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Embedded Sustainability in the Agri-Business Division of ITC Limited: Special Emphasis On Soil and Moisture Conservation Programme

Nayan Mitra*

Abstract *'ITC Limited' is a multi-business conglomerate that has, among its business portfolio, Agri-Business, that has grown, since its inception in 1990, to be one of India's largest exporters of agricultural products, with core competencies in select commodities like feed ingredients, foodgrains, marine products, processed fruits; contributing 56% of nearly US$ 5.4 billion of ITC's foreign exchange earnings over the last ten years (2013). However, the very nature of the business makes it highly dependent on water, a scarce natural resource. Infact, in a research done by the United Nations Population Fund (November 6, 2003), as much as two-thirds of the world's population is predicted to be under high water stress in 2025. To meet these qualms, ITC has formulated an innovative model - the Soil and Moisture Conservation Programme.*

This Situational Case Study, targeted towards management students, studying Corporate Governance, Strategic Management, Business Environment, Business Policy, aims to identify the embedded sustainability model of ITC's Agri-business division; analyse it in terms of its challenges and impact; and initiate discussion about Corporate Sustainability vis-a-vis Corporate Social Responsibility (CSR). This original work may also be undertaken for developmental related workshops/ training programmes for students and working professionals of innovation, CSR, sustainability and shared, among others, in various Chambers of Commerce and Academic forums on the same. It is, however, not intended to serve as an endorsement, source of data, or illustration of effective or ineffective management. Certain names and information could have been disguised for confidentiality.

Keywords *Corporate Social Responsibility, Corporate Sustainability, Embedded Sustainability, Strategic CSR, Triple Bottom Line (TBL)*

INTRODUCTION

Ms. Nisha Roy, a Corporate Social Responsibility (CSR) Consultant sat at her computer on a snug Friday morning on July 26, 2013. She had cancelled all her meetings and was waiting for Mr. Y.C. Deveshwar, the Chairman of ITC Limited to address the 102nd Annual General Meeting (AGM) that will be webcast live at the Company's web portal at itcportal.com. Nisha's area of interest was in tracking the social investment interventions of the Company.

Nisha was excited! The speech had started.

"I am sure you share my sense of satisfaction at yet another year of robust growth of your Company."

Nisha reflected.

ITC is one of India's leading private sector companies and a diversified conglomerate with businesses spanning over Fast Moving Consumer Goods, Hotels, Paperboards and Packaging, Agri-Business, and Information Technology. The changing character of the company found expression in the change of its name from Imperial Tobacco Company of India Ltd, in August 24, 1910 in Kolkata, to India Tobacco Company Limited in 1970 and then to I.T.C. Limited in 1974, and finally to the current form of ITC Limited without the full stops in 2001. In 2013, ITC had a market capitalisation of around US$45 billion and a turnover of over US$7 billion; was rated among the World's Best Big Companies, Asia's 'Fab 50' and named as one of India's Most Valuable Companies by Business Today. In its January-February, 2013 edition, the Harvard Business Review ranked ITC Chairman and the recipient of the Padma Bhushan (Government of India, 2011), Mr. Y.C Deveshwar, as the 7th Best Performing CEO in the world.

ITC forayed into agri-business in 1990 with a vision to transform the Indian agricultural landscape and earn foreign exchange for the country. Today, ITC's pre-eminent position as one of India's leading corporates in the agricultural sector is based on strong and enduring farmer partnerships that has revolutionised and transformed the rural agricultural sector. A unique rural digital infrastructure network, coupled with

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deep understanding of agricultural practices and intensive research, has built a competitive and efficient supply chain that creates and delivers immense value across the agricultural value chain. One of the largest exporters of agri-products from the country, ITC sources the finest of Indian feed ingredients, food grains, marine products, processed fruits and coffee.

