporate Responsibility (CR), Corporate Sustainability Performance, Corporate Sustainability Management, Corporate Accountability, Business Ethics, Environmental Stewardship, Corporate Citizenship, and Corporate Philanthropy.

3. Why does sustainability appear to have risen to the top of business agenda in recent years?

Presently, corporations have come to occupy a central place in human society. Not a passes without a report in the media, focusing either on some major achievement or development or some misdeed relating to a corporation.

Corporate misbehaviours, scandals, media exposures or pressures, growing governmental regulations, environmental pollution, human rights violations, major disasters, harms to customers, etc. have helped to generate substantial interest and awareness among people across the globe on the role and performance of organizations.

Just to cite a few examples: The Bhopal disaster of 1984, collapse of Enron and Arthur Anderson, global financial meltdown in 2008 including collapse of some revered institutions such as Lehman Brothers, Satyam in India, British Petroleum's environmental crisis in August 2010 in the Gulf of Mexico in US.

Therefore, right from the so called 'dirty' industries of oil. chemical and tobacco, to the 'clean' banking, tourism, entertainment industries, today there is hardly and industry or business that has not had to face the growing pressure of placing their practices to society at large under the scanner.

4. What has been the response of corporations to the issue?

Many companies across the globe have embraced 'sustainable development', 'corporate social responsibility' and such variants. Organizations, big and small, have 'sustainability' in some form as a part of their business agenda, and feature reports, projects, departments, executives, fund allocations towards this area. Some have even given it a higher status, treating these activities or functions on par with other major functions such as finance and marketing.

5. Is concern for society new to corporations?

No. Many organizations have practiced for long several of the initiatives being talked of under sustainable development or CSR today. These included humane working conditions, concern for development of neighbouring society, adherence to ethical practices in business. Companies like the Tata Group in India are known internationally for having adopted such responsible business practices for over a hundred years.

6. Why should business organizations be concerned about sustainability?

Studies⁹ have shown that governments, their international arms, including the UN agencies have failed in their attempts to rid the planet of under-development and poverty.

Companies are today facing a new risk reality, as they are increasingly being held accountable for global climate change, fraud, corruption, pollution, labour abuse and more. Failing to act responsibly, the company will be punished in the public opinion, and the environment and society will suffer along with the company's brand reputation. An integrated business approach includes a systematic consideration of intangible assets at both a strategic and operational level.

It is well known that there are several business organizations across the globe that have huge financial might and vast resources, larger than many countries. Of the world's 100 largest economic entities, 63 are corporations, not countries¹⁰.

Such great power brings with it great responsibilities. Assuming the responsibility is essential for long term survival of business organizations.

Therefore, while there have been instances of individuals and

organizations pursuing well-meaning initiatives in various areas of sustainable development, these were considered more under the ambit of corporate philanthropy, and not as a part of business strategy. The current thinking and trends in Sustainable Development attempt to provide this integration, and ensure that the fruits of development reach the various sections of society equitably.

7. What are the issues falling under the ambit of Sustainable Development?

A host of issues fall under the ambit of Sustainable Development. These include the following:

Stakeholders' concern, Society and Community, profitability, growth, human rights, labour, working conditions, safety, Climate change, biodiversity, emissions, use of natural resources, waste management, product safety, diversity, marketplace and customers, supply chain, corporate governance, business ethics, fraud, corruption, reputation, etc.

8. How is the concept of Sustainable Development important for India?

“Sustainability becomes a crying need for India as we embark on a path of rapid economic growth, a process that will stretch our already meager natural resources and could take a heavy toll on our environment.

Though India is home to 18% of the world's population, it only accounts for a precarious 2.4% of the planet's land mass. If that's not alarming enough, consider the fact that only 4% of the water resources of the world are found in India. Worst of all, India can take credit for a mere 1% of the world's forests. On the social front, India ranks 127th in the Human Development Index”. – CII – ITC Centre of Excellence for Sustainable Development.

With the kind of limited resources at our command and a burgeoning population of 1.2+ billion, there is an urgent need for India to manage efficiently this unfolding crisis to ensure survival.

9. How does Sustainable Development make business sense?

Sustainable Business development represents a business approach to achieving long-term value for all stakeholders through sustainable economic, environmental, and social practices.

10. How does Sustainable Development help in managing business risks?

Sustainable Business development focuses on the three major aspects of business - economic, environmental, and social. By managing the three major risk groups, a business can successfully manage all its key business risks from a long term point of view.

