Socially Responsible Investments

Point of view:
Simon Thomas,
Chief Executive, Trucost

Focus:
Responses on SRI in India
TERI–BCSD India

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TERI–BCSD (TERI–Business Council for Sustainable Development) India – initiated by TERI – is a regional network partner of the WBCSD (World Business Council of Sustainable Development), Geneva. It provides an independent and credible platform for corporate leaders to address issues related to sustainable development and to promote leadership in environmental management, social responsibility, and economic performance. Membership is open to organizations. The following are its current members.

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4 Alcoa Asia Ltd
5 Apollo Tyres Ltd
6 Areva T&D India Ltd
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33 Indian Oil Corporation Ltd
34 Industrial Development Bank of India
35 Ispat Industries Ltd
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37 Jaypee Cement Ltd
38 Kerala Minerals and Metals Ltd
39 Lafarge India Ltd
40 Mahanadi Coalfields Ltd
41 Mahindra & Mahindra Ltd
42 National Thermal Power Corporation Ltd
43 Numaligarh Refinery Ltd
44 Oil and Natural Gas Corporation Ltd
45 Oil India Ltd
46 Petronet LNG Ltd
47 Power Grid Corporation of India Ltd
48 Power Trading Corporation of India Ltd
49 Rabo India Finance Pvt Ltd
50 Rallis India Ltd
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52 Reliance Industries Ltd
53 Seshasayee Paper and Boards Ltd
54 Shell India Pvt. Ltd
55 Shree Cement Ltd
56 SREI Infrastructure Finance Ltd
57 Steel Authority of India Ltd
58 Sterlite Industries (India) Ltd (Vedanta Group)
59 SUN Group
60 Suzlon Energy Ltd
61 TATA Chemicals Ltd
62 TATA Motors Ltd
63 TATA Steel
64 The Andhra Pradesh Paper Mills Ltd
65 The Associated Cement Companies Ltd
66 The TATA Power Company Ltd
67 Toyota Kirloskar Motors Pvt. Ltd
68 Usha Martin Industries Ltd
69 YES Bank Ltd
The issue of corporate social responsibility needs to be seen within the overall context of the entire cycle through which goods and services are produced. Social responsibility needs to be incorporated upfront in investment decisions, because once assets are created and the design of a productive system put in place, changes become expensive and often practically infeasible. TERI has, for instance, been pursuing the possibility of organizing a training workshop for financial institutions and banks specifically because SRI (socially responsible investments) should become the core of investment decisions made by these organizations. The requirement for bringing about a change in this direction would involve not only the formulation of criteria by which the extent of social responsibility associated with each investment can be laid down, but also involve capacity building within financing as well as recipient organizations to make the most of emerging opportunities.

There is, of course, an attendant need to evaluate companies on the basis of their record of SRI as well. At some stage, the stock market has to begin to incorporate this feature in the value of the stock. But for this to happen on a regular basis, it is necessary for individual and institutional investors to show their preference for stocks of companies that are committed to SRI policies. We may well ask the question on why an investor or a company should worry about anything other than adequate returns from investments made. Indeed, in the past, this has been the main driver of business decision-making; however, it is now clear that its consequences are detrimental to the welfare of society, as well as to the success of firms. Companies are now becoming increasingly aware of their stake in ensuring the wellbeing of any society within which they operate. While in India there are several corporate organizations that are focusing on SRI policies, there is a very long way to go, and it is hoped that this issue of EnCoRE would not only provide some basic ground rules for the rationale and reasons for SRI, but also provide a framework within which decisions can be made by companies, individual investors, and financial institutions.

Contributions invited

EnCoRE invites contributions from TERI–BCSD India members on themes related to sustainable development in the form of

- News
- Announcements
- Articles
- Technical notes
- Case studies
- Suggestions

All members are requested to send latest company annual reports; environment, corporate social responsibility, and sustainable development reports

For details on advertising and contributing in EnCoRE, please contact

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The repercussions of climate change go beyond changing weather patterns and rising sea levels; climate change also has a complex impact on companies. Regulatory efforts to control carbon emissions through trading schemes, carbon taxes, or emissions limits are beginning to have financial effects on companies in developed markets. Carbon emissions increasingly carry a cost in Europe and investment plans throughout the developed world reflect the expectation that carbon emissions will carry a cost in the future. Investors and other stakeholders are increasing their demands for companies to measure, manage, and report their environmental impacts and develop in a more sustainable way.

There are good reasons to suggest that environmental factors could enter the financial mainstream more quickly in emerging markets. The absence of environmental regulations in many emerging economies exposes investors to more risk, as they cannot necessarily rely on governments to impose standards on corporate behaviour. In addition, the need for large amounts of foreign capital investment may be more easily met if companies in emerging markets can demonstrate more sustainable business practices.

Companies in developed nations are also facing increasing pressure from investors and customers to better understand the environmental impacts of their supply chains, which can often be traced back to emerging economies; there is customer pressure on companies in emerging markets to be better environmental stewards. Indeed, the much vaunted decoupling of economic growth from carbon emissions in the industrialized world has at least partially been achieved by exporting relatively carbon intensive manufacturing capacity to the developing world. Carbon emissions have not so much been decoupled as exported.

Carbon disclosures are very far from ubiquitous, even among companies in developed markets. However, the CDP (Carbon Disclosure Project), which collects and examines carbon disclosures from larger companies all over the world, concludes that companies in Annex 1 countries under the Kyoto Protocol, which are obliged to reduce emissions, are more likely to disclose good quality information. Even in non-Annex 1 countries, which are not obliged to cut emissions, the evidence suggests that where better regulatory regimes are in place, companies are more likely to provide disclosures on carbon emissions management. For example, the Carbon Disclosure Project Asia ex-Japan report¹ (2006) shows that South Korea had the best response rate in the region due to government initiatives to encourage reduction of emissions, while China, with the largest number of companies in the sample, only provided one response.