Nisha knew that the journey was not without challenges. Agri-business is largely dependent on rain-fed agriculture. The demand for water in rural India often exceeded the supply during certain periods or poor quality restricted its use causing water stress. The small and marginal farmers thus faced deterioration of fresh water resources both in terms of quantity (aquifer over-exploitation, dry rivers, etc.) and quality (eutrophication, organic matter pollution, saline intrusion, etc.) This resulted in a vicious cycle of environmental degradation, falling productivity and poverty.

ITC was faced with conflicting questions and dilemmas. *How would it overcome the water problem? Could nature be controlled? Would such a profit-generating division have to close down? What would happen to the millions of marginalised farmers who were dependent on agriculture for their livelihoods? How could a threat be converted into an opportunity for the mutual benefit of the Company and the community?*

CASE BODY

The Challenge

In 1990, as ITC forayed into agriculture, it realised that its efficiency was greatly affected by the traditional supply chain mechanism in the agricultural sector, regulated by the Agriculture Produce Marketing Committee (APMC) Act, which conferred great power to the Committee and middlemen, that in most cases did not match the speed of operation of ITC's requirement. Moreover, the opening up of the Indian market in 1996 brought in International competition in the commodities business. The entry of international players further increased the competitive pressures, limiting opportunities for growth and further reducing operating margins. To combat this, ITC embarked on an initiative to deploy information and communication technology (ICT) to re-engineer the procurement of soybeans from rural India in 2000. It decided to 'go-direct' to the farmer with its e-Choupal initiative, which went on to revolutionalise and transform the supply chain dynamics of the agricultural sector in India.

When all looked sorted, possible disruption in agricultural patterns and yields posed to be a significant potential risk for ITC's agri-division. Besides the direct impacts of climate change, water availability was the single largest risk that the organisation foresaw.

India had the second largest population in the world with over 1.2 billion people, where agriculture with its allied sectors, was the largest livelihood provider to over 70% rural Indians. However, the Indian agricultural sector was largely unstructured, mainly consisting of resource strapped small/marginal farmers, engaged in rain-fed agriculture that covered approximately 80 million of the 141 million hectares of net sown area, in regions where the natural resource base was already fragile and under increasing stress. Thus, agriculture, which used 90% of India's total water resources, was most vulnerable to the adverse impacts of seasonality, environmental degradation and erratic rainfall patterns that led to the official declaration of 99 districts as drought-prone.

Groundwater sources accounted for 230 cubic km. every year - more than a quarter of the global level. This was the only water source during droughts and was used to meet almost the entire rural water demand and more than 45% of total irrigation. Further, the indiscriminate sinking of bore-wells and poor conservation practices led to drastic reductions in water-table levels that further reduced irrigation potential. Rainwater harvesting, public or private investment in water-harvesting and its use for irrigation were not optimised, with only10% of annual precipitation being harvested and the remainder lost as run-off.

As a CSR Consultant, Nisha had access to several Developmental documents. In a UNICEF report on Indian water, she had read, "*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*."

ITC, like many other natural-resource dependent companies was also grappling to ensure provision of uninterrupted supply of essential natural resources like water for agriculture, which was invisible at the end-product level but was the life-blood for most of its operations. Such uncertainty in its supply chain posed to be a threat to ITC-Agri Business Division's (ITC-ABD's)long-term competitiveness.

The survival and strategic imperative ITC-ABD faced was to create a sustainable competitive advantage and grow the business that could blend shareholder value creation with social development, complying with ITC's broader social agenda of nation building as part of their corporate philosophy. THIS, was a major challenge!

The Initiative: Soil and Moisture Conservation Programme (SMCP)

TheWorld Water Vision Report opined, "*There is a water crisis today. But the crisis is not about having too little water to satisfy our needs. It is a crisis of managing water so badly that billions of people - and the environment - suffer badly*."