As the Chairman of ITC said, "... by embedding larger sustainability goals in its business strategies, your Company has consciously invested in ... **A promising future, by creating competitive and sustainable businesses of tomorrow that will continue to enhance long-term Stakeholder Value**"³.

11. What are the key questions a Sustainable Development approach could help in providing answers to?

1. Is the organization focusing on creating sustainable economic value for all its stakeholders?
2. Will the organization's business decisions and operations affect its ability to create or destroy value for the organization?
3. How is the organization protecting its company's value through its current risk management practices?
4. Is the organization protecting its reputation and brands?
5. Is the organization managing its natural and environmental

resources in a sustainable way?

6. Is the organization managing its environmental impacts with a view reducing their long term impacts?
7. Is the organization looking after its people so they can do their job well?
8. Is the organization engaging and communicating with its stakeholders?

12. What are the biggest benefits that your organization expects to derive from adopting sustainable practices beyond those of compliance?

1. Ability to attract new customer base or retain existing one.
2. Improved shareholder value
3. Increased profitability
4. Ability to identify and manage reputational risks
5. Innovation, and better quality products and processes
6. Ability to attract best quality employees
7. Improved relations with regulators / legislators making it easier to operate
8. Greater attractiveness to investors as a whole
9. Networking with NGO's, governments, international organizations will create links helpful in addressing other issues
10. Reduced exposure to targeted taxes / regulatory load
11. Ability to be listed on ethical / low carbon indices
12. Cost reduction
13. Others

Source : Economist Intelligence Unit global survey of 1,254 senior executives. Published February 2008

13. How are Corporate Responsibility (CR) and Corporate Social Responsibility (CSR) defined?

There is a plethora of definitions on various dimensions / names of sustainability.

A few of them are given below to highlight the common themes or principles that run across all of them:

“CSR: “The continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community, and society at large.” - World Business Council for Sustainable Development.

“CSR: “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” – European Commission.

“CR is a **business approach** to achieving long-term value for shareholders and broader stakeholders through sustainable environmental, social and governance practices”. – DNV

CR: “Taking proper account of broader interests of society when making business decisions” – About 40% of corporate executives in a global survey conducted by the Economist Intelligence Unit in 2008.

14. What are the International perspectives on Corporate Responsibility:

- a. Business benefits to the organization of having a defined Corporate Responsibility Policy;

We have a better brand and reputation	52.9%
We make decisions that are better for our business in the long term	42.4%

We are more attractive to potential and existing employees	37.5%
We meet the ethical standards required by our potential and existing customers	35.6%
We have better relationships with regulators and lawmakers	27.7%

b. Importance of Corporate Responsibility:

Corporate responsibility is a necessary cost of doing business	53.5%
Corporate responsibility gives us a distinctive position in the market	53.3%

Source: Economist Intelligence Unit global survey of 1,254 senior executives. Published February 2008

15. What are the core characteristics of sustainability?

1. Alignment of economic, environmental and social responsibilities from a long term point of view.
2. Embedding values and practices in business
3. Multiple stakeholder orientation
4. Managing externalities
5. Voluntary activities and practices that go beyond the confines of law
6. It is beyond corporate philanthropy.

16. What are the challenges developing countries or economies face on sustainability?

The primary challenge is to balance development and environment. Others include: poor standards of working conditions, unfair labour practices including those relating to women labour and child labour,

disregard for human rights, environmental degradation and exploitation, poor education and healthcare, etc.

17. What are the key arguments for and against CSR¹¹?

Nobel Prize Laureate Milton Friedman (1963) argued that³ “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game”. He emphasized the dominance of shareholder interests, and that employed managers had no right to spend shareholders’ money on CSR, but instead let society decide on what the public interest should be.

Henry Mintzberg⁴, from McGill University in Montreal argued the opposite, when he said, “Social responsibility represents our best hope, perhaps our only hope... Without responsible and ethical people in important places, the society we know and wish to improve will never survive”. He argued that corporations are not only economic actors, but are also social and political actors as their economic decisions impact the society at large.

Henry Ford (1920) said, “The purpose of my corporation is to do as much good as we can, everywhere, for everybody concerned ... and incidentally to make money”.

18. Who are an organization’s stakeholders?

The concept of stakeholder is at the core of sustainable development. The stakeholder theory has come to occupy a central place in the field of sustainability.

