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# Inclusive CSR



**Rajesh Tiwari**  
 Publisher  
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**According to a study carried out by UNIDO in 2008 revealed that 31-79 percent of the SMEs in India focused on charity rather than long-term and strategic initiatives for local society.**

Corporate Social Responsibility is not limited only to big corporate. It is relevant for companies of all sizes. While Small and Medium Enterprises (SME) have been associated with CSR in India, they have not done so in an optimized manner. This could be attributed to the financial instability that this segment generally encounters. The variation in their profits has a negative impact on their CSR spend. Also, the challenge to have a sizeable team comprising quality human resources is another limiting factor in ensuring consistent CSR.

Typically, an SME will invest in those activities that need low investments and are short term. According to a study carried out by UNIDO in 2008 revealed that 31-79 percent of the SMEs in India focused on charity rather than long-term and strategic initiatives for local society.

The new Companies Act, 2013, however, promises to enable SMEs in overcoming these challenges. They can meaningfully contribute towards CSR while keeping costs low. This can be achieved by pooling the resources of SMEs collectively. They can run joint CSR initiatives with a single body ensuring the operations.

Such collaboration can be forged within the SMEs in a cluster as they are involved with the same population and already have associations in place that address the business needs of the entities.

According to PwC “collaboration has the following advantages: • Reduces operational cost: Individual CSR efforts by a company consist of establishing a CSR department, assessing the needs of local communities, undertaking programmes directly or through

an NGO and conducting regular impact assessment studies. A common organisation catering to a number of companies will carry out these activities collectively and thus reduce the operational cost of management.

• Undertake long-term projects: A major hindrance in developing longterm projects is the uncertainty in the CSR budget. This is dependent on the financial performance of the company. A fluctuating performance implies that the CSR budget allocations can be unreliable and can jeopardise a programme initiated earlier. Pooling resources addresses this issue to a certain extent as the other partners can increase their share in case there is variance in allocation from a certain segment of the cluster. The longterm programmes also have greater impact than the short-term projects. Communities are increasingly realising the importance of the support offered by these programmes in making their lives better. Long-term programmes also lead to better community relations and this ensures avoiding situations of community unrest that hamper business activities. • Learning from experiences: A common entity with multiple participants from the cluster will help assess community needs, undertake relevant programmes based on past experiences and address a greater number of community issues.”

Besides, the collective effort of the SMEs also enables them to address environmental and social issues and in a better manner. They can ward off pressures from buyers and successfully set up ethical supply chains and gain acknowledgement from the international community. While collaboration is extremely value for SMEs, it also makes sense for large enterprises. They can then mitigate larger issues confronting the industry or geographies.

# Contents

# CSR

T O D A Y

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## 10 COVER STORY

### Big Pharma & Sustainability

Four top pharmaceutical companies in India have combined revenues of more than Rs 35,000 crore. We take a look at their efforts at contributing to the cause of people, planet and society.

### CSR LEADERSHIP

**08** A Tool of and for Empowerment

### CSR SOCIETY

**16** The Software of Resilience  
**18** Busting the Cycle of Ill Health  
**24** Economic Growth and Gender Equality  
**26** Provide Safe Drinking Water at Govandi  
**28** Finding Financiers for India's Smart Cities

### CASE STUDY

**32** Your Levi's Jeans Just got Greener

### SUSTAINABILITY

**34** Toxic Controls Legislation Doesn't go far Enough

**36** Sustainable Solutions Catching up on Cost and Convenience

**38** Sustainability Consultancy with a Difference

**40** KeyBank's Green Office Week

### SUSTAINABILITY CAPITAL

**42** CDL ups Game on Integrated Reporting in Singapore

**44** Five Ways to Embed Sustainability into a Company's Core

### REGULARS

**03** Publisher's note

**05** CSR News

**46** Book Review

## Companies to Spend over 25,000 cr on CSR

Corporate charity is not new to India. But now that this voluntary act has been made mandatory by the new Companies Act 2013, Indian corporates are expected to spend over Rs 25,000 crore this year on corporate social responsibility (CSR), a report in The Times of India said.