In 2001, ITC started developing and implementing the SMCP, loosely known as the Integrated Watershed Development Programme (IWDP) covering watershed development and water resources development in the water-stressed areas, under its large scale social investments programme christened 'Mission Sunehra Kal.' The project aimed to establish an effective and sustainable framework for the integrated use, conservation and management of land and water resources for socio-economic growth of the farming community, with local communities playing a central role through the creation of strong grassroots institutions.

The three main objectives 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 optimisation at the grassroots levelbased 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.

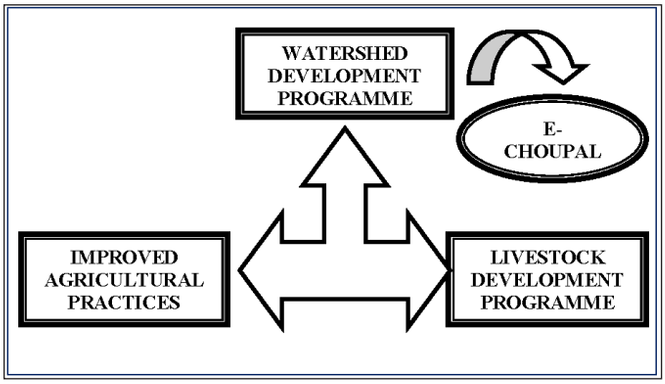
These Integrated projects were located in areas where ITC had an agri-business presence and further aligned to places where the e-choupals were already in operation. This brought about holistic development and promoted backward and forward linkages (Fig. 1), to its agri-commodity procurement channel and secured the long-term competitiveness of both farmers and ITC.

The Execution

ITC was aware that it needed strong collaborations and partnerships to penetrate into the Indian rural community. The programme, was therefore, based on a multi-stakeholder, bottom-up approach and executed with ITC's non-Government Organization (NGO) partners, to whom, ITC provided financial assistance as well as planning, execution, managerial and technical expertise.

The three distinct phases in the implementation process involved:

Fig.1: Thematic Diagram of the Soil and Moisture Conservation Programme

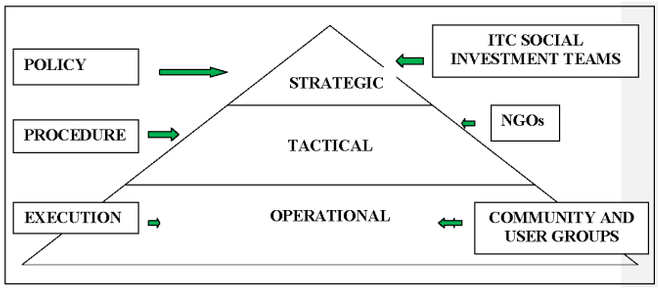


Source: Mitra, Nayan. (2014). Sustainable innovation in extractive Companies: Embedded Sustainability, CSR or Supply Chain Management?- ITC Case Study.

a. Rapport building
b. Institutional building
c. Implementation of physical measures

The NGOs were identified, based on their community understanding and technical expertise and ITC built a conducive environment of communication and information exchange with them. These NGOs worked as the project implementation partners and formed WUGs at the community level, under the close monitoring, review and assessment of ITC's Social Investments team from a macro and strategic perspective (Fig. 2).

Fig.2: Partnership, Collaboration and Network for ITC Funded Soil and Moisture Conservation Programmes



This enabled a process of continuous assessment of the project through group meetings, ongoing dialogue and feedback mechanisms for community need-identification and plugging them with best practices and corrective action, wherever possible.

