

SUSTAINABLE INNOVATION IN EXTRACTIVE COMPANIES: EMBEDDED SUSTAINABILITY, CSR OR SUPPLY CHAIN MANAGEMENT? - ITC CASE STUDY

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Abstract: Water is a key resource for most of ITC Limited's Business Units - Fast Moving Consumer Goods (FMCG) and others. However, its operating environment is India - a country which is on the verge of being defined as a water-stressed country, based on rapidly declining per capita availability of water. Water resource distribution in India is uneven, the scarcity is already resulting in water conflicts and simultaneously the quality of water is deteriorating alarmingly. Like most other companies, ITC faces serious possibility of water shortage and water quality affecting its operations, unless significant measures are taken. This Case Study explores the nature of challenge of water scarcity as a threat to business; ITC's response strategy; the benefits accrued to the company as a result; and the fine line or lack of it between corporate sustainability and corporate social responsibility paradigms.

Key Words: Embedded Sustainability, extractive Companies, ITC Limited, Corporate Social Responsibility (CSR), Corporate Sustainability, water resource, innovation

Introduction:

"There will be constant competition over water, between farming families and urban dwellers, environmental conservationists and industrialists, minorities living off natural resources and entrepreneurs seeking to commodify the resources base for commercial gain."

- UNICEF report on Indian water.¹

ITC Limited is one of the largest and most respected companies of India. Water is a key resource for most of its Business Units- FMCG (includes cigarettes and others, like processed food), Hotels, Agri-business, Paperboards, Paper and packaging. However, ITC's operating environment is India - a country which is on the verge of being defined as a water-stressed country based on rapidly declining per capita availability of water.

Water resource distribution in India is uneven, the scarcity is already resulting in water conflicts and simultaneously the quality of water is deteriorating alarmingly. Like most other companies, ITC faces serious possibility of water shortage and water quality affecting its operations, unless significant measures are taken. ITC has taken several significant steps to address the challenge, and is striving to do more.

In fact, ITC is possibly the most environmentally responsible large companies of India, with well-entrenched embedded sustainability measures, significant focus on Triple Bottom Line (Environment, Economic, Social) and one of the few companies of the country which painstakingly compiles the Annual Sustainability Report for nine years at a stretch, conforming to the Global Reporting Initiative (GRI)¹ guidelines at A+ level.

The policy and support for all of ITC's sustainability initiatives, including water, is anchored directly with the highest level of Management (Divisional/ Strategic Business Unit (SBU), Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads). The responsibility lies with the Corporate EHS (Environment, Health and Safety) Department for reviewing and updating Corporate Standards on Environmental issues, verifying compliance and providing the required guidance and support.ⁱⁱ The company has co-opted the local community, suppliers, government and international agencies in its journey towards sustainability - making the best use of the core strength and capability of each. The company, through its communications, has also reached out to a wider interest group - its shareholders and buyers- with its message.

CASE BODY:

1. The Business

The Imperial Tobacco Company of India Limited, incorporated in August 24, 1910 in Kolkata had indeed come a long way from being a cigarettes and tobacco company to include Hotels, Paperboards and Specialty Papers, Packaging, Agri-Business, Packaged Foods and Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other Fast Moving Consumer Goods (FMCG). To include such multi-business portfolio, I.T.C. Limited was rechristened as 'ITC Limited', effective from September 18, 2001.

Currently, ITC has a market capitalization of around US\$42 billion and a turnover of over US\$7 billion and has been rated among the World's Best Big Companies, Asia's 'Fab 50' and among India's most Valuable Companies by Business Today. A report by the Boston Consulting Group (BCG)² has ranked it as the World's sixth (6th) 'largest value creator' among consumer goods companies globally. The Harvard Business Review (HBR) recently has ranked ITC Chairman and the recipient of the Padma Bhushan (Government of India, 2011), Mr. Y.C Deveshwar as the seventh (7th) Best Performing Chief Executive Officer (CEO) in the world.

¹ The Global Reporting Initiative (GRI) is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

² The Boston Consulting Group is an international strategy and general management consulting firm, having more than 80 offices across the globe.

