

MAINSTREAMING SUSTAINABILITY IN CORPORATE FUNCTIONING

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The Planet Damage



- A 1°C rise in temperature is associated with 10% productivity loss in farming equivalent to 4m tonnes of food grain, amounting to about \$2.5bn.
- Major economies will be hit by extremes of weather and the associated damage – droughts, floods and more severe storms – could wipe 2% of the GDP of the US by 2030, while similar effects could cost China \$1.2tr by the same date.
- Environmental damage by the world's 3,000 biggest companies would wipe out one-third of their profits.
- Apple growers in the mountains in the Uttarakhand and Himachal and China have to pay people to pollinate apple trees because there are no longer enough bees to do the job for free. Bee species are becoming extinct at a rate 1,000 times greater than the natural average.
- In the past few decades, 20% of the oceans' coral reefs have been destroyed, with a further 20% badly degraded or under serious threat of collapse, while tropical forests equivalent in size to the UK are cut down every two years.
- This summer, massive floods in Pakistan and China forced the global cotton price to 15-year highs, pushing up the costs of clothes, with retailers such as Primark, Next and H&M all warning of higher prices to come.
- Drought and wildfires in Russia also sent wheat prices rocketing, sending global food prices sharply higher.

“Nobody in business thinks that at some point this is not going to hurt us”

Gavin Neath - Unilever

**Do
we
care????**



The Sustainability Agenda

“Our ability to make meaningful contract with the nature”

Jean Paul Sartre

Business and Nature



Businesses depend on nature for

- ▣ Raw materials/resources
 - Minerals (Potassium, Calcium, Phosphorous)
 - Metals (Zinc, Aluminum, Copper, Iron ore)
 - Agricultural produce
 - Marine produce
- ▣ Clean air
- ▣ Water
- ▣ Soil
- ▣ Food

Risks and Threats



- ▣ Scarcity of valuable natural capital
 - Interruptions due to water scarcity, Diminished quantity of resources, Increase in input costs, Losses due to diminished natural risk protection (e.g. mangroves to prevent coastal flooding)
- ▣ Regulatory changes
 - Promote conservation, taxation on ecosystem services
- ▣ Climate change
 - Global warming

Who is responsible?

Government ?

Industry?

Corporates?

Civic society ?

You?

I?

“Preservation of nature is not a job of governments or NGOs or international agencies, the private sector and each individual have a role to play in changing outlooks and ending destructive patterns of behaviour”