Growing emissions in developing countries will undermine the effects of emission reductions in the industrialized world. Carbon emissions from China are growing more quickly than anywhere else in the world and accelerating growth rates on the Indian sub-continent with concomitant increases in emissions, mean that any

¹ [http://www.trucost.com/publishedresearch.html]
future, post-Kyoto multilateral agreements to reduce emissions must address emissions from the developing world. While developing nations successfully argue that it is unfair to constrain their growth when the developed world is responsible for 70% of the growth in atmospheric concentrations of CO₂ since the industrial revolution, the Stern review² points out that it is these very economies stand to suffer the most from the effects of climate change. In Trucost’s opinion, there are only two methods with which to include developing countries in the reduction of emissions in an equitable way: technology transfer and transfer payments.

Technology transfer is already facilitated under the Kyoto Protocol through the CDM (clean development mechanism) under which, ‘developed countries may finance projects that avoid greenhouse gas emissions in developing countries, and receive credits which they may use to help meet mandatory limits on their own emissions.’³ For instance, an industrialized country that has signed up to the Kyoto Protocol can invest in a wind farm in a developing country that does not have an obligation to reduce emissions. The wind power project would provide the electricity that would otherwise have been produced from coal or gas. The industrialized country can then claim credit for the emissions that have been avoided, and use these credits to meet its own target. These credits can be generated at a lower cost than the marginal abatement costs of carbon in industrialized countries and assist developing countries to grow in a more sustainable way. Despite the fact that the Stern review recommends a massive expansion of the CDM, the necessary administration and verification that the scheme requires means that it will be very difficult to expand it sufficiently to offset the growing emissions of developing nations. To put this into perspective, the CDM scheme has so far generated emissions reductions of almost 105 million tonnes of CO₂ emissions per annum.⁴ This is precisely the same as the annual CO₂ emissions of Royal Dutch Shell Plc, or 0.4% of global emissions.

The system of ‘contraction and convergence’ is based on the notion that the right to emit carbon can be capped globally and allocated to nations on a per capita basis. This will lead to transfer payments between industrialized and developing nations. The industrialized world would have to purchase emissions credits from the developing world in order to continue to emit at current levels. This would produce four very strong results. Firstly, it would allow countries with high emissions to purchase reductions from countries with lower carbon abatement costs, thereby reducing worldwide emissions at relatively lower cost. Secondly, it would provide a financial incentive for developing countries to achieve growth in a more carbon efficient manner. Thirdly, it would bind developing nations to a post-Kyoto multilateral agreement to reduce emissions. Finally, it would discourage population growth in all countries. The transfer payments would be significant to developing nations, but not unaffordable for the industrialized world. By dividing global emissions by the global population and multiplying this by the population of each country, it is possible to work out which countries are exceeding their per capita limit. This amount can then be paid to countries that do not use all of their allowances in return for emissions credits. For example, while the United Kingdom would have to purchase emissions credits from the rest of the world amounting to 0.2% of its GDP (gross domestic product), India would receive transfer payments equivalent to 8.2% of its GDP because it would have the right to emit the world average amount of CO₂ per capita (India, however, currently emits far less). Of course, transfer payments of this magnitude would have

² Stern review on the economics of climate change, October 2006
³ <http://unfccc.int/essential_background/glossary/items/2639.php>
⁴ <http://www.cdmwatch.org/>
Towards mainstreaming socially responsible investments in India

Cairn India Ltd in India is a hydrocarbon exploration and production company. It has its oil and gas fields in three locations: Ravva field, Andhra Pradesh; Lakshmi and Gauri fields in Gujarat; and 19 discoveries in Rajasthan including Mangala, the largest onshore oil field find in India since 1985. Swetha Dasari, Research Associate, TERI-BCSD India, spoke with Mr K Jaishankar, Director and General Manager, Environment and CSR (corporate social responsibility) and Ms Jyotsna Bhatnagar, Manager, CSR of Cairn India.

How important are corporate governance; business ethics; human resource management; energy, natural resources, and the environment; and community development to business success?
These issues are all vital for a successful business. In fact, Cairn operates by the following core values:
- Injury and incident-free operations: every employee is expected to take care of him/herself, other employees, company property, community, and the local environment.
- Attracting best human resources: this comes with a good work environment, fair compensation, and individual recognition.
- Gaining social acceptance: the company aims to work with the government towards development of its local community.

All of this is integrated in the company’s corporate responsibility policy. Thus, Cairn India considers the above-mentioned issues to be very important to doing business successfully.
In fact, a good company is recognized not only by its performance in its core business, but also by people's perception about its larger interaction with society. Such a reputation also makes employees feel proud. It is not enough to have a good quality product; the process is equally important.

How has this changed/developed over the past 3-5 years?
Consumers are becoming increasingly aware. They are looking for companies that produce ‘good’ products. This is why we see advertisements marketing products by highlighting their environment friendliness. Companies
cannot survive for too long by being exploitative.

The notion of corporate responsibility has existed for a long time in India, but the way it is approached is rapidly changing. It is no more philanthropy. Companies want this money to be professionally managed and want to avoid dependency. We aim at all times to ensure that all of our community projects are sustainable.

**How do you communicate your performance in these areas to the investor community?**

Our performance is communicated primarily through our corporate responsibility reports. In addition, due to funding due diligence banks such as the IFC (International Finance Corporation), we have conducted stringent examinations of our operating and community processes. It is important for the investment community to have a third party opinion on a company’s performance. We also highlight some of our best practices in the media.