2. Environmental Stewardship Credentials

ITC has a most impressive track record of being environmentally responsible. Some of its key green performance achievements, according to its 2013 Sustainability Report, which is being published for 10th year in a row and has won several national and international awards, are:

- WATER POSITIVE: 11 years in a row
- CARBON POSITIVE: 8 consecutive years
- SOLID WASTE RECYCLING POSITIVE: For the last 6 years
- SOIL & MOISTURE CONSERVATION: To 1,16,000 Hectares, through Watershed Development Initiative in moisture-stressed areas
- OVER 40% OF ENERGY CONSUMPTION FROM RENEWABLE ENERGY
- GREENEST LUXURY HOTEL CHAIN: All ITC's premium luxury Hotels are LEED Platinum rated, which certify that the business abides by highest level of environmental performance standards

To add to it, ITC has a transparent policy on Social Investment/ Corporate Social Responsibility (CSR) that aims to optimise the shareholder and the stakeholder's value by embedding CSR within their existing business model.

Infact, ITC's Chairman, Y.C Deveshwar, in presenting the Sustainability Report, 2013, mentioned:

'ITC's vision to serve larger national priorities is realised by this strategic approach of embedding sustainability in its core business models. Innovative strategies have been designed and implemented to create sustainable value chains linked to its businesses that encompass some of the most disadvantaged sections of society, especially those residing in rural India.'

The concept of Embedded Sustainability, as put forward by Laszlo & Zhexembayeva (2011) deals with the incorporation of environmental, health, and social value into the company's core business with no trade-off in price or quality (i.e, with no social or green premium.)ⁱⁱⁱ This can be understood better with the help of the following Illustration - 1:

	EMBEDDED SUSTAINABILITY
Goal	Pursue Sustainable value
Scope	Transform core business activities
Customer	Offer 'smarter' solutions with no trade-off in quality and no social and green premium
Value Capture	Reach across all seven levels of sustainable value creation
Value chain	Manage across the product or service life cycle value chain
Relationships	Build transformative relationships. Co-develop solutions with all key stakeholders including NGOs and regulators to build system-level

	change
Competitor	Add co-operation with competitors as potential source of gain
Organization	Make sustainability everyone's job
Competencies	Add new competencies in design, inquiry, appreciation, and wholeness
Visibility	Make sustainability performance largely invisible but capable of aligning and motivating everyone

ILLUSTRATION - 1: CHARACTERISTICS OF EMBEDDED SUSTAINABILITY
Source: Adapted from Laszlo, Chris and Zhexembayeva, Nadya (2011)^{iv}

The concept of ‘**Embedded CSR,**’ on the other hand, as a key element of strategic CSR, as put forward by the **UN-ESCAP (United Nations - Economic and Social Commission for Asia and Pacific)** in a research named ‘**Creating Business and Social Value - The Asian way to integrate CSR into Business Strategies**’, by **Dr. Amornsak Kitthananan (2010)**, has stated that “*successful corporate responsibility requires an integration of CSR into business’s strategy as well as its in-process operations. Business should be able to deliberately identify, prioritize, and address the social causes that matter most, or at least the ones on which it can make the highest impact to society and business’s future.*”^v

ITC’s Policy on Social Investments / Corporate Social Responsibility (CSR)^{vi}:

- *To pursue a corporate strategy that enables realization of the twin goals of shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner.*
- *To align and integrate Social Investments / CSR programmes with the business value chains of the Company and make them outcome oriented. To support creation of on and off-farm sustainable livelihood sources thereby empowering stakeholder communities to conserve and manage their resources.*
- *To implement Social Investments / CSR programmes primarily in the economic vicinity of the Company's operations with a view to ensuring the long term sustainability of such interventions.*
- *To contribute to sustainable development in areas of strategic interest through initiatives designed in a manner that addresses the challenges faced by the Indian society especially in rural India.*
- *To collaborate with communities and institutions to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through agricultural research and knowledge sharing, superior farm and agri-extension practices, soil and moisture conservation and watershed management, conservation and development of forest resources, empowering women economically, supplementing primary education and participating in rural capacity building programmes and such other initiatives.*
- *To align the Company's operations with the national objective of inclusive growth and employment generation by leveraging the Company's diversified portfolio, manufacturing bases, supply chains and distribution channels, to infuse an*

appropriate mix of capital and technology to further social business initiatives such as e-Choupal, animal husbandry, agarbatti rolling etc. and support organisations / institutions engaged in building linkages with local, regional and urban communities and markets.