R.Edward Freeman, considered the father of stakeholder theory, has given (1984) the following definition: “A stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose”.

19. What is the business case for Sustainability?

Though extensive academic research has been done over the years, the relationship between sustainability and profitability has not been conclusively established. However, there is wide-spread belief that ‘sustainability pays’, and this view is gaining credence by the day.

David J. Vogel has the following to say on the business case for sustainability¹¹:

“... more managers now believe that being a better corporate citizen is a source of competitive advantage. A more responsibly managed firm will face fewer business risks than its less virtuous competitors: it will be more likely to avoid consumer boycotts, be better able to obtain capital at a lower cost, and be in a better position to attract and retain committed employees and loyal customers. Correspondingly, firms that are unable or unwilling to recognize this new competitive reality will find themselves disadvantaged in the marketplace: both ‘responsible’ and ‘sophisticated’ investors will regard their shares as too risky; the value of their brands and thus their sales will decline as a result of media exposure, public protests, and boycotts; and the morale of their employees will suffer”.

The views of Socially Responsible Investment community reinforce the above argument.

20. What is Socially Responsible Investment (SRI)?

Socially responsible investing represents a growing “trend among the larger investment organizations that desire better-than-average returns from socially responsible investments”. The fund managers from these organizations evaluate the performance of organizations in their investment portfolio on the economic, environmental and social criteria.

These funds rank and track leading companies using various indices such as the Dow Jones Sustainability World Index (DJSWI), Financial Times Stock Exchange Index series (FTSE4Good), and so on.

21. What is the basic premise of Dow Jones Sustainability Index on Sustainability?

The Index is based on the following premise (from www.dowjones.com):

“Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.

The quality of a company’s strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading companies for investment purposes”.

22. How are employee related practices of an organization important from a sustainability point of view?

Today, the employee related policies and practices of an organization can have a great deal of impact on the reputation of an organization. Organizations such as Nike, Wal Mart, and McDonald’s have had to face adverse criticism on this count. The charges have included child labour, poor workplace conditions, forced over-time, unfair wages, abuse of human rights, and so on. At an evolved level, the scope encompasses issues such as training,

enhancing skill sets, fair pay, diversity, work-life balance, equal opportunity, team work, life after retirement, health and safety, medical care, etc.

The concepts have been expanded further to include the employee related practices in the workplaces of outsourced suppliers and service providers.

23. What are various kinds of corporate community issues linked to sustainability?

Many organizations, including a large number from India, tend to view sustainability from the prism of community initiatives. Almost all outlays in respect of sustainability, to be precise under the ambit of CSR, are in this area – making contributions to charitable / noble causes and local community development.

Community initiatives predominantly include education, sports, healthcare, and water and sanitation programmes.

24. What are the community issues Indian corporations focus on?

A few examples can be given in this context:

1. GAIL:

According to GAIL's CSR Policy 2010, GAIL will allocate 2% of its previous year's Profit after Tax (PAT), as its Annual CSR Budget. The organization has identified the following seven thrust areas:

- i. Environment Protection / Horticulture
- ii. Infrastructure Development
- iii. Drinking water/ Sanitation
- iv. Healthcare/ Medical facility
- v. Community Development
- vi. Education/ Literacy Enhancement

vii. Skill Development / Empowerment

2. Indian Oil Corporation:

IOCL allocates 2% of the retained profits of the previous year towards the annual CSR expenditure.

IOCL's CSR initiatives include: provision of a socio-economic benefits to the underprivileged, merit awards to needy students, sports scholarships as well as initiatives in providing hospitals, clean drinking water, health & medical care and education in rural areas.

3. Bharat Petroleum:

CSR Initiatives in the areas of: Health, Education, Infrastructure, Income Generation, Vocational Guidance, Livelihood & Environment Conservation.

4. Tata Steel:

CSR Initiatives in the areas of: Microfinance, Education, Environment, Health, Livelihood and Relief during calamities.

5. Infosys Technologies Limited:

CSR Initiatives in the areas of: Education, Health, Environment, Livelihood.

6. ACC Limited:

CSR Initiatives in the areas of: Education, Health, Environment, Livelihood and Waste Management

25. How does the environment attain an important place in sustainable development?

The emergence of sustainability to the centre stage has occurred principally due to ecological / environmental issues. Several factors such as massive increase in consumption and consequent use of

natural resources across the globe, large scale industrialization across continents, growing regulatory controls in every country, the huge reach of media, the active role being played by NGO's, and increased public awareness, have helped to keep the spotlight on this dimension of sustainability.