According to a working paper by the Indian Institute of Management, Ahmedabad (IIM-A), corporate tax – in line with the Union budget of 2015-16 – will amount to Rs 470,628 crore for the financial year 2015-16. “Perhaps time is ripe to compare the exact CSR expenditures as companies would complete filing their returns for the financial year 2014-15 in the near future,” the paper says. The paper, by Prof Satish Deodhar, is titled ‘India’s Mandatory CSR, Process of Compliance and Channels of Spending’.

Companies that are covered under the new Act must form CSR committees from among the board members; formulate CSR policies; and announce, execute, and monitor their CSR activities. If companies fail to do so, penalties will result. The study reveals that it was felt that industry may view the imposition of the provision as coercive, impinging on profitability and hence on stock prices. “However, event analysis conducted on big and small food companies shows that the imposition of the CSR provisions has had no negative impact on stock prices,” the study says. Highlighting another apprehension about the Act, the study points out research conducted by Prof Deodhar’s IIM-A colleagues Naman Desai and Viswanath Pingali that if firms were spending more than 2% of net profits during the pre-Act period, they may now anchor their spending on the legal requirements. And thus become content with spending only 2% of net profit in the post-Act period.

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## Website for CSR

In an attempt to effectively carry out the works being done through Corporate Social Responsibility, the Aurangabad district collector and Zilla Parishad CEO have designed a website-cum-portal to coordinate between different agencies and corporate houses. The officials have published a list of works to be carried out on priority basis on the website that would be launched soon, a report in The Times of India said.

According to officials, earlier many corporate houses would vie for specific works and projects due to which many important tasks had no takers but

through this website the administration will not only be able to take stock of the situation but also have a proper record of the exact amount spent by a given corporate house in the CSR activities carried out by them, the report said.

Moreover, the authorities in an attempt to bypass the tendering process which are full of glitches having scope of misappropriation of funds received, have decided that no money would be taken from the corporate houses, NGOs and individuals who want to take up CSR activities, instead they would be asked to do it in kind, the report added.

## Solar Installations to Reach 57.4 GW in 2015

Mercom Capital Group, llc, a global clean energy communications and consulting firm, projects a strong year for solar, forecasting global installations to reach 57.4 GW in 2015. “We are revising our forecast upwards since our previous update due to positive news coming out of China along with revised installation goals,” said Raj Prabhu, CEO and Co-Founder of Mercom Capital Group.

Mercom expects China, Japan and the U.S. to account for approximately 60 percent of global solar installations this year. Since Mercom’s previous forecast three months ago, China has revised its solar installation target yet again by 20 percent to almost 18 GW for 2015. “With the specific steps put forward by the National Energy Administration (NEA) and the 5 GW already installed in the first quarter, 17.8 GW is a more achievable target this year. Omission of a specific installation target for distributed solar projects, which contributed to missing the 2014 goal, is a positive,” further commented Prabhu. China’s solar installation goals were revised numerous times last year, and a similar trend can be expected this year if there are implementation issues on the ground.

Trade skirmishes are now a familiar part of the solar sector. The European Union (EU) announced that it has opened investigations into imports from Taiwan and Malaysia. The EU is following the US-China template where antidumping duties were imposed on Chinese manufacturers, followed by another case against circumvention.

# A Tool of and for Empowerment

*Varun Sheth, founded Ketto as a fund raising platform for social causes. In an interaction with Nilesh Jagad, he throws light on how Ketto has evolved into a tool of and for empowerment.*



# BIG PHARMA & SUSTAINABILITY

Four top pharmaceutical companies in India have combined revenues of more than Rs 35,000 crore. We take a look at their efforts at contributing to the cause of people, planet and society.