- To sustain and continuously improve standards of Environment, Health and Safety through the collective endeavour of the Company and its employees at all levels towards attaining world class standards and support other programmes and initiatives, internal or external, for the prevention of illness and combating of diseases as may be considered appropriate from time to time.*
- To encourage the development of human capital of the Nation by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields*

**ILLUSTRATION - 2: ITC'S POLICY ON SOCIAL INVESTMENTS/
CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Source: ITC Sustainability Report, 2013.^{vii}

Some of ITC's innovative CSR interventions are as follows (Illustration - 3):

PROJECT	ACTIVITIES	OUTCOMES
ITC's e-Choupal	<ul style="list-style-type: none"> - Inclusive Business Model that empowers farmers and enhances incomes - Leveraging digital technology to bring relevant information and know-how - Enabling market access to farmers - Providing customized extension services for capacity building - Enabling price discovery and better returns , raising rural incomes - Transmitting market signals for aligning production with customer needs - Co-creating off-farm livelihood opportunities with communities - Linkages to market institutions for better farm risk management 	The e-Choupal initiative covers 40,000 villages benefitting 4 million farmers.
Social and Farm Forestry	<ul style="list-style-type: none"> - Innovative Business Model that creates livelihoods and green 	<ul style="list-style-type: none"> - The programme has greened over 1,40,000

	<p>cover besides providing a competitive source of wood pulp to ITC's paper and Paperboards business</p> <ul style="list-style-type: none"> - Development of high-yielding clonal saplings - Conversion of wastelands into pulpwood plantations - Capacity building for farmers 	<p>hectares</p> <ul style="list-style-type: none"> - Plantation activities have generated over 63 million person-days of employment - The plantations have sequestered 4,380 kilotonnes of CO2 to date - The programme has played a major role in maintaining ITC's carbon positive status for over 7 years
Integrated Watershed Development	<ul style="list-style-type: none"> - Establishing of water harvesting structures to enable increase in agricultural productivity - Catchment area treatment to strengthen the agri-production base - Empowering water user groups for community ownership of common assets, enabling better management and maintenance - Creation of robust and vibrant village institutions that enable collaborative efforts - Promoting water use efficiency 	<ul style="list-style-type: none"> - The initiative covers 23 districts across 7 states - The total watershed area covered under soil and moisture conservation is over 1,16,000 hectares - Over 97,000 households have benefitted from this programme - Over 4,000 water harvesting have been built to date - Over 800 functioning Water User Groups have been formed to date - Civil work on structures have generated more than 3 million person-days of employment to date
Livestock Development	<ul style="list-style-type: none"> - Creating off-farm livelihoods which provides additional income to farmers - Setting up Cattle Development Centres - Providing customized animal 	<ul style="list-style-type: none"> - The initiative covers over 2,000 villages in 5 states - Artificial insemination services have been provided to over