Kofi Annan – UN Secretary

Corporate Stakes



Brand Reputation

License to Operate

Revenues

Investments

Credibility

Customers

Supply Chain

Human Capital

Safety

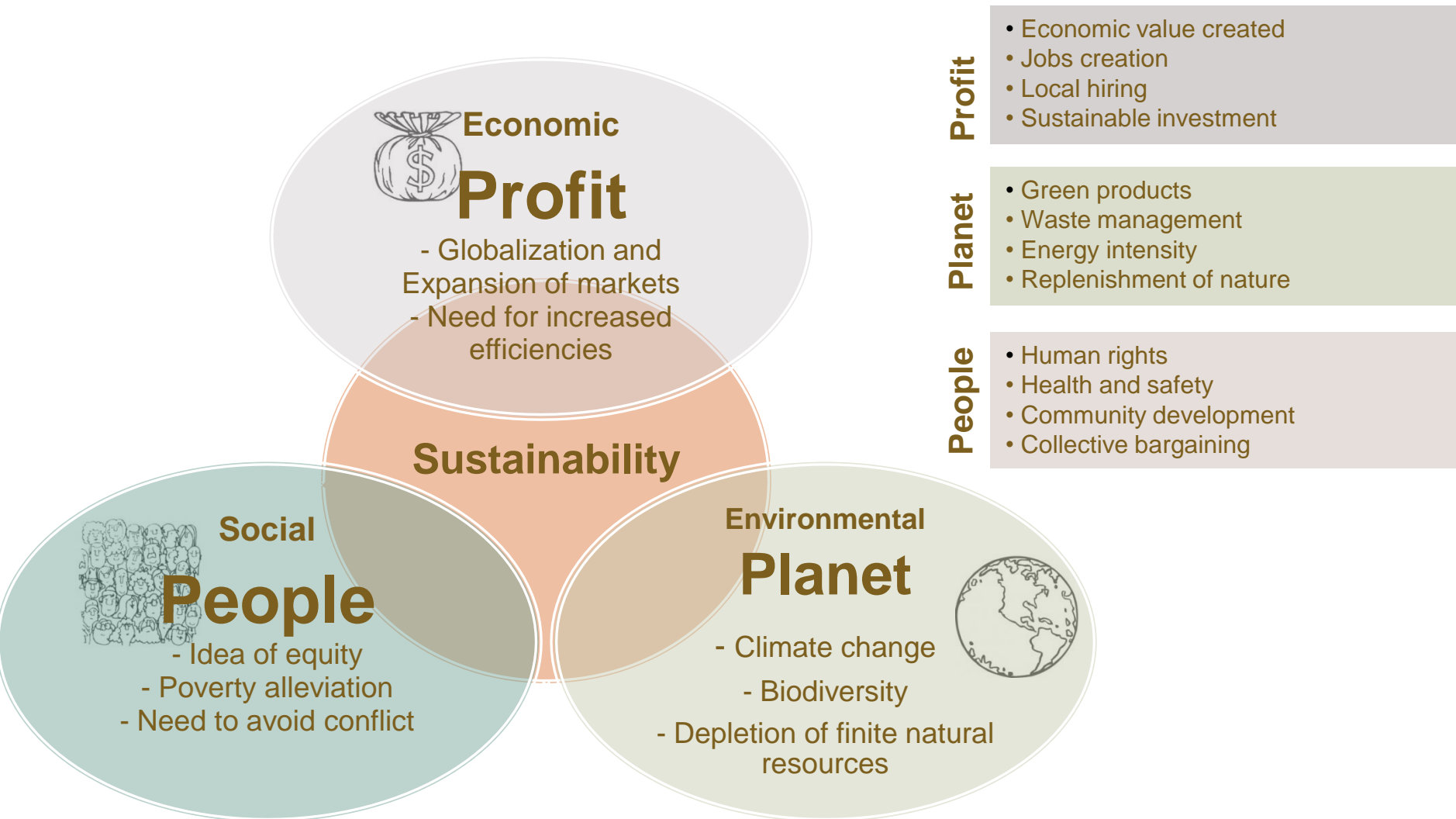
Environment

'It takes 20 years to build a reputation and 5 minutes to ruin it.'