**How interested are investors in these? Is there a difference in the attitudes of domestic versus foreign investors, government versus private?**

Cairn is currently listed on the London Stock Exchange. Investors thus pay a lot of importance to the ESG (environmental, social, and governance) factors. In India, the company is in the process of an IPO (initial public offering) to list the Indian business on the Bombay Stock Exchange for strategic reasons. Thus, at this stage, the company would not be able to comment with confidence on Indian investors.

In general, institutional investors are very interested in ESG factors. They see a correlation between good performance and risk perception. As regards individual investors, the educated urban young are becoming very aware and it is becoming increasingly important for them to evaluate how the companies they are investing in are faring in terms of corporate responsibility.

India has a very strong regulatory regime. Thus, if any company follows all the laws of the land with true spirit and intent, it would be adhering to many international laws. Therefore, when the government invests in a company, it would most probably check if all the rules were being met with. Thus, government investors would, indirectly, be interested in matters of responsibility.

**Does the market value/reward good performance in these areas?**

Yes, because these policies often de-risk potential areas of uncertainty. But the market also values only those credits it is aware of and much recognition – like the awards companies get – are not known to the average investor.

**How do you think evaluation of these issues will change over the next 3-5 years?**

These issues will certainly gain more importance in the near future. The media is becoming increasingly powerful. Thus, organizations have to be prepared to explain in a transparent way what they are doing, particularly in the community.

Social awareness is also on the rise. The needs and values of urban Indians have been changing. Their needs are no more restricted to the basics. They are developing higher values and looking for satisfaction. Thus, it might become imperative for companies to project their ESG performance.

**How could corporate-investor relations on ESG issues be improved?**

This will not be achieved through the command-control mechanism or by the stick. The initiative lies with companies, when they see a business value to it. Companies require forums for sharing experiences. Institutions like TERI, which have a big and wide reach, have to be the spaces for proactive communication. Companies have to make an effort to reach out, but equally, the government has a vital role to play.
**Feature**

Stimulating investor engagement with socially responsible investment in India

Rochelle Mortier, Visiting Fellow, TERI–Europe
Ritu Kumar, Director, TERI–Europe

**SRI: a growing global trend**

SRI (socially responsible investment) is an emerging investment trend providing investors with the opportunity to invest in companies committed to responsible business practices in the areas of environmental impact, labour practices, and corporate governance structures. The trend is growing in most major financial markets. SRI funds in the United Kingdom are estimated at £6.1 billion and are growing. In the United States, SRI funds are estimated to be over $2 trillion and recent fund launches in Singapore and Japan indicate that the trend is set to continue on Asia. Socially responsible investing is also becoming institutionalized through the development of alternative social sustainable investment indexes worldwide. These include the FTSE4Good (UK), the Domini Social Index (US), AuSSI and Reputex (Australia), Maala Index (Israel), the Johannesburg Stock Exchange’s own tradable SRI Index - the first of its kind in an emerging market (2004) - and the Brazilian Bovespa Sustainability Index launched last year.

A major catalyst for SRI took place in 2000 when it became UK law for occupational pension schemes to state whether they took account of any social, environmental, or ethical factors when deciding which stocks to invest in. Since then, several other countries such as Australia, Sweden, and Germany have followed suit. Pension funds are by far the largest group of shareholders in most major publicly listed companies and their influence is considerable—they could be a major vehicle for driving home the messages on improved corporate accountability, compliance with environmental standards, labour rights, and good governance.

**Potential for responsible investment in India**

In India, the potential for SRI has not gone unnoticed. A recent report by the ASrIA (Association for Sustainable and Responsible Investment in Asia) noted the significant size and growth of the Indian market as an impetus for SRI: ‘Given India’s potential for economic and market development, we see strong support for more leadership from Indian corporate organizations, especially over a longer time-frame.’

A study by TERI–Europe seeks to explore the potential

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Global trends in SRI: common screens/approaches

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<thead>
<tr>
<th>Region</th>
<th>Common Screens/Approaches</th>
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<tbody>
<tr>
<td>North America</td>
<td>Tobacco, alcohol, and gambling, followed by environmental and human rights, are the most common screens; growing participation in shareholder advocacy and capitalization of community investing.</td>
</tr>
<tr>
<td>Europe</td>
<td>Environmental and labour screens are most popular; SRI is perceived as more than applying a single exclusionary screen; shareholder engagement strategy commonly used.</td>
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<tr>
<td>Southeast Asia</td>
<td>Community investing active at local level; growing number of funds in Japan, Hong Kong, and Australia, which provide opportunity for pension funds; environmental screens dominate.</td>
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2 The study is being sponsored by the UK Foreign and Commonwealth Office, Economic Governance programme
for SRI in India. The study aims to capture the extent to which foreign and local investors are introducing ESG (environmental, social, and governance) measures into their investment decisions.

Although the business community in India acknowledges the need to involve financial markets behind their efforts to integrate social responsibility into corporate strategy, there is little evidence that this trend has caught on. There has been no assessment of how corporate responsibility can be integrated into investment decision-making in the Indian context. TERI–Europe seeks to identify ways in which the investment community can be mobilized to support the progress of enhanced corporate responsibility in ways that are aligned to India’s wider development needs.

As part of the study, TERI–Europe is attempting to capture the opinions and investor expectations of foreign and domestic institutional investment, pension fund managers, and local retail investors. This will be used to facilitate a dialogue on responsible investing between different players in the investment chain. TERI–Europe will address the following questions.

- Do Indian investors consider ESG issues as a part of their investment decisions?
- How do domestic and foreign funds incorporate ESG factors?
- Do Indian investment banks integrate ESG issues into their financial analysis?
- How do Indian listed companies communicate ESG performance to the financial community?