	<p>husbandry services to improve milk yields</p> <ul style="list-style-type: none"> - Capacity building of farmers for improvement in the care of animals - Genetic improvement of cattle through artificial insemination, pre and post-natal care to ensure disease free and resistant animals with healthy growth - Working with farmers to form Milk Producer's Group (MPG)/ Dairy Co-operative Societies (DCS) to enhance returns 	<p>9,00,000 animals to date</p>
Women's Empowerment	<ul style="list-style-type: none"> - Mobilising rural women to form micro-credit self help groups (SHGs) to support income generation activities - Provides self employment Opportunities 	<ul style="list-style-type: none"> - Over 40,000 women have been gainfully employed - Over 1,400 micro-credit groups/ self help groups formed to date - Over 2,700 women lined to ITC's agarbati (incense) business
Primary Education and Skill Development	<ul style="list-style-type: none"> - Infrastructure support to primary schools - Establishment of supplementary learning centres - Skills and vocational training for youth of communities residing in the vicinity of ITC's manufacturing units 	<ul style="list-style-type: none"> - Over 3,00,000 children benefitted to date - Infrastructure support provided to over 900 schools - Over 2,800 supplementary learning centres supported by this initiative - Over 4,000 youth benefitted to date from modern skills training
Water Recycling – Waste out of Waste (WOW)	<ul style="list-style-type: none"> - Mandating all ITC units to achieve total recycling of waste generated by operations - Wealth Out of Waste (WOW) initiative to focus on recycling 	<ul style="list-style-type: none"> - Over 3 million citizens, - 5,00,000 school children, - 350 corporates and

	of post-consumer waste	- 1,000 commercial establishments support the WOW programme
Greenest Luxury Hotel Chain	<ul style="list-style-type: none"> - Product design in the form of green buildings that are energy efficient - Utilisation of renewable energy - Conservation and recycling of water - Innovation in the use of materials that utilize renewable sources and are biodegradable or conserve scarce environmental resources 	- All ITC's premium Luxury Hotels are LEED Certified at the highest 'Platinum' level
Renewable energy	<ul style="list-style-type: none"> - Enhanced energy conservation - Use of renewable energy sources - Concerted efforts by all units to reduce energy consumption through stringent audits and benchmarking - Improved utilization of carbon neutral fuels such as biofuels in the Paperboards and Specialty Papers Business 	- More than 38% of its energy consumption is now met from renewable sources, and this is expected to touch 50% in the next couple of years

ILLUSTRATION - 3: ITC'S SELECT INNOVATIVE CSR INTERVENTIONS

Source: ITC Sustainability Report, 2013.^{viii}

ITC's CSR spent versus its economic performance, as brought out in their Sustainability Report 2012-13 clearly follows the regulations as laid down in the Company's Bill 2012. An excerpt of the same has been illustrated hereunder (Illustration - 4):

`Crores			
	2010-11	2011-12	2012-13
Corporate Social Responsibility spends*	45	62	82
Average Profit After Taxes for three immediately preceding Financial Years (FYs)	3482	4104	5070
CSR spends as a % of Average Profit After Taxes for three immediately preceding FYs	1.29%	1.51%	1.62%

*The definition of CSR has been aligned with the activities specified in Schedule VII of the Companies Bill 2012.³ Previous years' figures have also been realigned to correspond with the current year's disclosures.

ILLUSTRATION - 4: ITC'S ANNUAL CSR SPENT FROM 2011 TO 2013 REVISED AS PER THE COMPANIES BILL, 2012.

Source: ITC Sustainability Report, 2013.^{ix}

3. The Water Challenge

Among several strategic issues that a large company like ITC grapples with, one major issue is how to ensure uninterrupted supply of natural resources which are essential to its operation. Water is undoubtedly the biggest of such resources, which is invisible at the end-product level but is the life-blood that runs through most of its operations.

In 2012-13, ITC Units withdrew 32.15 million KL of freshwater, an increase of 10.76% over the previous year (29.02 million KL in 2011-12). Of the total consumption, 79.1% of water was from surface sources, 18.6% from ground water sources and only 2.3% from municipal and other water sources. During the year, the Paperboards & Specialty Papers Units at Bhadrachalam, Kovai & Tribeni together accounted for 92% of the total fresh water withdrawal by ITC.^x

In India, due to rapid development, increasing population and iniquitous distribution of water, the demand for this natural resource far outweighs its supply. India has about 16% of the world's population as compared to only 4% of its water resources. Groundwater is the major source with 85% of the population dependent on it. With the present population, the per capita water availability is less than one-third of what it was in the 1950s, and will be less than half of what will be required in 2030s.^{xi} As per a recent UNICEF study (Illustration - 5), India is already a water stressed nation.