## LUPIN

Lupin believes collectively as Corporate India has the fundamentals in place to shape a better future for society and it must embrace this not as a responsibility but an obligation. This is what led Lupin to set up the Lupin Human Welfare & Research Foundation (LHWRF) in 1988; LHWRF was set up with the objective of creating a replicable and ever-evolving model for sustainable rural development with the simple goal of uplifting families.

LHWRF is focussed on building a sustainable model which would aim to improve Human Development Indices (HDI) in its chosen geographic area of operations.

LHWRF operates in districts with a low HDI score such as Alwar, Dhaulpur, Karauli

and Bharatpur in Rajasthan; Dhule, Nandurbar, Pune and Sindhudurg in Maharashtra; Raisen in Madhya Pradesh and Dehradun in Uttarakhand. In addition, of the ten locations where Lupin's manufacturing plants are located, LHWRF has initiated development work at all the locations except Jammu and Nagpur, which will be taken up in FY 2015.

The company has worked hard over the last 26 years in creating, developing, nurturing and executing programs in partnership with the rural communities we choose to work with. It has collaborated with numerous institutions, governments, individuals, visionaries and domain experts on multiple projects to ensure growth and progress for the communities it serves. LHWRF reaches out to 2.8 million people, living in 3100 vil-

lages spread across 4 states in India. Lupin is passionate about what it has set out to do, about transforming the rural landscape of the country; about changing the lives of the communities it exists in and works with; we are working to create a happier more meaningful tomorrow.

LHWRF focuses on rural development programs that help promote and enable Economic Development, Social Development, Natural Resource Management and Infrastructure Development.

## Economic Development

### • Agriculture

The Foundation works to improve the income levels and living conditions of farmers by propagating the introduction and use

of modern agricultural equipment, crop diversification and technology infusion to enhance farm productivity. Its intervention in agricultural sector focuses on crop diversification and productivity enhancement.

#### • Animal Husbandry

LHWRF focusses on improving productivity by inducting livestock of superior breeds and on breed improvement. This is complemented by routine activities such as providing animal health services, organising vaccination camps, ensuring fodder security and introducing advanced cattle management and livestock productivity practices.

#### • Rural Industries Promotion

LHWRF continues to focus on skill development for rural population, particularly youth and women enabling them to become entrepreneurs by facilitating timely micro-finance support. In FY 2014, LHWRF provided skill training to 4,478 persons and facilitated establishment of about 4,014 new self-enterprises.

#### • Financial Inclusion

LHWRF collaborated with State Bank of Bikaner and Jaipur (SBBJ) to implement an innovative programme that enables banks to go to rural households. Initiated in FY 2013, the programme has led to 1,20,000 new accounts opened across 560 villages in 6 districts in eastern Rajasthan.

### Social Development

#### • Women Empowerment

Economic independence is critical to women, their development and empowerment in rural India. The Foundation has focused on strengthening Self-Help Groups (SHGs) to encourage employability and development. Linking these SHGs with financial institutions and banks ensures timely and much-needed credit. SHG movement in adopted areas has resulted in development of leadership qualities and economic empowerment amongst rural women.

#### • Health

Quality and in-time health care is the most basic need in rural areas. The Foundation

has made health services available even in the most inaccessible parts. In FY 2014, about 2.5 lakh patients were treated through medical camps and our Mobile Medical Diagnostic Unit (MMDU).

#### • Education

LHWRF has introduced e-learning systems to make education exciting and easy for students as well as teachers. This unique initiative has not only improved the quality of education but has also improved retention. These school based interventions have also helped reduce dropout rates.



### Natural Resource Management

Natural resource conservation is critical to the local eco-system and thereby to the rural economy. Various NRM measures such as construction of check dams, ponds, anicuts, farm bunds and excavation of streams are undertaken by the foundation for soil and water conservation in its adopted areas.