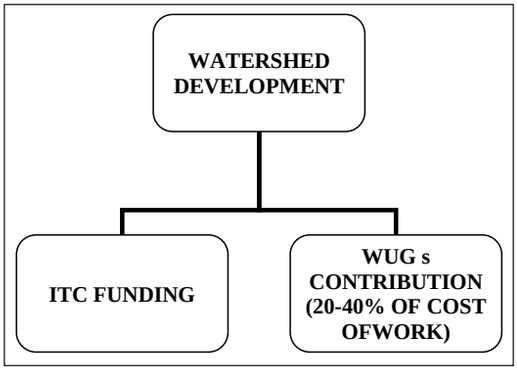
The two models in use for the SMCP were as follows:

i. Exclusive ITC funded Projects
ii. Public-Private Partnership (PPP)

ITC FUNDED PROGRAMMES

In such a case, ITC provided the chief funding, including NGO administration and capacity building cost; community/ WUGs came in during development of construction of structures, by contributing anything between 20-40% of cost of work (Fig. 3), resulting in high financial stakes and community ownership - imperative for long-term sustainability.

Fig.3: Dynamics of ITC Funded Programmes

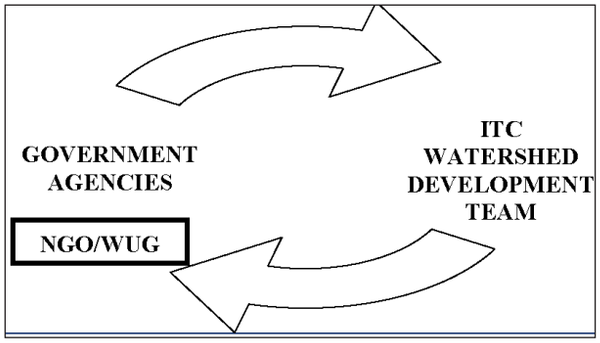


PUBLIC-PRIVATE PARTNERSHIPS

At the administrative level, ITC formed a number of PPP with the State Governments and National Bank for Agriculture and Rural Development (NABARD) in watershed development to achieve critical scale by bringing together the Government's reach and resources and ITC's extensive experience (Fig. 4).

Beginning with the agreement signed with the Rajasthan State Government in 2007, by 2010-11 ITC signed further agreements with the State Governments of Maharashtra and Madhya Pradesh as well as with NABARD for projects in 4 states – Andhra Pradesh, Bihar, Maharashtra, and Rajasthan. In 2009, ITC signed a one of the first of its kind Memorandum of Understanding (MoU) with the Government of Maharashtra to implement the Mahatma Gandhi Rural Employment Guarantee Act (MGNREGA) in 2 blocks of Jalna district covering 50 villages. ITC's project in Sehore (Madhya Pradesh) was included in the list of 47 best sites by the Rajiv Gandhi Mission for Watershed Management, Government of Madhya Pradesh.

Fig.4: Dynamics of Public-Private Partnership Programmes



By 2013, within the PPP intervention, 23% of IWDP/IWMP, 30% of NABARD and 47% of MGNREGA programmes were completed as per the Sustainability Report, 2013. Table 1 demonstrates the target versus actual performance of ITC with regards to the long-term Government projects till January, 2014.

In these projects, the government/ NABARD/MGNREGA/ IWMP provided bulk of the funding, depending on the area and the scheme with ITC as the operational partner with its SMCP team. ITC majorly invests on NGO administrative cost and capacity building which are crucial for effective delivery.

The Programme Challenges

The challenges of initiating and implementing such a programme were innumerable in a diverse country like India

Table 1: Target versus Actual Performance of ITC with Regards to Its Government Projects till January, 2014

PROGRAMME	PERFORMANCE		
	TARGET (Ha)	ACTUALS (Ha)	ACHIEVEMENT (%)
NABARD	42,625	20,504	48%
MGNREGA/IWMP/IWDP			
Madhya Pradesh	15,039	1,545	10%
Maharashtra	42,971	14,337	33%
Rajasthan	43,117	6,571	15%
Total	1,01,127	22453	22%

Source: ITC Company Sources - February, 2014

(7th largest country in the world; area of 3,287,590 sq. km). Some of them are as follows:

a. **Developing a replicable Watershed Development model:** across geographies, with the flexibility to be tailored to individual community needs. ITC started with small pilot projects before replicating and scaling it.

b. **Making the project sustainable:** This was overcome by implementing the model of community-participation based approach of creating WUGs, who were trained to devise user regulations and build up a maintenance fund, which brought about ownership among the community.

c. **Selection of community-based Organisation (CBO) partners at the grassroots level:** This was conquered by selection of NGOs based on their community experience and technical expertise as project implementation partners.

d. Formation and capacity building of WUGs: This was overcome by ensuring participation of the most disadvantageous and exploited community in the WUGs to guarantee equitable representation.