Average annual per capita

Year Availability (m3/year)	Population (Million)	Average Annual Availability (m3/ year)
2001	1029 (2001 census)	1816
2011	1210 (2011 census)	1545
2025	1394 (Projected)	1340
2050	1640 (Projected)	1140

³ The most contemporary among all the regulations that have stirred the socio-business scenario in India in recent times (2012-2014) is the passing of the (new) **Companies Bill, 2012 that became an Act in 2013 (referred to as the 'Act, 2013')** by the **Ministry of Corporate Affairs, Government of India.**

A per capita availability of less than 1700 cubic metres (m³) is termed as a water-stressed condition while per capita availability below 1000m³ is termed as a water scarcity condition.

ILLUSTRATION - 5: AVERAGE ANNUAL PER CAPITA AVAILABILITY OF WATER IN INDIA

Source: UNICEF REPORT^{xii}

Water quality is also falling drastically. The major culprits are sewage discharge, discharge from industries, run-off from agricultural fields and urban run-off. Less than 20% of the sewage from the cities is treated before discharge. Water quality is also affected by floods and droughts and can also arise from lack of awareness and education among users. The need for user involvement in maintaining water quality and looking at other aspects like hygiene, environment sanitation, storage and disposal are critical elements to maintain the quality of water resources, according to a recent UNICEF report.^{xiii}

Water, as an indispensable factor of production in almost all enterprises is inextricably linked to achieving the Millennium Development Goals (MDGs)⁴, and, therefore, its inadequacy is a big deterrent to Human Development.^{xiv} Human Development Index (HDI) is a composite measure of three key developmental indexes – life expectancy, educational attainment and income, where India ranks 136 among 186 countries (**Human Development Report, 2013 by UNDP**).^{xv}

4. The Remedial Measures

A. Internal Operational Efficiency- Reduce, Reuse, Recycle^{xvi}:

Example:

- In 2012-13, the Bhadrachalam Unit's freshwater intake was 46.4 KL/tonne of product, a significant reduction of 3.8% over last year's 48.2 KL/tonne as a result of various water conservation initiatives undertaken by the Unit. It is worth mentioning that this surpasses the proposed standard of 63 KL/tonne by the National Productivity Council, for large-scale integrated pulp and paper mills.
- The Tribeni Unit manufactures specialty paper, which entails a very water intensive process. The Unit has implemented various water conservation measures, resulting in 58.3% reduction of specific freshwater intake per tonne of product in 2012-13, in comparison to 1998-99.

⁴ In 2000, 189 nations made a promise to free people from extreme poverty and multiple deprivations. This pledge became the eight Millennium Development Goals to be achieved by 2015.

- Many ITC Units have already achieved the goal of zero effluent discharge. These include: Paperboards and Specialty Papers business units at Kovai and Bollaram, Packaging and Printing unit at Tiruvottiyur, Personal Care Product products Business Unit at Manpura, Cigarette Factories at Bengaluru, Saharanpur and Pune, Leaf Processing units at Anaparti and Chirala, ITC Life Sciences and Technology Centre at Bengaluru and Research Centre at Rajahmundry and ITC Green Centre at Gurgaon.

In fact, the level of reporting in their Global Reporting Initiative (GRI) is quite intense (Illustration - 6) :

Disclosure on Management Approach	Pages
Total water withdrawal by source	72
Percentage and total volume of water recycled and reused	76

ILLUSTRATION - 6: ITC'S DEPTH OF DISCLOSURE ON CERTAIN WATER RELATED ISSUES IN THEIR GRI REPORTING

Source: ITC Sustainability Report, 2013.^{xvii}

B. Augmenting Supply and Replenish, in partnership with local community:

The continued focus on rainwater harvesting both in the Company premises and in the catchment areas its Agri-Business operations has enlarged its water positive footprint. This not only reduces fresh water intake but also maximizes groundwater recharge and reduces run off. ITC's Integrated Watershed Development replicable model use traditional methods in conjunction with modern techniques to build location-specific, low-cost water harvesting structures, relying on simple technology and locally available materials and reached out to over 1,13,000 households covering 31 districts across six states (Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu) in India.