26. Why is protection of earth considered necessary now?

There is a growing urgency to the issue. With Climate change being accepted as a reality, there is all-round concern about its adverse impacts and a greater awareness on the need for environmental preservation.

It should be remembered that: “There is only one land mass, one atmosphere and a finite supply of water for us to share, to survive, let alone maintain a dignified life, requires that we make and best and least use of these resources. If we do not sustain them, they will not sustain us”. - Joseph T.Ling.

27. What are the core features of ecological / environmental sustainability?

“Sustainability of the natural environment is essentially about the long-term maintenance of the earth’s natural ability to sustain itself”.¹¹

The core features of ecological / environmental sustainability are¹¹:

1. Efficient use of natural resources
2. Waste minimization
3. Pollution prevention
4. Establishing product stewardship
5. Innovation in products, processes and services
6. Managing climate change
7. Ensuring resource security and resource justice

28. With what are environmental impacts associated and what are the major areas of such impacts?

Environmental impacts are associated with operations, products and services, and where relevant, the supply chain (including production, packaging, shipping & distribution, consumption, disposal / end of life).

Major areas of environmental impacts related to:

1. Natural resources: Sourcing and use of natural resources such as water, oil, wood, land, fossil fuels, minerals etc. across the entire value / supply chain.
2. Emissions and wastes: identification, separation, treatment, storage, disposal and recycling of emissions to air (excluding greenhouse gas emissions), water, and ground.
3. Climate Change: Direct or indirect emissions of greenhouse gases; energy efficiency and conservation.
4. Biodiversity: Direct & indirect impacts of operations, products & services on biodiversity & ecosystems, and conservation of biodiversity & ecosystems.

29. What is climate change? Can it be explained in brief?

“Climate change” is a broad term that refers to long-term changes in climate, including average temperature and precipitation.

Scientific studies indicate that the climate change observed over the 20th century is due to a combination of changes in solar radiation, volcanic activity, land-use change, and increases in atmospheric greenhouse gases. Of these, greenhouse gases appear to be the dominant driver of climate change over the past few decades.

The greenhouse effect is a naturally occurring process in the Earth’s atmosphere that warms the planet. “Global warming” refers to the

increase of the Earth's average surface temperature, due to a build-up of greenhouse gases in the atmosphere.

If global warming gets worse, as scientists expect, there may be some kinds of plants and animals that become extinct, and more storms and floods. Sea level may rise so much that people have to move away from the coasts, and some areas may become too dry for farming.

The most important greenhouse gases and their sources are:

1. Water vapor: occurs in the atmosphere as a result of the natural cycle of water.
2. Carbon dioxide (CO₂): All living things release CO₂ through respiration. Besides natural processes, humans release large quantities of CO₂ to the atmosphere by burning fossil fuels, deforestation, and other industrial processes.
3. Methane (CH₄): Methane is a natural byproduct of decomposition, but significant quantities are also produced in agriculture and animal husbandry as well as by fossil fuel production.
4. Nitrous oxide (N₂O): N₂O is released naturally from terrestrial soils and oceans, but substantial quantities are also generated from the use of nitrogen fertilizers in agriculture and through some industrial processes.

The Projected Impacts of Climate Change are:

1. Species in natural ecosystems will attempt to migrate, but will differ in their degree of success. Ecosystem productivity will suffer.
2. Increases in temperature and changes in precipitation will have significant impacts on water resources, either reducing or increasing water availability along with increasing the risk of

floods or droughts.

3. Coastal developments will experience additional sea-level rise that will interact with coastal storms to erode beaches, inundate land, and damage structures.
4. Agriculture and forestry will change, with mixed results in the short term. At higher magnitudes of warming, the risk of more uniform adverse effects increases.
5. Human health may be affected by climate change through a number of mechanisms including extreme temperatures and heat waves, exacerbation of air pollution, severe weather, and increased spread of infectious diseases.