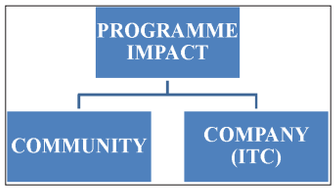
Other challenges included institutional strengthening, selection of the area that needed to be emphasised for the sustainability of the programme, resource utilisation in terms of time and energy that needed to be spent on this area.

The Programme Impact

Looking at the computer, Nisha realised, Mr. Deveshwar was also talking about SMCP: *"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 lakh milch animals…. "*

The impact of ITC's SMCP could be understood from the 2C perspectives (Fig. 5)-the Community and the Company.

Fig. 5: 2C Perspective of Programme Impact



COMMUNITY

SMCP brought about enormous qualitative and quantitative changes to the community at the grassroots level through formation and transformation of CBOs into productive multi-stakeholder partners, creation of sustainable livelihoods for large number of marginal and landless farmers and improving the socio-economic conditions of target communities; reducing the severe impact of drought and resultant high levels of seasonal out-migrations.

Initiated in 2001, in 21 villages in Prakasam District in Andhra Pradesh, the village-based management of water and other natural resources had grown to encompass 978 functioning WUGs with over 15,000 members in 720 villages in 23 districts across 7 states, accumulating a cumulative Maintenance Fund of over Rs. 65 lakhs, benefitting over 1 lakh farmers from the improved water availability and generating 3.5 million person-days of employment through civil work.

Table 2: Outcome of ITC'sWatershed Development Programme in 2011-13

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
EmplMandays (Lakhs)	7.67	9.21	35.24

Source: ITC Sustainability Report, 2013

Over 4141 water harvesting structures (Table 2), such as farm ponds, check/stop dams, small and large irrigation tanks, establishment of catchment treatment measures such as contour trenches, boulder checks, etc. were built, covering a total watershed area of 1,16,127(Ha.).

ITC's Research and Development (R&D) specialists provided technological know-how of agricultural productivityto farmers that helped develop agriculture (average rise of 10-20% productivity through crop diversification towards commercial varieties, double/multi-cropping).

Initiated in 2004, by the close of 2010-11, ITC's improved agricultural practices programme had grown to be operational in 9 states, benefitting 24,435 rural households with over 2,900 hectares under Integrated Plant Nutrient Management (IPNM) and constructed/ revived 497 group irrigation wells to provide irrigation to over 2,800 Ha., initiated over 14,000 family-owned compost units-leading to decreased use of chemical fertilizers, cleaner soils and crops and giving these households a supplementary income.

The Livestock Development programme helped to raise milk yields through breed improvement supported by comprehensive animal husbandry services, thereby enabling cattle owners to earn supplementary incomes from milk sales. Initiated in 2003, it operated in over 8,000 villages in 5 states, benefitted over 2,84,000 rural households, established 303 Cattle Development Centres, performed over 10.8 lakh artificial inseminations and provided comprehensive animal husbandry services to over 1.64 lakh cattle.

COMPANY

The company, among other things, had enhanced supply-chain sustainability, corporate brand equity, competitive advantage and had minimised its regulatory and financial risk.

ITC's water conservation, watershed development and rainwater harvesting projects adequately addressed issues of sustainable and equitable water usage by the company especially of their agri-related businesses. The total rainwater harvesting potential created by the company had been over two times its net water consumption (Table 3).