**Corporate governance: an issue for foreign investors**

Early research results suggest that foreign institutional investors in Indian companies are concerned about governance issues such as the independence of board directors, poor disclosure in company reporting, and governmental influence. Best practices that reflect corporate governance practices seen in the US and Europe are clearly desired by institutional investors. By and large, there has been some progress on the governance issue, with good governance practices becoming more the norm, at least for listed Indian companies. However, the evaluation of environmental and social issues in investment decision-making, even by foreign investors, still remains an exception rather than a rule.

Initial research findings indicate that very few domestic investors (institutional and retail) include ESG factors in their investment decisions. This is despite that fact that more than 60% of the general Indian public (that is, the retail investment community) feels that companies should also be held responsible for bridging the gap between the rich and poor, reducing human rights abuse, resolving social problems, and increasing economic stability.³

**Prospects for growth in responsible investing**

Given India’s market potential and foreign investors’ demand for diversification into emerging markets, investment in the Indian economy is bound to grow. Given also that bottlenecks to increased growth will come from resource constraints (energy, water, infrastructure), it is imperative that investment decisions take account of environmental and resource factors. TERI’s conversations with investment analysts suggest that the energy space in general, and the renewable energy space (biofuels, biomass, wind) in particular, are set to become attractive growth areas for investors. This trend is manifested in the emergence of specialized renewable energy investment funds and clean technology funds. The impressive performance of companies like Suzlon adds weight to this argument.

Another possibility is the emergence of Sharia or Islamic funds. These funds have criteria that are similar to SRI funds, and, given a large Muslim population, they may well be the precursor to SRI type funds in India. Another positive development is the interest

³ Ritu Kumar, David F. Murphy, and Viraal Balsary, Altered images: the 2001 state of corporate social responsibility in India poll, New Delhi: TERI–India, 2001, pp 10–11
Energy is largely accepted as the agent of socio-economic development and is also a key ingredient for poverty alleviation. Among the modern forms of energy, electricity constitutes a critical input for achieving rural transformation and reducing poverty. Non-access to electricity and rural poverty are closely correlated. This is because not only is electricity a pre-requisite for improving living standards, it is also an indispensable input for productive and economic activities. The provision of electricity to poor households gives them access to better lighting, thus facilitating gainful utilization of evening hours, resulting in a positive effect on education and small-scale employment.

**NTPC–TERI joint programme**

The NTPC (National Thermal Power Corporation Ltd) and TERI have joined hands with an aim to bring the benefits of electricity, through DDG (decentralized distributed generation) especially biomass gasification technology, to the rural and vulnerable populations in selected villages across India for providing better lighting and ensuring livelihood security. This is also in line with the national goal of electricity for all by the year 2012.

The prime objective of the NTPC–TERI joint programme is to develop an institutional model to support the sustained and integrated growth of villages through the introduction of modern energy-based livelihood opportunities in villages. Box 1 provides a pictorial representation of the possible benefits of electricity that may accrue to villages.

**Project area**

Currently, about 20.5% of the villages and 56.5% of the households in India have no access to electricity. The NTPC–TERI programme has identified 22 villages in Orissa and Madhya Pradesh, two of the most underdeveloped states of India, for DDG-based electrification and livelihood development through a process of site visits and consultations.

**The technology: Decentralized Distributed Generation**

DDG is defined as installation and operation of small modular power generating technologies that can be combined with energy management and storage systems, and used to improve the operations of the electricity delivery systems at or near the end-user. DDG could directly benefit the rural poor by improving the quality and reliability of electricity services provided. The benefits of DDG are manifold. Better power quality and reliability,
affordable energy at the point of supply, wider choice in energy supply options, better load management, and modularity of systems are some of the widely known facts of using DDG systems. Other benefits include reduced T&D (transmission and distribution) losses, reduced upstream congestion on transmission lines, optimal use of the already existing power grid, higher energy conversion efficiency than in central generation, and improved grid reliability. In addition, the concept of DDG encourages energy service companies to look for new opportunities for selling, financing, and managing the locally generated power.

Technology developers, manufacturers, and vendors of DDG systems also see this as an opportunity for new business. Regulators and policymakers support DDG as it encourages competition even in the weakest of economies.

Of the several DDG technologies, the biomass gasifier with producer gas engines, solar photovoltaic, and mini/micro hydel are identified as technocommercially mature technologies. The joint programme proposes to concentrate mainly on biomass gasification technology because it is the most economically viable in areas where surplus biomass is available. Further, biomass technologies being carbon neutral would not only provide reliable electricity in a sustainable manner, but would also lead to the conservation and revitalization of the environment and creation of livelihood opportunities through energy plantations.

The joint programme is also an attempt to address several issues relating to the ‘last mile’ supply of electricity supply in remote villages in general and the selected villages in particular.

For further details, please contact Akanksha Chaurey Associate Director TERI akanksha@teri.res.in

Source: Policy research on promotion and adoption of efficient biomass technologies in rural/small industries, 2006, TERI
**New members at TERI–BCSD India**

**IL&FS Ecosmart Ltd**

IL&FS Ecosmart Ltd is a leading environmental management services and advisory firm with an employee strength of 53 and annual turnover of Rs 53 million for the year 2005/06. It is promoted by IL&FS (Infrastructure Leasing and Financial Services Ltd), a premier non-banking financial institution. In 1996, IL&FS formalized an Environmental and Social Policy and developed an operational framework in the form of an ESR (Environmental and Social Report). A dedicated and specialized group, the ESMG (Environmental and Social Management Group) was created within IL&FS to implement the ESR on IL&FS-funded projects. With this perspective, IL&FS Ecosmart Ltd was established as an independent firm for providing environmental and social services. Ecosmart’s capability to deliver projects is further strengthened by the human and other resources of the IL&FS Group.

Ecosmart offers services in environmental information processing, geo-spatial solutions, urban infrastructure, solid waste management, hazardous waste management, resettlement and rehabilitation, environmental management, environmental impact studies, environmental policy interventions and regulation, risk management, environmental capacity-building and training, etc.