The three critical objectives along with modus-operandi of the programme included the following:

- **Water conservation and soil enrichment:** done by assisting village communities build micro water-harvesting structures by mostly using replicable, scalable resources and simple, low-cost methods/ technologies that were adaptable to local needs.
- **Management of water and other natural resources:** by evolving a culture of water-usage optimization at the grassroots level based on a participatory model by formation and capacity building of Water User Groups (WUGs) to strengthen and regulate community-based governance of biomass and water resources.

- **Integration of agriculture practices and livestock development programmes:** with the watershed development projects, wherever possible and thereby contributing to sustainable agriculture and building a more vibrant farm portfolio.

These Integrated projects were located in areas where ITC had an agri-business presence and further aligned and located mostly in places, where ITC's pioneering initiative (year 2000) to 'go-direct' to the farmer by deploying information and communication technology - e-Choupals, were already in operation. This brought about holistic development and promoted backward and forward linkages (Illustration - 7), to its agri-commodity procurement channel and secured the long-term competitiveness of both farmers and ITC. The programme, based on a multi-stakeholder, bottom-up approach involved partnerships, collaborations and networks made at all levels. The programme was executed with ITC's NGO partners, to whom, ITC provided financial assistance as well as planning, execution, managerial and technical expertise.

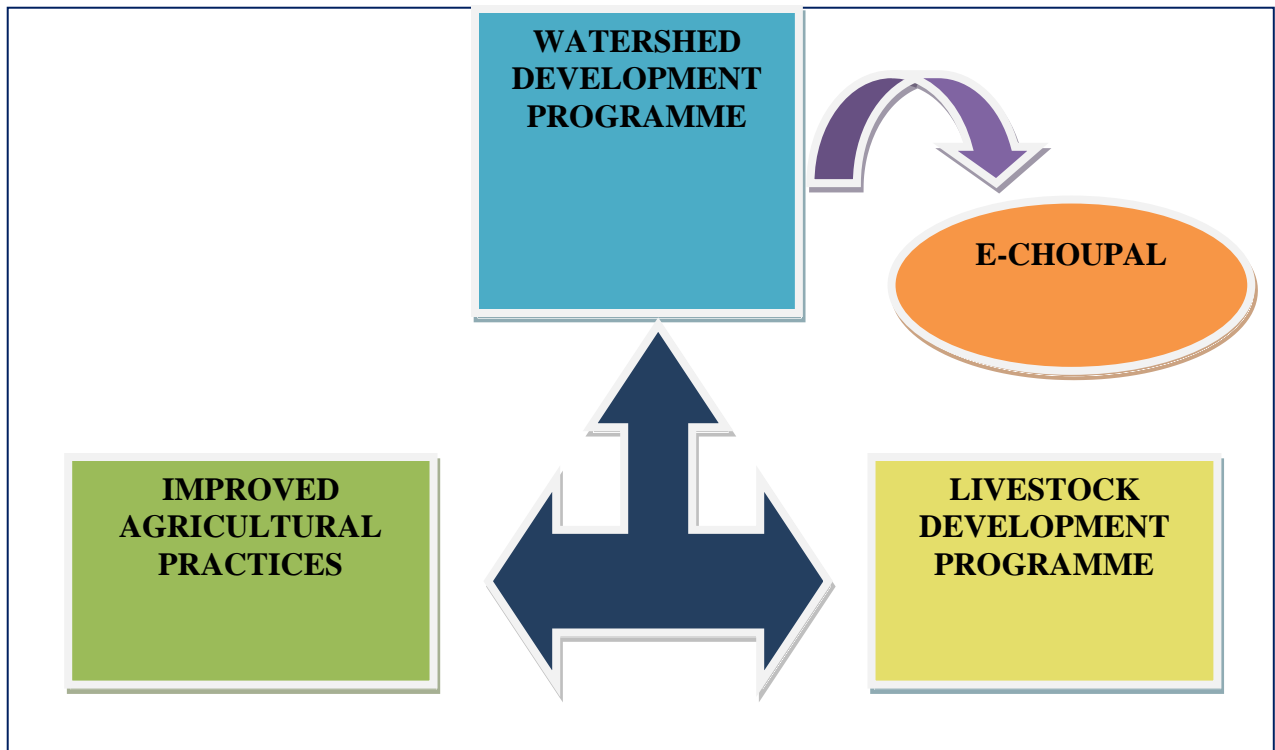


ILLUSTRATION - 7: THEMATIC DIAGRAM OF THE INTEGRATED WATERSHED DEVELOPMENT PROGRAMME

5. Results Of Measures Taken

WATER BALANCE AT ITC	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Fresh water intake	24.10	22.48	24.98	25.58	25.79	27.46	32.72	29.96	29.36	29.02	32.15
Treated effluent discharged	14.64	14.04	19.55	20.96	19.58	18.92	24.52	23.41	22.21	22.80	22.89
Percentage of treated effluent utilized for irrigation by nearby community	**	**	86.90	86.80	80.50	79.40	72.30	84.80	60.70	68.50	71.87
Net water consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.20	6.55	7.15	6.22	9.26
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47	0.42	0.50	0.42	0.92	0.67	0.67
RWH potential created through watershed projects (cumulative for that year)	12.50	15.67	16.52	18.99	23.12	25.42	19.43	20.18	18.97	20.38	20.8
Total RWH potential created (for the year)	12.74	16.06	16.86	19.60	23.59	25.84	19.93*	20.60*	19.89*	21.05*	21.47*

*RWH (Rain Water Harvesting) potential figures account for silt deposits in various watershed structures. The adjustments are based on actual sample measurements and the extent of silt deposit depends on the age and location of a structure.