30. What is biodiversity and why is it important?

Biodiversity is the variety of life on earth. There are three levels of biodiversity:

1. **Species diversity:** includes all living things from the smallest bacterium to a large animal or tree. It has been estimated that the number of species on earth is somewhere between 10 million and 300 million.
2. **Ecosystem diversity:** The habitats that house all life forms and the interconnections that tie living things together. It includes the prairies, marshes, swamps, deciduous forests and all other environments where species live.
3. **Genetic diversity makes every living thing unique.** Each species is like a book of genetic information, containing billions of genetic letters that give it a particular code of life. When a species becomes extinct, all the information is lost. Genetic diversity is a safeguard against future problems, such as disease or natural disasters.

Biodiversity is very important for a host of reasons: It helps maintain

the atmosphere, keeps the soil fertile, purifies water and provides other functions that enable life to exist on this planet; provides a variety of resources and products for humans, including many foods and medical products, and is the potential source for many more; and species variety may provide the ability to avert major disasters, such as crop failures from drought and disease. Many believe that biodiversity is important not just because it is valuable, but simply because it exists.

31. What is meant by ecological footprint?

Ecological footprint is defined as the amount of land required to meet the needs of a typical consumer.

It is said that the land required to meet the average person's basic needs is 12.2 acres in the US, 8 acres in the Netherlands, and 1 acre in India.

“The Earth is one but the world is NOT. We all depend on one biosphere for sustaining our lives. Yet each community, each country, strives for survival and prosperity with little regard for its impact on others. Some consume the Earth's resources at a rate that would leave little for future generations. Others, many more in number, consume far too little and live with the prospect of hunger, squalor, disease and early death. It is difficult, if not impossible, for most of us to see how, as individuals, we can even begin to respond to these global issues... (unless we) Think globally, Act locally”.

- Brundtland Report titled Our Common Future, prepared by World Commission on Environment & Development.

32. What is a carbon footprint and how can it be applied to a business?

The Oxford English Dictionary defines 'carbon footprint' as: “The total amount of direct and indirect carbon dioxide and other

greenhouse gas (GHG) emissions attributable to an activity”.

Most actions or objects associated with modern living are in turn linked to activities that require energy, and thus to GHG emissions at some point in their life cycle. The biggest challenge for business is in deciding what to include and what to exclude, i.e., the boundaries of one’s activities, in determining the footprint. Emerging accounting guidelines such as the GHG Protocol are intended to help businesses measure their carbon footprint.

33. How is sustainability measured?

Triple Bottom Line (TBL) approach:

Businesses across the world are recognizing the need to address the environmental and social impacts of their activities, together with profits: the ‘triple bottom line’ issues of sustainable development.

The benefits of this strategy are: Cost and Risk Reduction, enhanced reputation and legitimacy, Innovation and retaining leadership, adoption of Clean Technologies, and sustained growth.

The triple bottom line approach of sustainability represents a more balanced view of corporate objectives and performance. Sustainable organizations, therefore, focus on developments and excellence on a continuous basis, and not merely on profits and growth.

“The approach also enables an organization to connect with many groups of customers and stakeholders, and over the longer term represent mechanisms to differentiate it from its peers and competitors. **Mitigating customer, stakeholder, and business risks is central for sustainable success**”.⁸

*Evaluation Criteria include the following*⁸:

Corporate governance, customer relationship management, stakeholder engagement, stakeholder engagement, investor

relations, strategic planning, risk and crisis management, environmental reporting, environmental performance, corporate citizenship, human capital development, knowledge management, standards for suppliers, and other industry-specific measures.

34. What is Sustainability Reporting?

Global Reporting Initiative (GRI)¹² defines Sustainability Reporting as the practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development.

A sustainability report, thus, provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.

Such comprehensive sustainability reporting helps support company strategy and shows commitment to sustainable development, helps ensure transparent communication and engagement with the stakeholders on the company's sustainability performance. It is also being increasingly recognised as a tool for brand and image building

KPMG International Survey of CSR Reporting 2008 gives the following trends:

1. The two countries where separate sustainability reports are most common are Japan (88% of reporting organisations) and the UK (84%). Countries where most companies' CR report is integrated into the annual financial report: Brazil, Switzerland, France, Norway.
2. The drivers of sustainability reporting are:
 - a. Ethical considerations
 - b. Economic considerations
 - c. Reputation or brand

- d. Innovation and learning
 - e. Employee motivation
 - f. Risk management or risk reduction
 - g. Strengthened supplier relationships
 - h. Access to capital or increased shareholder value
 - i. Market position (market share) improvement
 - j. Improved relationships with government authorities
 - k. Cost savings
3. What goes into a sustainability report?:

Of the global companies surveyed:

- More than 2/3 of reports include section on corporate governance but lack information on how governance policies are implemented
- Most lack detail on overall structure for managing corporate responsibility/ sustainability risks
- Report content is mostly decided based on GRI guidelines (62% up from 40%), followed by company's own strategy (55%) and then stakeholder consultation (up from 21% to 38%)
- 25% of G250 companies invite stakeholder feedback on the report
- Most pressing topic: climate change
- Very few companies discuss economic issues
- Reporting on supply chain management is now common

35. What are the frameworks for sustainability management and reporting?

There are as yet no official, internationally accepted standards for

sustainability reporting.