Ecosmart’s expertise spans planning, reviewing and implementing environmental and social safeguards as an integral part of project development and implementation. Complementing Ecosmart’s areas of expertise is its distinctive ability to use sophisticated technology-based tools including GIS (geographical information system) and remote sensing.

**Areas of interest in the next year include**
- biofuels,
- climate change,
- information technology applications for rural development, and
- energy efficiency.

**Areva T&D India**

Areva T&D India, an energy T&D (transmission and distribution) company, has an annual turnover of Rs 15 billion and an employee strength of approximately 3000.

The company has an ISO certification for all its manufacturing units and practices conservation measures that include reducing discharge of harmful wastes and use of biodegradable fuels wherever possible at the process level.

The company has been involved in the field of promoting information technology education in Noida, Uttar Pradesh. It has
Dow Chemical International Pvt. Ltd

Dow Chemical International Pvt. Ltd, incorporated in India as Dow India, has a long and distinguished history since 1957, and is a key component of Dow’s global business strategy. Dow India had sales of over $326 million in 2005 with a dedicated local organization of more than 350 employees at five locations around the country.

Areas of interest in the next year include
- environmental education and awareness;
- HIV/AIDS
- rural and renewable energy;
- solar energy; and
- indoor air pollution (CO and particulate emission reduction from gas stoves).

Dow supports initiatives that help preserve the environment and strives for environmental sensitivity in manufacturing processes and products.

Dow Building Solutions in India is committed to significantly improving the country’s ability to face energy demands by providing thermal insulation systems for building energy efficiency and creating awareness of the same. Dow Water Solutions help benefit the health of millions of people, improve the quality and performance of consumer and industrial products, and enable vital industrial processes. Water systems are also provided for rural India so that clean and hygienic water reaches village communities.

Areas of interest in the next year include
- environmental education and awareness,
- green buildings,
- rural and renewable energy,
- water conservation, and
- building energy efficiency.

Nodal person for TERI-BCSD India:
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The company has also been active towards philanthropic activities during national calamities.

Nodal person for TERI-BCSD India:
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Apollo Tyres Ltd

Apollo Tyres Ltd has four manufacturing plants across India and three overseas. It has achieved an annual turnover of over Rs 30 billion for the financial year 2005/06. Apollo Tyres believes in the core idea of serving each of its key stakeholders and in creating value in areas beyond its products and services. The company has been focused on decreasing its dependence on biofuels through a combination of using biofuels with renewable energy sources in its manufacturing units, as well as adhering to strict standards on health, safety, and the environment. The company works consistently towards eliminating emission of greenhouse gases, recycling its water usage, and tuning its machinery to ensure efficient energy usage. Apollo Tyres has been working in the communities that surround its manufacturing units to build stronger rural health and education systems and create alternative modes of employment. The company is also involved in HIV/AIDS awareness and prevention and the cure of sexually transmitted diseases amongst the Indian trucking community. This work is carried out through the Apollo Health Care Clinics located in major transshipment hubs across the country.

Areas of interest in the next year include

- biofuels,
- climate change,
- green buildings,
- HIV/AIDS, and
- water conservation.

Training workshop on reporting for environmental excellence and social responsibility

TERI-BCSD India invites committed corporate organizations to join us at the first reporting workshop in the series. Share your experiences and interact with trainers who have evaluated more than 500 applications from across India. Training will be based on the comprehensive application details of the TERI Corporate Awards.

Workshop modules include

- comprehensive data collection techniques;
- documentation and analysis of data; and
- effective reporting.

Please submit your expressions of interest by 15 March 2006.

For details, contact:
Mr Satyajeet Subramanian
Research Associate, TERI-BCSD India
sjeets@teri.res.in

Tentative dates
First batch 6–7 July 2007
Second batch 3–4 August 2007
Venue TERI, New Delhi

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ON THE MOVE

An emerging compelling business case: sustainable development

The Talking tomorrow lecture series features talks by eminent experts from across the globe in the fields of energy, water, climate change, health, and sustainable development. Speakers offer valuable insights into these fields and the impact these have on the global business environment.

The fourth lecture of the series was delivered by Mr Herman Mulder, Former Senior Executive Vice President, Group Risk Management, ABN Amro Bank N V and co-author of Equator principles on 2 September 2006 at New Delhi. He was speaking on ‘An emerging compelling business case: sustainable development’. The meeting was well attended by leaders of financial institutions and civil society.

Mr Mulder highlighted that sustainability encompasses all environmental, social, and ethical issues that need to be addressed for a better world. Business increasingly recognizes the challenge and the opportunity for it to embed sustainable development issues into its strategies, policies, and actions for reasons that are:

- defensive: to reduce costs, potential liabilities, loss of reputation, or even operating license;
- offensive: ambition to lead and be ready for tomorrow’s society and markets; and
- visionary: recognition that government, society, and business share an interest to create a better world.

Market pressures from peers, competitors, staff, clients, investors, and media, and regulatory frameworks are for the providing business reasons to address sustainable development.

He stressed that the notion of a smaller, ‘flatter’ world with increasing and instantaneous scrutiny from society (through NGOs [non-governmental organizations] and media) and other stakeholders (clients, staff, investors) is putting greater pressure for enhanced responsiveness from the business community.

He went on to further explain the increase in the sustainability momentum where companies were establishing their own disciplines and strategies based on cooperation of like-minded players. Such cooperation may come in the form of business councils, structured dialogues, joint initiatives, code of conduct, certification programmes, etc. Their such initiatives are proving to be very time-efficient and, relative to slow government regulation, increasingly effective as they are ‘owned’ by the business itself.