The continued focus on rainwater harvesting in the catchment areas of its agri-business operations had enlarged its water positive footprint that not only reduced fresh water intake but also maximised groundwater recharge and reduced run off (Table 3).

The programme implementation helped the company to be legally sound in terms of the various government regulations like the National Water Policy (2002) initiated by the Government of India – Ministry of Water Resources; the CSR compliance of the New Companies Act, 2013 etc.

SMCP impacted the long-term financial and competitive advantage of the company by implementing such sustainable natural resource augmentation strategy as a backward integration to its business model. This was indeed an exemplary action as extractive industries – which by their very nature, often fail to be sustainable in the long term.

Table 3: Water Balancesat ITC from 2002-2013

WATER BALANCE- 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
% of treated effluent utilised 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. Adjustments 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

Source: ITC Sustainability Report, 2013

The Moisture Conservation Projects also helped to sustain the Water Positive status of the company for the 11th year in a row as on March 31, 2013, greatly enhancing the reputation of the company. The programme had also helped the company earn national and international awards and accolades from eminent bodies.

Awards and Accolades

The SMCP had earned numerous national and international accolades and awards for ITC in the social development, water-related and CSR areas (Annexure1), including the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008) and Confederation of Indian Industry (CII) "Excellent Water Management Initiative" for its Watershed Development Programme (2012).

The way forward…

Only two months back, Nisha was an audience at the CII-CSR Meet at the Town Hall in Kolkata, where Mr. V. Vijay Vardhan, Operations Manager, Social Investments Programme, ITC Limited had given a presentation on the SMCP initiatives of the company. In the face of emerging global and national water crisis, ITC's water development initiative through community partnership approach was timely and commendable. There was a renewed recognition in India of the benefits of community-based management of water conservation techniques.

ITC's SMCP replicable model used 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 was directly in line with ITC's policy on social investments / CSR strategies, which, among others, aimed to enable realisation of the twin goals of shareholder value enhancement and societal value creation in a mutually reinforced, synergistic manner; align and integrate the programmes with the business value-chains of the company and make them outcome oriented, implementing them primarily in the economic vicinity of the Company's operations to ensure long term sustainability of such interventions.

Nisha often thought ITC was possibly the most environmentally responsible large company of India, with well-entrenched embedded sustainability measures, significant focus on Triple Bottom Line Approach (Environment, Economic, Social) and one of the few companies of the country which pains takingly compiled Annual Sustainability Report for nine years at a stretch, conforming to the Global Reporting Initiative (GRI) guidelines at A+ level. She often exemplified ITC's social initiatives in her presentations to other Companies.

In the computer, Mr. Deveshwar's speech at the 102nd AGM was coming to the end - "*Your Company has left no stone unturned to move ahead on this journey based on the strength of its convictions* **……** *This exemplary triple bottom line performance, to my mind, is the most enduring contribution of your Company to our Country and to society at large…*"

ANNEXURE 1

Awards and Accolades

Some of the select awards received by ITC in the areas of CSR, Triple Impact, sustainability and in the agri-business over the years are as follows:

- The Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007).
- Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008).
- Ranked 2nd among top Indian companies in the first of its kind Standard & Poor Environmental, Social and Corporate Governance ratings (2008).
- The FICCI Outstanding Vision Corporate Triple Impact Award, presented by the Prime Minister, Dr Manmohan Singh (2008).
- UNIDO Award at the International Conference on Sharing Innovative Agri Business Solutions at Cairo (2008).
- Ranked 2nd among top companies in India and 7th in Asia in the first of its kind Asian Sustainability Rating released by CSR Asia (2010).
- The FICCI Award for Outstanding Achievement in Rural and Community Development, presented by the then Finance Minister, Shri Pranab Mukherjee (2010).
- AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility (AFCSR) for contribution to sustainable livelihoods creation and fostering economic growth in rural communities in India (2012).
- 12th Business world FICCI CSR Award in the Large Enterprise category (2012).
- Best Overall Corporate Social Responsibility Performance Award at the Institute of Public Enterprise (IPE) & Subir Raha Centre for Corporate Governance (2012).
- CII "Excellent Water Management Initiative" for its Watershed Development Programme (2012).