Global Reporting Initiative (GRI) is most common and internationally recognised framework. It provides Guidelines for organisations on how to prepare reports and which indicators to report on.

The AA1000 Assurance Standard also useful. It provides guidelines for assurance providers on how to perform assurance. It is also helpful for organisations to understand expectations of assurance providers and guide approach to reporting.

The new ISO 26000 Guidance Standard on Social Responsibility (launched in November 2010) proposes how organisations, companies and the public sector can conduct their activities in a responsible manner in line with society's expectations.

Other frameworks may be regional or industry/sector specific or related to reporting on commitments to e.g. UN Global Compact or other corporate responsibility principles.

36. What is GRI?

Global Reporting Initiative (GRI) is a major collaborative effort of large accounting firms, NGO's, corporations and universities, which seeks to establish a common framework for CSR worldwide.

Mission: Develop and disseminate globally applicable Sustainability Reporting Guidelines.

Vision: That reporting on **economic, environmental, and social** performance by all organisations is as routine and comparable as financial reporting.

GRI guidelines are voluntary, first published in 2002. Third version (G3) published in 2006. They are applicable to all kinds of organizations (private, public, non-profit) regardless of size, sector, or location.

The three performance dimensions are:

1. Economic Performance: Measures an organisation's impacts on the economic conditions of its key stakeholders.
2. Environmental Performance: Measures an organisation's impacts on living and non-living natural systems, including eco-systems, land, air and water.
3. Social Performance: Measures the impact or influences on social systems in which an organisation's operations are located.

The GRI G3 reporting framework helps organizations on how and what to report and consists of:

- a. Reporting Principles and Guidance
- b. Standard Disclosures
- c. Profile, management, indicators
- d. Technical Protocols (e.g. on child labour, energy, water)
- e. Sector Supplements (e.g. for automotive, mining, telecoms)

Three elements of GRI guidelines are:

1. Defining **content** of report using principles of –
 - Materiality
 - Stakeholder inclusiveness
 - Sustainability context
 - Completeness
2. Achieving **quality** through:
 - Balance
 - Comparability
 - Accuracy

- Timeliness
- Reliability
- Clarity

3. Defining the **boundary** of report

‘Core’ and ‘Additional’ indicators:

An organisation should report on: Core indicators: generally applicable indicators assumed to be material for most organizations, unless they are deemed not material on the basis of the Reporting Principles.

Additional indicators, if determined to be material.

In G3, the number of indicators are 79 – 47 are core and 32 are additional.

As a latest in the evolution of sustainability reporting experts from GRI and Prince of Wales Accounting for Sustainability have collaborated to form the International Integrated Reporting Committee (IIRC) which is expected to come up with the draft on Global Common framework by 2011 end.

37. What is UN Global Compact?

(Source: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>)

The UN Global Compact (UNGC) is an international initiative that brings together companies, UN agencies, labour organizations and civil society in support of 10 principles covering human rights, labour, the environment and corruption.

The Global Compact’s ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

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- The Universal Declaration of Human Rights
 - The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
 - The Rio Declaration on Environment and development
 - The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

The Ten Principles of Global Compact are:

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The above ten principles are linked to the various indicators of GRI.

38. What is assurance of CR / Sustainability reporting?

The objective of assurance of Sustainability reporting is to enhance confidence in communication on the CR performance of an organization.

The assurance organization performs a detailed evaluation using clear set of principles and standards to assess the quality of reporting, and also assess the quality of underlying systems, processes and competencies of the organization.

39. What are the common frameworks for assurance?

1. AA1000 Assurance Standard:
 - Standard for assurance providers on how to perform assurance.
 - Helpful for *organisations* to understand expectations of assurance providers and guide approach to reporting
2. ISAE3000 International Standard on Assurance Engagements:
 - Standard for assurance providers on how to perform assurance
 - Developed for use by accounting firms when providing

assurance on non-financial reporting

- Helpful for *organisations* to understand expectations of assurance providers and guide approach to reporting.