### DR REDDY'S LABORATORIES

At Dr. Reddy's, sustainability is a multi-dimensional aspiration, which has its roots in the very purpose of existence - providing affordable medicines to people around the world and meeting unmet medical needs through innovation. Its business, by its very nature, serves a social good, so it has a far deeper reason than profits alone to drive performance.

While bringing good health to all is the central belief that drives all at Dr. Reddy's, there is also a larger purpose to the community that I is a part of. All the company's community work is built on certain basic tenets, outlined below, that form its approach.

- Collaborating and building capabilities of social change agents
- Nurturing institutions that demonstrate new pathways of human development
- Inclusion of low income communities into mainstream quality education and differently abled persons into mainstream world of work

- Being sensitive to the community situations as well as to the constraints of social development systems

While patient-centricity drives Dr. Reddy's, it is also acutely aware of our responsibilities to the environment. Sustainability means fostering an organization that promotes access to affordable medicines in economically, socially and environmentally sustainable ways. To achieve this, the pharmaceutical company has:

- Identified stakeholders and defined how it can serve them
- Worked tirelessly to ensure its operations are productive and sustainable
- Streamlining its manufacturing processes and supply chain to effectively conserve resources, ensuring clean manufacturing that minimizes environmental impact.



# Finding Financiers for India's Smart Cities

*Improving the confidence of domestic and multilateral investors in Indian sustainability projects will prove to be challenging*

BY PHILIP KILLEEN



sustainable transport, housing, utility and connectivity services for 100 new or refurbished cities across the subcontinent. But how these projects will contribute to India's greater sustainability effort is yet to be seen.

Determining these outcomes, and how they will be financed, is of special significance as preparations intensify for the December international climate change negotiations in Paris.

India's need for urban development and expansion is both salient and

**B**uilding off nearly 10 months of extensive public and private sector consultation, Indian Prime Minister Narendra Modi began in April to green-light initial proj-

ects under the country's Smart Cities Initiative (SCI).

The SCI benchmarks (PDF), formulated in response to rapid urban population growth, aim to modernize environmentally

urgent. The country's urban population, expected to increase from 377 million today to 590 million by 2030, has placed an enormous burden on public administration to finance and oversee large-scale construction,

PHOTO COURTESY: ACDNARCHITECT.COM

# Your Levi's Jeans Just got Greener

*Levi Strauss believes in integrating sustainability into every aspect of its business – from the cultivation of cotton to educating customers to use less water when they have to wash their jeans. This strategy has helped the world's first commercial jeans maker fend off newer, flashier competitors.*

Levi Strauss, the first company to commercially manufacture the ubiquitous pair of jeans, may be the ultimate in “slow fashion” as it believes in making products that last for years and bucking the use-and-throw “fast fashion” phenomenon that rules the clothing industry. And its strategy appears to be paying off.

Established by German migrant, Levi Strauss, in 1853, the San Francisco-based company has faced off other jeans-making challenges as well as general fashion-wear labels that also manufacture denims.

The reason Levi's has held up relatively well despite the fierce competition is because the company puts sustainability at the heart of what it does, says Roy Bagattini, Executive Vice President and President, Asia, Middle East and Africa, in a recent interview.

“Sustainability is something that's in the core DNA of Levi's for a long, long time,” he says. “It's consistent with our values as a company. We talk about profits with principles – which is doing great business but doing it the right way.” The company has seen steady revenue growth over the past decade, and has managed to remain a mainstay in the fickle fashion industry.

It has done so by taking the extra effort to pioneer initiatives on “all fronts of sustainability” including innovations in manufacturing processes, “terms of engagement” for all suppliers – or a code of conduct – and getting employees to give back to communities through volunteer work.

## From cradle to grave

One of these initiatives is the Lifecycle Assessment (LCA), first conducted in 2007 and subsequently updated in 2013. The LCA is a process to assess the environmental impact of a product, service or process from cradle to grave. Different products, services or processes have different methods of calculating their impact but at the heart of all LCAs is the compilation of energy and resource usage and the evaluation of the potential impact of the usage. In the case of a pair of jeans, the LCA studies the impact of the entire manufacturing process from raw material extraction, that is, the growing of cotton, to when a consumer discards the denims, Bagattini explains.