** Not available.

All figures in Million KL except percentage

ILLUSTRATION - 8: WATER BALANCES AT ITC IN THE LAST ELEVEN YEARS

Source: ITC Sustainability Report 2013

A. Reduced Operating Cost

- Net water consumption has remained static at 2002 levels, despite of production growing many times since then
- Minimize dependence on expensive municipal water supply (less than 3%)
- Cost of procurement of water has gone down

B. Huge Social Impact

The Watershed development programme brought about enormous qualitative changes in developing and empowering the community at the grassroots level as well as

technological, agricultural, livestock development, enhancement of the income opportunities and other indirect impacts to the target beneficiaries.

Quantitatively, the specific outcomes in the last two years have been enumerated below (Illustration -9):

ACTIVITY	2011-12	2012-13	CUMULATIVE TO 2012-13
Water Harvesting			
Minor Structures (No)	224	236	2,443
Major Structures (No)	218	234	1,698
Total Structures	442	470	4,141
Watershed Area			
Area Treated (Ha)	18,231	21,261	78,661
Critical Irrigation Area (Ha)	6,761	5,375	37,466
Total Watershed Area	24,992	26,637	1,16,127
Direct Beneficiaries (No)	23,433	19,271	1,07,968
Empl Mandays (Lakhs)	7.67	9.21	35.24

ILLUSTRATION - 9: OUTCOME OF ITC’S WATERSHED DEVELOPMENT PROGRAMME 2011-13

SOURCE:ITC SUSTAINABILITY REPORT - 2013.^{xviii}

“The ITC Choupal Integrated Watershed Development initiative provides soil and moisture conservation to over 1,20,000 hectares. The ITC Choupal Livestock programme has provided Animal Husbandry services to over 8,00,000 milch animals....

- Mr. Y.C Deveshwar, Chairman, ITC at the 102nd Annual General Meeting (AGM)

C. Corporate Brand Equity Enhancement

The Company, on the other hand, is impacted by enhancing sustainability; reputation, minimizing its regulatory, financial risk, competitive advantage and abiding by its CSR commitments.


 <p>MAHADEVJI GUJJAR <i>President, Water User Association</i></p>	<p><i>“....With ITC's help, we formed a Water User Association. Every family contributed 25 kgs of wheat and 4 days of labour....We are able to grow the Kharif crop through summer....”</i></p>
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ILLUSTRATION - 10: COMMUNITY LEVEL FEEDBACK OF ITC'S WATERSHED MANAGEMENT INTERVENTION

Source: ITC Sustainability Report, 2013.^{xix}

The Integrated Watershed Development Programme had earned numerous national and international accolades and awards for ITC in the social development, water-related and CSR areas, including the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008) and CII “Excellent Water Management Initiative” for its Watershed Development Programme (2012).