Mr Mulder also explained that the political and business influence of India is rapidly increasing in global politics.
EnCoRE

ERI – BCSD India and SustainAbility, UK undertook a survey to understand sustainable development imperatives in the Indian chemical industry and factors that are shaping the perceptions of the industry’s stakeholders. The findings of the study were tabled during a national level meeting organized by TERI-BCSD India on 8 November 2006 at TERI. The meeting saw participation from the government, academia, civil society, and multilateral organizations.

The key learnings from the survey pointed that the multi-product and multifaceted nature of the chemical industry in India makes it a complex and challenging task to address sustainability issues. Sustainability in the chemical industry is concerned with control of pollution, waste management, and prevention of accidents. Moreover, there is a dearth of data on several of these issues in the Indian chemical industry, especially among the SMEs (small and medium enterprises).

SMEs contribute to nearly 50% of the total industrial output in India. According to the National Productivity Council, there are 3 million SMEs spread throughout the country in the form of clusters and industrial estates. SMEs in India cannot afford to adopt and maintain adequate hazardous waste treatment and disposal technologies. Also, large companies had not begun to address sustainable development issues in their supply chain.

Lack of R&D (research and development) and low resource efficiency was seen as an important area that had to be kept on high priority for the industry. Obsolete technology from the west that has been dumped in India has been blindly copied. The

WBCSD chemical sector project

Scoping survey by TERI-BCSD India, in association with SustainAbility, UK

Presentation on the project by TERI-BCSD India and SustainAbility, UK

For further details contact Mr Satyajeet Subramanian, Research Associate TERI-BCSD India (sjeets@teri.res.in)
industry has not been able to attract talent in science due to lower remuneration. Patent protection is also set to affect the domestic chemical industry in the long run, especially in the pharmaceutical sector.

The survey also pointed out that there was low stakeholder engagement. Indian industry has not been seen proactively participating in global conversation on sustainability. Further, there is a need for dedicated equipment development and trained operators and standards for hazardous chemicals such as dioxins and furans. Since improper handling of chemicals is a concern area, better housekeeping and training on sustainability opportunities for the top management and workers is essential. There is a need to have mandatory compliance of legislations; no proper regulatory interventions like REACH (registration, environmental, and authorization of chemicals) and ROHS (reduction of hazardous substances) have been enforced.

Based on the findings of the survey, it was decided in consensus with participants, that there is a need for a detailed study to develop a vision and roadmap, including a plan for implementation for the Indian chemical industry. The future study should:

- classify sectors on the basis of capability and identify their sustainability issues (this exercise would bring out the sectors that are most damaging to sustainable development and therefore need greater attention);
- develop an approach with forward and backward linkages with special reference to SM Es;
- concentrate on finding a regulatory framework and partner with advocacy groups to address sustainability issues;
- identify drivers for the industry to focus on R&D; and
- serve as a case that sustainability measures are intrinsic to the survival of the chemical industry in India.

Sustainability issues are yet to be mainstreamed in the Indian chemical industry.

For further details on this initiative please contact Mr Pratik Ghosh, Associate Fellow, TERI–BCSD India (pratikg@teri.res.in)

Congratulations to Mr Rajesh Srivastava, Managing Director and Head, Corporate and Commercial Banking, Rabo India Finance, for being appointed Chairman of the ASrIA (Association for Sustainable and Responsible Investment in Asia).

In this role, Mr Srivastava will guide the Board of Directors in continuing to position ASrIA as one of the leading institutions dedicated to promoting corporate responsibility and sustainable investment practice in the Asia Pacific region.

For the complete press release kindly visit http://www.asria.org/news/press/
International initiatives

Principles for Responsible Investment

The PRI (Principles for Responsible Investment) is an initiative of the UNEP (United Nations Environment Programme) Finance Initiative and the UN Global Compact. The PRI reflects the increasing relevance of environmental, social, and corporate governance issues to investment practices. It provides a framework of possible actions for incorporating ESG (environmental, social, and corporate governance) issues into mainstream investment decision-making and ownership practices. The PRI reflect the core values of the group of large investors whose investment horizon is generally long, and whose portfolios are often highly diversified. However, the principles are open to all institutional investors, investment managers, and professional service partners to support.

The PRI provide a framework for achieving better long-term investment returns and more sustainable markets. They offer a path for integrating environmental, social, and corporate governance criteria into investment analysis and ownership practices. If implemented, they have tremendous potential to more closely align investment practices with the goals of the United Nations, thereby contributing to a more stable and inclusive global economy.

Signatories to the principles are part of a network, which creates opportunities to pool resources, lowering the costs of research and active ownership practices. The principles also allow investors to work together to address a range of systemic problems that, if remedied, may lead to more stable, accountable, and profitable market conditions overall.

Benefits for signatories include:

- a common framework for integrating ESG issues;
- implementation support from a PRI secretariat that will produce guidance materials and facilitate working groups exploring issues of common interest;
- access to examples of good practice from a global network of peers (including many of the world’s largest institutional investors);
- opportunities to collaborate with other signatories, reducing research and implementation costs; and
- reputational benefits from publicly demonstrating top-level commitment to integrating ESG issues.

<http://www.unpri.org/>

ASrIA (The Association for Sustainable and Responsible Investment in Asia)

ASrIA is a not-for-profit membership association dedicated to promoting corporate responsibility and sustainable investment practice in the Asia Pacific region. ASrIA’s goal is to build market capacity for SRI. Their website provides insightful, up-to-date, and accessible information on the development of SRI in Asia and globally. ASrIA organizes conferences, seminars, and workshops, and publishes wide-ranging research on SRI issues. ASrIA has created a wide network of organizations and individuals interested in the broad range of policy issues and investment strategies that are essential to the implementation of SRI in Asia.