Levi's latest LCA built on previous research to better understand the impact of cotton cultivation and includes data from the world's primary cotton producers such as United States, China, Brazil, India, Pakistan and Australia. It also studies consumer care data from Levi Strauss's new markets, including China, France and the United Kingdom, to understand the differences in laundry habits.

What the company found helped it overhaul a part of its manufacturing process to make it more efficient and embark on a worldwide consumer-awareness campaign. Through the LCA, Levi Strauss learnt that nearly 3,800 litres of water are used through the lifetime of a pair of jeans. That's the equivalent of 109 five-minute showers.

About 68 percent of that goes towards cotton production and 23 percent is used by consumers in the laundry, the LCA found.

# Sustainability Consultancy with a Difference

*Southeast Asian companies wanting to go global will need to have strong sustainability credentials to win business in Western markets. Robertsbridge says it is a sustainability consultancy that can help clients do just that* **BY VAIDEHI SHAH**



Expanding Southeast Asian firms eyeing lucrative opportunities in Europe and North America are finding that sustainability credentials matter when winning business in these markets, where governments and businesses are tightening their policies on sustainability.

Recent high-profile campaigns targeting companies such as Procter & Gamble, palm oil producer Wilmar and Astra Agro Lestari demonstrate visibly the business cost of failing to meet the increasing expectations of consumers for companies to operate responsibly. Cultivating such practices in an organisation, however,

requires a combination of subject matter expertise, engagement with a wide network of stakeholders, and an effective implementation strategy – requirements which may seem daunting to companies just beginning to understand the importance of sustainability.

Enter Robertsbridge. The United Kingdom-based consultancy is one outfit which has helped global giants such as Nestle and Unilever make sustainability a core aspect of their operations – and is now poised to help companies in Southeast Asia do the same.

Brendan May, founder and chairman of Robertsbridge, tells Eco-Business in a recent interview that despite ambitious and bold commitments by some large firms, “many Southeast Asian companies lack the plans and relationships with stakeholders that are required for an effective sustainability strategy”.

Paper and palm oil majors including Asia Pulp and Paper (APP), Golden Agri-Resources, and Cargill are among those who have made impressive commitments to zero deforestation in recent years.

# CDL ups Game on Integrated Reporting in Singapore

*CDL is among the first few companies in Singapore to adopt the integrated approach designed to provide a “holistic” picture on the company’s financial and sustainability performance* BY **JEAN CHUA**



In a clear sign that more companies are embracing the practice of integrated reporting, City Developments Limited (CDL) has become the first property developer in Singapore to adopt this approach for its latest 2015 sustainability report. Using the International Integrated

Reporting Council’s (IIRC) Framework, this type of reporting provides for “more all-rounded corporate reporting”, and is centred on six types of ‘capital’: Financial, Manufactured, Organisational, Social and Relationship, Human, and Natural, the company said in a statement on Wednesday.

It replaces the typical annual report that focuses mainly on the financial and stock performance of a company and is a two-in-one report that combines financial and sustainability reporting.

So far, in Singapore, only DBS Group has adopted integrated reporting. It did so for its 2013 annual report after it joined the IIRC’s 2011 pilot programme – under which it asked 90 global companies including Unilever, Microsoft, Hyundai to contribute to the development of its reporting framework.

Other listed companies such as Capitaland and Singapore Airlines still issue two reports – one each for financial and sustainability reporting.

CDL said integrated reporting presents a more holistic picture to its investors and stakeholders on the interrelation between the company’s business and sustainability performance, and how this creates value over the short to long-term.

“Globally, calls for greater actions and transparency from corporations have intensified and green consumerism is on the rise,”



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