ILLUSTRATION - 11: ITC'S PROMOTIONAL MATERIAL OF COMMUNITY LEVEL WATERSHED MANAGEMENT PROGRAMMES Source: ITC Sustainability Report, 2013.^{xx}

It won the inaugural 'World Business Award', the worldwide business award recognizing companies who have made significant efforts to create sustainable livelihood opportunities and enduring wealth in developing countries, which was instituted jointly by the United Nations Development Programme (UNDP), International Chamber of Commerce (ICC) and the HRH Prince of Wales International Business Leaders Forum (IBLF); the first Corporate to receive the Annual FICCI Outstanding Vision Corporate Triple Impact Award in 2007 for its invaluable contribution to the triple bottom line benchmarks of building economic, social and natural capital for the nation; as well as the Golden Peacock Awards for 'Corporate Social Responsibility (Asia)' in 2007, the Award for 'CSR in Emerging Economies 2005' and 'Excellence in Corporate Governance' in the same year.

6. Conclusion

In recent times (2012 - 2014), the **(New) Companies Act, 2013 (referred to as the ‘Act, 2013’)** has been passed by the **Ministry of Corporate Affairs, Government of India. Section 135 of this Act, 2013** lays down provision for annually spending at least 2 percentages of the average net profits made by certain Companies (with a net worth of more than Rs.500 crores or revenue of more than Rs.1,000 crores or net profit of more than Rs.5 crores) during the three immediately preceding financial years on CSR.⁵ This has created considerable flutter among the business community in India with focused communication dissemination on ‘giving back’ at various forums.^{xxi}

While, many Companies are still at the advocacy and planning stage, ITC Limited has had a focused approach and stands tall on its Policy on Social Investments/ CSR (Illustration: 2) that rightfully realizes the twin goals of shareholder value enhancement and societal value creation, by integrating its Social Investments/ CSR programmes with the business value chains of the Company and making them outcome oriented.

Their innovative embedded CSR approaches like women's empowerment (formation of SHGs), e-Choupal effectively integrates their CSR activities into their business strategies, thus bringing about a win-win to the society and the business.

On the other hand, the embedded sustainability approaches like ITC’s water management initiatives and community partnership approach (is timely and commendable, in the face of emerging global and national water crisis) helps them to attain their overall water positive statistic (published through Sustainability Reports) as well as help encourage other water intensive/ and extractive industries to try for similar responsible approaches. The beyond-compliance voluntary standards and reporting is also an encouraging example to emulate.

There can, of course, be an academic debate on whether corporate sustainability (CS) and corporate social responsibility (CSR) can be treated as synonymous.⁶ CS is generally interpreted as more on the impact of a company on its environment and vice-versa, whilst CSR seems to focus on the benevolent and beneficial activities of the company to society. ITC seems to interpret the two concepts synonymously, with no concrete distinction drawn between the two in its corporate communications. Infact, ITC's core emphasis lies on attaining Triple Bottom Line (TBL)⁷, based on positively impacting the planet, people

⁵ Although the law does not stipulate penalties for non-compliance, companies are required to justify any shortcoming in this regard.

⁶ Government of India, in its earlier guidelines for Central Public Sector Units, used to treat the two concepts as separate subjects and asked for separate report on each category. However, according to a new guideline, CSR and CS agenda is now perceived to be equally applicable to internal stakeholders (particularly, the employees of a company), and a company’s CSR is expected to cover even its routine business operations and activities.

⁷ The phrase “the triple bottom line,” first coined by John Elkington (1994) argues that companies should be preparing three different (and quite separate) bottom lines – profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a

and profit paradigm, thus bringing about holistic environmental and social changes and at the same time, providing economic recourse to the Company.

One can certainly now hope that there will be more companies emulating the example of ITC and create their own exemplary model of corporate sustainability and CSR.

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