ASrIA provides information on SRI funds in the region and globally. It monitors developments in Europe and North America and looks out for trends especially relevant to Asia. ASrIA provides a platform and numerous opportunities for different interest groups across the finance, business, and civil society spectrum to dialogue, network, and actively engage on SRI related issues. ASrIA also works in partnership with many private and public sector organizations to raise competency levels and to build local momentum for SRI. ASrIA has developed comprehensive and leading-edge training modules and provides comprehensive web-based resources, including news and events, a regular free e-bulletin, publications, member resources, and on-line forums.

<www.asria.org>
Social Investment Forum
The Social Investment Forum is a nonprofit membership association dedicated to promoting the concept and practice of SRI. The forum is comprised of investment practitioners and institutions from across all fields that seek to use their investments to encourage positive social and environmental change in society. The forum has the following five major areas of activity:

1. Networking and continuing education
2. Research
3. Direct member services and information
4. Industry growth and client services
5. Industry advocacy

The website provides comprehensive information, contacts, and resources on socially responsible investing. The forum has a joint membership programme with the Co-op America Business Network, which provides direct services to members including a newsletter, networking, conferencing, and the forum’s mutual fund performance chart, media programmes to grow the SRI field, and research to expand and credentialize SRI.

<http://www.socialinvest.org/>

Resources

Publications

Tomorrow’s Value: The global reporters 2006 survey of corporate sustainability reporting
United Nations Environment Programme, Standard & Poor’s and SustainAbility 2006
London, UK: SustainAbility, Inc. 36 pp

The fourth international benchmark of corporate sustainability reporting ranks 50 sustainability reporting ‘leaders’ by assessing reporting by a 100% scale on four aspects: governance and strategy, management, presentation of performance, and accessibility and assurance. The ranking rates sustainability reporting, with disclosure on sustainability performance amongst the issues assessed. The report spotlights an emerging effort by some businesses to link their individual sustainability targets and activities with broader macro-frameworks, to provide a sense of scale, and to help measure individual contributions.

A Three-Pronged Approach to Corporate Climate Strategy
Waage S and Stewart E. 2006
San Francisco, US: Business for Social Responsibility. 44 pp

The report presents a brief background on business reactions to climate change, and lays out a simple spectrum of actions towards carbon neutrality, including efficiency, offsets, and renewables. These actions offer managers greater choice in defining climate strategies and how they can move towards becoming carbon neutral.

Discovering New SRI Institutional Investment Opportunities
Smith A-M. 2006
London, UK: UK Social Investment Forum. 20 pp

The report encourages investors, asset managers, and investment consultants to consider SRI options for asset classes beyond traditional equities. The report covers a wide range of asset classes including bonds, less conventional debt instruments, ETFs (exchange traded funds), and hedge funds. It also discusses carbon trading, microfinance, and renewable energy. It provides examples of products already available and considers how further SRI options might be developed.
The Triple Bottom Line: How today’s best-run companies are achieving economic, social and environmental success—and how you can too


The book lays out a framework for companies to follow on the path toward integrating the triple bottom line of economic, social, and environmental sustainability. The book points to empirical evidence demonstrating that the share price of companies listed on the Dow Jones Sustainability Index and the FTSE4 Good Indexes have outperformed various other indexes. Further, companies that belong to the World Business Council for Sustainable Development have outperformed their respective national stock exchanges by 15%-25% over the past three years. The book provides a useful mix of examples to prove the business case for sustainable development, with easy to follow models demonstrating how it all works. It helps companies of today – big and small – understand why and how the transformation to a sustainable world is taking place, and identify how they themselves can become a part of it.

RISE for-profit social entrepreneur report: balancing markets and values


RISE (The Research Initiative on Social Entrepreneurship) is a project of the Columbia Business School. The Eugene M. Lang Center for Entrepreneurship and the Social Enterprise Program directly support RISE within Columbia Business School. The report offers a snapshot of social ventures in seven industry segments as well as insights into the experiences, attitudes, and practices of the people who create and manage them. The report describes trends by industry about companies’ attitudes and practices in terms of the vehicles used to create social and environmental value, explicitness to stakeholders, evaluation, financing, growth, and exits.

Internet resources

Ethical Corporation
 http://www.ethicalcorp.com

Ethical Corporation is an independent publisher and conference organizer on issues related to corporate ethics. Information resources include a monthly print and online magazine, news and columns, information about events, reports, and press releases. The resources are categorized under various headings like Codes and Guidelines, Corporate Governance, Corporate Responsibility, Communications, Ethical Consumerism, Ethical Supply Chains, Human Rights and Labour Standards, Non-Financial Reporting, Regulation, Taxation and Legal Developments, Socially Responsible Investing, and Stakeholder and NGO (non-government organization) Engagement.

Sustainable Ventures
 http://www.sustainableventures.us/index.html

Sustainable Ventures works with investor groups, independent investors, and trust and pension fund beneficial owners to develop educational programmes that enhance economic vitality, redress social justice issues, and enable sustainable ventures. Sustainable Ventures enables individuals and groups of investors to achieve sustainable investment performance, transparency of governance, and ethical business practices. The organization develops curricula to inspire and educate beneficial owners to influence their fund managers.
to evaluate the criteria used to select holdings invested in their names.

**SRI World Group**

http://www.sriworld.com/

SRI World Group Inc. is an information provider on social investing and corporate social responsibility issues. SRI World Group assists corporations in delivering their positive corporate social responsibility messages through CSRwire and provides strategic web development focusing on dynamic databases and administrative controls. The company serves institutional investors with news, research, consulting, and other services that can be found at <www.institutionalshareowner.com>. The Social Funds website of the SRI World Group, <www.socialfunds.com>, features information on SRI mutual funds, community investments, corporate research, shareowner actions, and daily social investment news. Social Funds also provides information on over 70 socially responsible mutual funds that employ multiple social and environmental screens. The funds include equity, index, international, balanced, fixed income, and money market funds. The SRI Mutual Funds Kit includes Investing in socially responsible mutual funds, a brief and easy-to-read guide that gives knowledge needed to start investing in mutual funds.