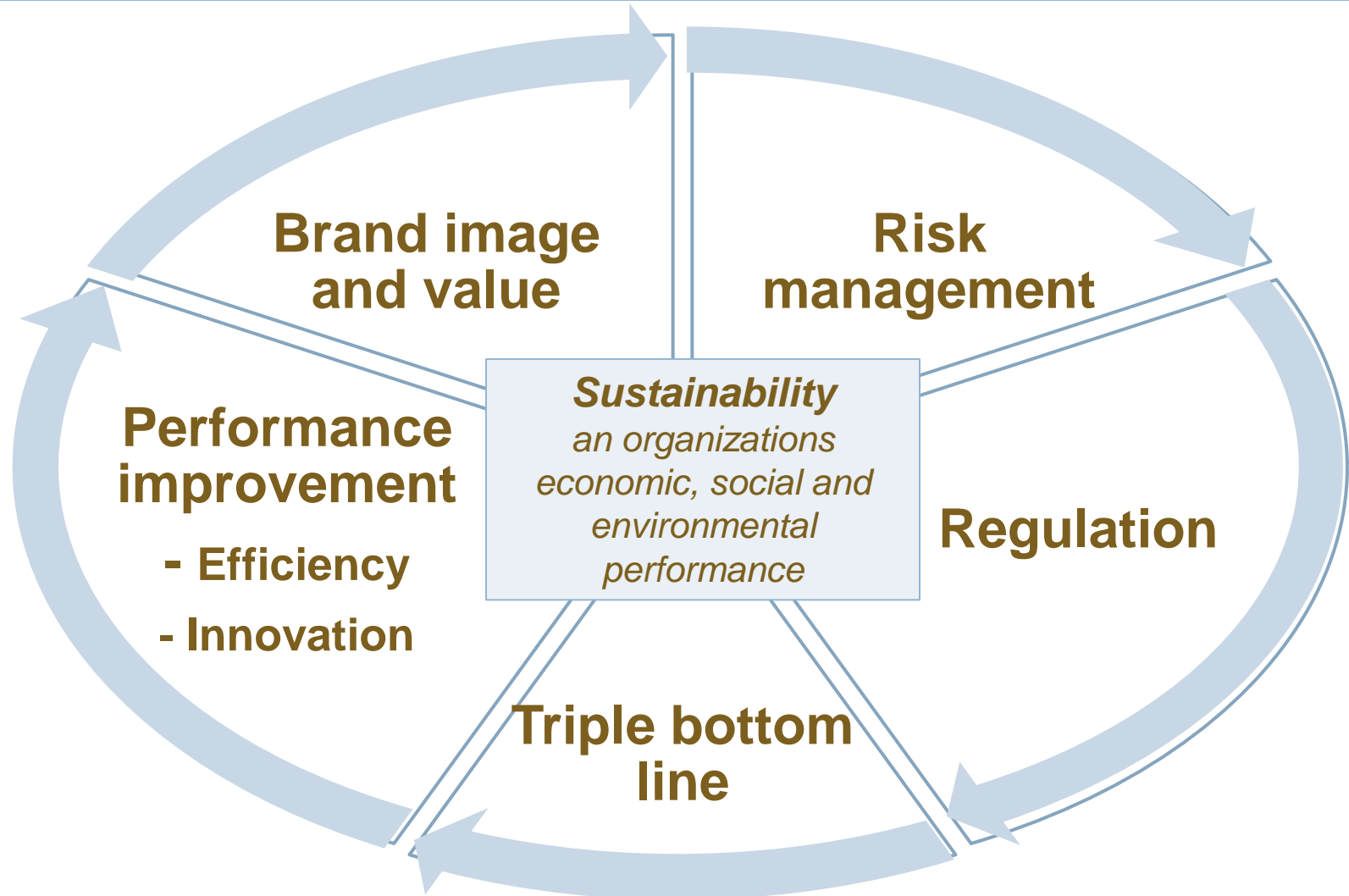
Warren Buffet



What is Sustainability?



Why is Sustainability Important?



Definitions of Sustainability...



*Brundtland
commission*

- *“... development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

5 Capital model

- *Natural capital, Human capital, Social capital, Manufactured capital, Financial capital*

Systems thinking

- *“...what happens in one part of the system affects every other part.”*

What are Sustainability Performance Indicators?

Economic

- Economic Performance
- Market Presence
- Indirect Economic Aspects

Environment

- Materials
- Energy
- Water
- Emissions, Effluents &
- Waste
- Biodiversity
- Compliance

Social

- Labor Practices
- Human Rights
- Society
- Product Responsibility

Corporate Sustainability



“A business approach that creates *long term stakeholder value* by *managing risks* and *embracing opportunities* through *optimization* of the *economic, environmental* and *social bottom-lines*.”

Sustainability Management covers a broad range of issues across the value chain

Environmental Sensitivity	Labour Practices	Product Responsibility	Societal Responsibility	Human Rights	Economic Progress
Materials Management	Employment	Sustainable Mobility	Advocacy and Public Policy	Investment & Procurement Practices	Economic Performance
Energy Management	Labour Management & Relations	Customer Health & Safety	Competitive Behaviour	Freedom of Association & Collective Bargaining	Market Performance
Water Management	Occupational Health & Safety	Customer Privacy	Corruption	Forced & Compulsory Labour	Indirect Economic Impacts
Biodiversity	Training & Education	Marketing & Communications Management	Community Engagement	Child Labour	
Emission, Effluent and Waste Management	Diversity & Equal Opportunity	Provision of Information to overcome barriers (illiteracy, disability, language)	Disaster/Emergency Management and Response	Security	
Product and Services Environmental Impact				Indigenous Rights & Cultural Heritage	
Compliance					

Companies embed sustainability in their businesses to...