Annexure 2

Table A1: Table of Abbreviations (in alphabetical order):

(Compilation of all the abbreviations used in the Case Study, including the ones used in the teaching notes and annexures for easy reference)

ABBREVIATION	FULL FORM
AFCSR	Asian Forum on Corporate Social Responsibility
AGM	Annual General Meeting
APMC	Agriculture Produce Marketing Committee
ARDC	Agricultural Refinance and Development Corporation
CBO	Community-based Organisation
CEO	Chief Executive Officer
CII	Confederation of Indian Industry
CS	Corporate Sustainability
CSR	Corporate Social Responsibility
DDP	Desert Development Programme
DPAP	Drought Prone Areas Programme
FICCI	Federation of Indian Chamber of Commerce and Industry
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
Ha	Hectares
ICT	Information and Communication Technology
IPE	Institute of Public Enterprise
IPNM	Integrated Plant Nutrient Management
ITC ABD	ITC Limited's Agri-Business Division
I.T.C.	India Tobacco Company
IWDP	Integrated Watershed Development Programme
IWMP	Integrated Watershed Management Programme
Km.	Kilometre
M B A / P G P M / PGDM/PGDBM/ PGDBA	Master of Business Administration/ Post Graduate Programme in Management/ Post Graduate Diploma in Business Management/ Post Graduate Diploma in Business Administration
MGNREGA	Mahatma Gandhi Rural Employment Guarantee Act
MKL	Million Kilolitre
MoU	Memorandum of Understanding
Mr.	Mister
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organisation
No.	Number
NRAA	National Rainfed Area Authority
NVG	National Voluntary Guidelines
PPP	Public-Private Partnership
R&D	Research and Development
RBI	Reserve Bank of India
SMCP	Soil and Moisture Conservation
sq. km.	Square Kilometre
TBL	Triple Bottom Line
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
US$	United States Dollar
WUG	Water User Group
Y.C	Yogesh Chander

QUESTIONS

1. 'Embedded sustainability is the next big competitive advantage.' Justify with suitable examples.
2. Critically analyze the 'triple bottom line' concept with regards to ITC's Soil and Moisture Conservation Programme.
3. Can/should ITC report its Corporate Sustainability initiatives under Corporate Social Initiative report also, when CSR spend is mandated under Government laws in India? Explain.
4. Should ITC be expected to make significant resource investments in the Soil and Moisture Conservation Programme, or whether it is the responsibility of the government to provide adequate and clean water to the industry which it can pay and procure? Water is whose responsibility?

TEACHING SUGGESTIONS

Some of the concepts and issues that impact the Study of the case are as follows:

1. **Agriculture in India:** Agriculture, with its allied sectors, is the largest livelihood provider in India, especially in the vast rural areas. Having witnessed a series of revolutions - green, white, yellow, blue, Indian agriculture contributes significantly to the Gross Domestic Product (GDP). Food security, rural employment, and environmentally sustainable technologies such as soil conservation, sustainable

natural resource management and biodiversity protection, are essential for holistic rural development and thereby sustainable agriculture.

2. **The New Company's Act:** To promote CSR activities in India, Ministry of Corporate Affairs, Government of India, launched Corporate Social Responsibility Voluntary Guidelines in 2009, known as the National Voluntary Guidelines (NVG). In December 2012, the voluntary guidelines evolved into an Amendment in The Companies Bill, 2011, passed by the Lok Sabha, which was then passed as an Act in August, 2013 allowing the country to have a modern legislation for growth and regulation of corporate sector in India.