**New Ventures**

http://www.new-ventures.org/

The New Ventures programme of the World Resources Institute supports sustainable enterprise creation in emerging economies by accelerating the transfer of venture capital to outstanding investment opportunities that incorporate social and environmental benefits. By providing sound investment opportunities in emerging economies, New Ventures demonstrates that investing in sustainable enterprises makes good business sense. The New Ventures enterprise portfolio features over 100 outstanding companies from high growth sectors such as clean technology, biodiversity, renewable energy, and sustainable forestry.
Corporate Social Responsibility Concepts and Cases: the Indian experience

The book is divided into two sections; section one contains papers that analyse the conceptual framework of CSR (corporate social responsibility), and section two comprises case studies on different aspects of CSR. The cases focus on such segments as education, healthcare, and environment, among others. The project on preparing cases from various industries focusing on various facets of CSR is a collaborative attempt between the UNDP (United Nations Development Programme)–CII (Confederation of Indian Industry)–AICTE (All India Council for Technical Education) and MDI (Management Development Institute).

Green Business

The book brings together several issues relating to the burgeoning problems environmental degradation, dealt in depth by leading scholars, business practitioners, and representatives from regulatory bodies. The book provides a comprehensive and interdisciplinary perspective on sustainable development through green competitiveness and is aimed at the need to engage the stakeholders to draft better environmental management strategies. Six main sections cover sustainable development through greening, sustainable development through industrial ecology, tools to aid environmental decisions, public policy and reforms for better environmental decisions, CSR, and public–private partnerships.

Corporate Environmentalism and Public Policy

The book provides a serious economic view of the voluntary approaches to environmental issues, especially toxic chemicals, waste disposal, and global warming, that have become prominent in recent years. Corporate environmental initiatives are seen as a tool for influencing the behaviour of environmental activists, legislators, and regulators, though they may have ancillary benefits such as attracting ‘green’ consumers or reducing costs. Equally, government voluntary programmes are seen as a way to achieve modest environmental results when political resistance to mandatory policies is high. Rigorous analysis is illustrated with numerous case studies drawn from the US, Europe, and Japan, while technical details are relegated to appendices, and each chapter highlights implications for corporate strategy and public policy.
ON its 50th Anniversary
ONGC Rededicates Itself to Strengthen
India’s Quest for Energy-Security

ONGC, since 1956 exploring and fulfilling the energy needs of India. Energy that brings progress, energy that propels growth, energy that supports the dreams and aspirations of tomorrow, energy that keeps India ahead. For 50 years, ONGC has strived and achieved in taking India closer to Energy-security. On the threshold of its 51st year, the Corporation celebrates the energy of India, with the spirit of yesteryear’s visionaries and the resolve of present-day stakeholders.

• Discovered 6 of the 7 producing Basins in India, adding 6.4 billion tonnes of Oil and Gas Reserves
• Produces more than 1 million barrels of Oil Equivalent every day
• The Most Valuable Company in India, having created the highest wealth for Indians
• Managing Oil and Gas business in 15 countries, flying the Indian tricolour there
• The Best Oil and Gas Company in Asia
• The Greenest Company - all operational installations accredited for Health, Safety and Environment management (HSE)
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<th>Location</th>
<th>Event Details</th>
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<tr>
<td>New Delhi, India</td>
<td><strong>DSDS (Delhi Sustainable Development Summit) 2007</strong></td>
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<tr>
<td>22–24 January 2007</td>
<td>The Summit Secretariat, TERI, Darbari Seth Block, IHC Complex, Lodhi Road, New Delhi – 110 003, India</td>
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<td></td>
<td>Tel. (+91 11) 2468 2100 or 4150900</td>
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<td>E-mail <a href="mailto:dsds@teri.res.in">dsds@teri.res.in</a></td>
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<tr>
<td>Chiang Mai, Thailand</td>
<td><strong>International Dialogue On Science And Practice In Sustainable Development: Linking knowledge with action</strong></td>
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<tr>
<td>23–27 January 2007</td>
<td>Jill Jäger, Sustainable Europe Research Institute, Austria</td>
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<td></td>
<td>Tel. +43-1-263-2104 • Fax +43-1-263-2104</td>
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<td>E-mail <a href="mailto:jill.jaeger@seri.at">jill.jaeger@seri.at</a></td>
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<tr>
<td>Pasadena, California, USA</td>
<td><strong>Designing Sustainable Mobility</strong></td>
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<td>7–8 February 2006</td>
<td>The Art Centre College of Design, 1700 Lida Street, Pasadena, CA 91103, USA</td>
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<td>Vilamoura, Portugal</td>
<td><strong>2nd Global Conference on Social Responsibility: CSR Plus—Strategies that enrich the poor and build corporate brands</strong></td>
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<td>15–17 February 2006</td>
<td>World Council for Corporate Governance, 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW, UK</td>
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<td>Tel. 44 207 872 5784 • Fax 44 207 723 6072</td>
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<td>E-mail <a href="mailto:info@wcfgc.net">info@wcfgc.net</a></td>
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<td>Wels, Austria</td>
<td><strong>World Sustainable Energy Days 2007</strong></td>
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<td>28 February-2 March 2007</td>
<td>O.Ö. ENERGIESPARVERBAND, Landstraße 45, A-4020 Linz</td>
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<td>Brussels, Belgium</td>
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<td>New York, USA</td>
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<td>9–10 May 2006</td>
<td>Conference Director, Ethical Corporation, 7-9 Fashion St, London E1 6PX, UK</td>
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<td><strong>Eco Summit 2007</strong></td>
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