40. What are the steps in the implementation of Sustainable Development programme?

The essential steps are:

1. Setting goals for sustainability
2. Designing sustainability strategies
3. Implementing sustainability tools and programmes
4. Assessing the performance / outcomes of sustainability programmes

Throughout all the processes of managing sustainability, a key aspect is managing stakeholder relations.

Sustainability-related goals are best pursued by adopting and adhering to a certain Code of Conduct. The sustainability field with replete with several codes, written both by the organizations themselves and also external stakeholders. While these codes can serve as a valuable tool, they will be effective only if the culture of the organization is oriented towards sustainability and the practices are deeply embedded.

“We are all good at what we repeatedly do. Excellence is, therefore, a matter of habit”. – Aristotle.

41. How can business organizations grow the concept and practice of Sustainability in India?

We turn to Dr.C.K. Prahalad to provide the necessary insight on this aspect. Writing prolifically on the concept over a number of years, he amplified on his basic concept of making a fortune by serving the ‘bottom of the pyramid’.

In his seminal article “Serving the World’s Poor, Profitably”, co-authored with Allen Hammond, he expounded on how organizations can achieve concurrently two things: (a) raising the living standards of the poor by enabling billions of potential consumers to participate more fully in consumption and production; and (b) at the same time enabling the organizations to reap the ‘fortune’ by serving these vast markets.

He has advocated that sustainability can be key driver of innovation in a competitive landscape.

42. Where do we go from here?

Sustainability is about utopia, a dream, an idea, an ideal, a long term noble pursuit; where the people of the world live happily, enjoying a high quality of life and live in perfect harmony with nature; the inter-dependence of people, systems and processes are well understood, appreciated and respected; organizations and societies are more responsive, responsible, inclusive, transparent, supportive, innovative and profitable; people, organizations and governments understand their responsibilities and perform their duties, to earn their just rights and rewards, focusing on maximizing the benefits for all and minimising the adverse impacts.

Sustainability is not just fashionable. Sustainability represents our hope, our future, and our key to survival!

Sarve jana sukino bhavantu!

Loka samasta sukino bhavantu!

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the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion.

There are many reasons for this. One is that the population of the world is growing so fast that the number of children who are illiterate is increasing. Another reason is that the number of people who are illiterate is increasing in many countries, especially in the developing world. This is because many of these countries do not have enough schools or teachers to teach all the children who are of school age.

There are also many people who are illiterate because they do not have enough money to go to school. In many countries, especially in the developing world, the cost of education is very high. This means that many children cannot go to school because their parents do not have enough money to pay for their education.

There are also many people who are illiterate because they do not have enough time to go to school. In many countries, especially in the developing world, the school year is very short. This means that many children do not have enough time to learn to read and write.

There are also many people who are illiterate because they do not have enough interest in learning. In many countries, especially in the developing world, the school system is not very good. This means that many children do not want to go to school because they do not like the way they are taught.

There are also many people who are illiterate because they do not have enough access to books and other learning materials. In many countries, especially in the developing world, there are not enough libraries or bookstores. This means that many people do not have a chance to learn to read and write.

There are many ways to help people who are illiterate. One way is to build more schools and hire more teachers. Another way is to provide more financial support for education.

Another way is to provide more learning materials, such as books and newspapers. This can help people who do not have access to libraries or bookstores. Another way is to provide more training for teachers. This can help them teach their students better.

There are also many ways to help people who do not have enough time to go to school. One way is to provide more part-time or evening classes. This can help people who work during the day. Another way is to provide more distance education. This can help people who live in remote areas.

There are also many ways to help people who do not have enough interest in learning. One way is to make learning more fun. This can be done by using games and other interactive activities. Another way is to provide more practical training. This can help people see how what they are learning is useful in their lives.

There are also many ways to help people who do not have enough access to books and other learning materials. One way is to build more libraries and bookstores. Another way is to provide more mobile libraries. This can help people who live in remote areas.

There are also many ways to help people who do not have enough money to go to school. One way is to provide more scholarships. This can help people who are talented but do not have enough money to pay for their education. Another way is to provide more financial support for teachers. This can help them stay in their jobs and provide a better education for their students.