   Section 135 of the Act lays down provision for spending at least 2% of the average net profits made by certain Companies during the three immediately preceding financial years on CSR every financial year. It specifies the formation and composition of the CSR Committee, their dissemination and accountability along with Schedule VII, which states the priority areas that may be included by companies in their Corporate Social Responsibility Policy Activities.

3. **Corporate Social Responsibility (CSR):** The World Business Council for Sustainable Development (2007) defines CSR as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.'

4. **Corporate Sustainability:** The United Nations' Brundtland Report (1987) is credited with first referring to sustainability as having three necessary and co-existing components being, environmental, economic and social sustainability. Sustainable development therefore comprises of economic, social and environmental dimensions – with each having competing claims for primacy. Corporate enterprises are expected to adopt sustainability policies that balance the trade-offs between these competing claims for the promotion and growth of business.

5. **Embedded Sustainability:** Chris Laszlo and Nadya Zhexembayeva (2011) defines 'Embedded Sustainability,' which states that three interconnected and interdependent trends – decreasing resources, radical transparency and increasing expectations – are redefining the way business is creating value. They argue that sustainability must be embedded into existing business priorities, making the Company stronger.

6. **Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises:** Government of India, in its earlier guidelines for Central Public Sector Units, used to treat the two concepts of Corporate Social Responsibility (CSR) and Corporate Sustainability (CS) as separate subjects and asked for separate report on each category. However, according to a new guideline (effective from April 1, 2013), CSR and CS agenda is now perceived to be equally applicable to internal stakeholders (particularly, the employees of a company), and a company's corporate social responsibility is expected to cover even its routine business operations and activities. Accordingly, under the revised guidelines, the public sector units are expected to formulate their policies with a balanced emphasis on all aspects of CSR and CS- equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

7. **IWMP:** Under the chairmanship of Shri S. Parthasarathy (2006), the Technical Committee on Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP) and Integrated Wastelands Development Programme, addressed major issues in watershed programmes and recommended viable strategies and mechanisms for effective implementation of these programmes. Based on the suggestions of the Committee, National Rain fed Area Authority (NRAA), in coordination with Planning Commission, formulated Common Guidelines for Watershed Development Projects, 2008 to give an impetus to watershed development programmes that necessitated modifications in the watershed schemes of the Department of Land Resources, including consolidation of the Drough Prone Areas Programme (DPAP), Desert Development Programme (DDP) and Integrated Wastelands Development Programme into a single modified programme called Integrated Watershed Management Programme (IWMP) w.e.f. 26.02.2009.

8. **NABARD:** National Bank for Agriculture and Rural Development (NABARD) was established on July 12, 1982 by an Act of the Parliament, in which the agriculture credit functions of the Reserve Bank of India (RBI) and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC) were transferred to promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives.

9. **National Water Policy:**The National Water Policy was first framed in 1987, then reviewed and reframed in 2002 by the Government of India; Ministry of Water Resources.

The Policy of 2002, envisages to establish a standardised national water information system; water resource planning, including directives for institutional mechanism, water

allocation priorities, ground water regulation, resettlement, rehabilitation, financial and physical sustainability through participatory approach and private sector participation. The Policy also allocates priorities for drinking water, irrigation, hydropower, navigation, industrial and other uses, water quality, water zoning, water conservation, water sharing/distribution amongst the States, flood control and management, land erosion by sea or river, drought prone area development, project monitoring, performance improvement, maintenance and modernisation, safety of structures, science and technology.

10. **NREGA/MGNREGA:** The Mahatma Gandhi National Rural Employment Guarantee Act aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work.
11. **Triple bottom line (TBL):** 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 period of time. He claimed that only a company that produces a TBL is taking account of the full cost involved in doing business. Many people talk about TBL as if this is the panacea of CSR and therefore inevitably concerned with sustainability.
12. **Water footprint:** The Water Footprint of a product can be defined as the volume of freshwater required in producing the product, taking into account the volumes of water consumed and polluted in the different steps of the supply chain.

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