- ...improve their brand!...seek significant investment opportunities that prefer responsible companies
- ...engage with their stakeholders on issues of importance to them
- ...enhance stakeholder confidence through depiction of company's commitment to responsible operations
- ...seek opportunities to optimize processes, reduce costs
- ...identify and manage risks of non-financial nature
- ...seek opportunities for product differentiation
- ...prepare themselves for impending regulations



Corporate Responsibility – Key Hurdles

- Being part of **India's growth story** – **Emphasis** on **financial** growth
- **No** regulatory framework
- **Unclear** business case of sustainability
- **Lack of awareness** and understanding
- Minimal commitment from top management
- Lack of demand from suppliers, consumers and customers
- Dearth of specific ideas/ action plans on what to do and when to do it
- **Inaction** at the employees level – 'sustainability not a part of KRA'
- **Absence** of **standardized** metrics or performance benchmarks
- **Minimal pressure** from shareholders and investors

Imperatives for effective sustainability transformation



The Value of Sustainability Management

Sector	Sustainability Triggers	Actions	Impacts	Companies
Oil & Gas	Displacement of local populations	Engaging local communities to fulfill sourcing needs	Improved social equity, lower work stoppages; 600 km pipeline in 2 yrs	Cairn India
Apparel	Impact of environmental footprint	Environmental P&L Statement	Understanding areas of highest environmental impact (product/supplier/region)	Puma
Electronics	Recycling of materials; use of toxic materials	Designed for recyclability; reverse distribution	Improved material costs (rare earths)	Nokia

Safety and Society

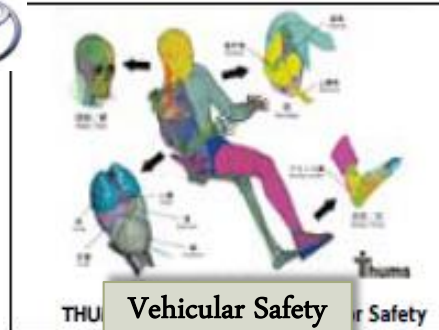


DAIMLER



Vehicular Safety

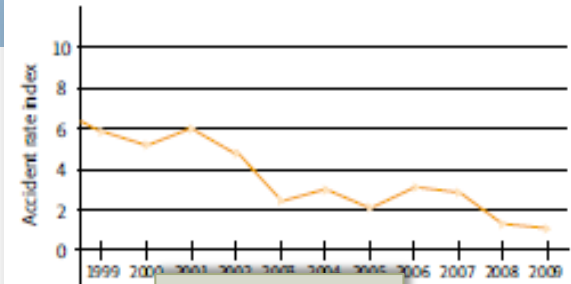
of all the body panels of the new E-Class is high-tech steel



Vehicular Safety

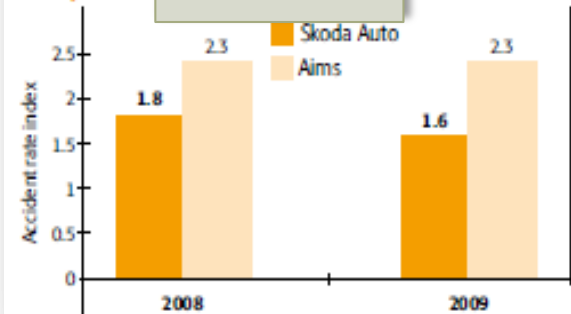


Accident Rate at Skoda Auto



Employee Safety

Compliance with



1% of PAT to Corporate Social Responsibility initiatives

Corporate Social Responsibility



Environment



DAIMLER



Energy

MWh

were generated
by photovoltaic
panels on plant
roofs in 2009



THE K-SERIES ENGINE WAS INTRODUCED IN 2009-10 IN INDIA. THE ENGINE REDUCES CO₂ EMISSIONS BY UP TO 50%.

Alternate fuels and
new technology

BOARD
SUSTAINABILITY
COMMITTEE

- Vision
- Policy/strategy development
- Performance monitoring & reporting

- Guidance
- Direction
- Approvals

Sustainability
Governance Structure

GROUP

- Report on delivery of goals and targets

- Set goals and targets

WORK
STREAMS

Product development
Manufacturing and sites
People engagement
Brand communications

Sustainability Governance Structure

Nissan's CO₂ Emissions Levels

1,900 kton

Production



1,140 kton

Logistics



80,000 kton*

Use of Nissan vehicles



170 kton

Offices, etc.



Minimizing carbon
emissions

Calculated according to Nissan's internal standards (projected lifetime emissions from new cars sold in FY09)



Thank you



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