



THE RESPONSIBLE BUSINESS PRACTICES OF ITC LIMITED

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INTRODUCTION:

The ideas of charity and stewardship helped to shape the early thinking about Corporate Social Responsibility. It is about how companies manage the business processes to produce an overall positive impact on society. It is known as Corporate Responsibility (CR) in UK as a conscious move to expand the boundaries away from purely social or community issues to include broader areas of governance and environmental sustainability. In the first International Summit on CSR hosted by ASSOCHAM, Mr. Sajjan Jindal, the then President elect, stated that “the Corporates must adopt a long term approach rather than sticking to shorter interventions involving the company and employees in the long term process of positive social transition”. Dr. Abdul Kalam said that “the Industrial houses can take urgent actions for conservation of energy, promoting use of renewable energy to the maximum extent in their plants and facilities”. Having understood that the scope of the term CSR was limited, Government of India has renamed it as ‘Responsible Business’ which covers nine broad principles concerning to social, environmental and economic responsibilities of business.

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OBJECTIVES:

It is evident from the National Voluntary Guidelines that it is mandatory for the Public Sector Units that 2% of their average net profit for the preceding three years must be spent on CSR activities, if they are with a net worth of Rs.500 Crores or more or those that have an annual turnover of at least Rs.1000 Crores or those with a net profit of Rs.5 Crores or more. The CSR practices of ITC Limited, which has been transforming lives and landscapes for years, have been discussed below. The objectives of this study are:

- a) To give an outline on CSR
- b) To present the Triple Bottom Line approach of ITC Limited
- c) To discuss on the CSR practices of ITC limited

DESIGN OF THE STUDY:

A Case study method has been adopted to present the facts about the CSR practices of ITC limited as it has been remaining Carbon Positive, Water Positive and Solid Waste Recycling positive since a couple of years. The required data were collected from the secondary sources like brochures, annual reports, magazines and internet.

DESCRIPTION OF CSR

Social, moral and ethical aspects of business decisions are as important as economic aspects to judge the success of a business firm. The mission of the socially responsible organisations is to influence the process of developing and advocating socially responsible practices which benefit not only the organisation and its employees, but also the community as a whole, the economy and the world environment. So, the companies should allocate specific resources for CSR activities and should have monitoring systems to track implementation process and impact. Traditionally profits only were viewed as objectives of business. But now, the time has changed as the business operates with the support of the social system and every business has new objectives other than profit, as per which the business enterprise must correspond to the social environment in which it operates.

Institute of Chartered Accountants in England & Wales defines CSR as "Corporate Responsibility is about ensuring the organisations manage their businesses to make a positive impact on society and the environment whilst maximizing value for their shareholders" International Finance Corporation defines Corporate Social Responsibility as the commitment of functional business to contribute to sustainable economic development



by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”.

TRIPLE BOTTOM LINE APPROACH OF ITC LIMITED:

The Economic, Environmental and Social dimensions of a firm form the base of the Triple Bottom Line approach to its CSR policy. A business impacts society in these three dimensions. The contributions of ITC to the economic, environmental and social dimensions are:

Economic:

A growing portfolio of business encompassing FMCG, Paperboards and packaging, Agri and Foods business, Hotels and Information Technology

- A turnover of over US \$ 6 billion and a market capitalization of over US \$ 22 billion
- Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of over 24% per annum over the last 15 years
- The new FMCG businesses support the competitiveness, technology upgradation and market reach of over 170 Small and Medium Enterprises (SMEs)
- ITC Group provides direct employment to more than 26,000 people

Environmental:

- ITC has been ‘Carbon Positive’ five years in a row (sequestering/storing twice the amount of CO₂ that the Company emits)
- ‘Water Positive’ eight years in a row (creating three times more Rainwater Harvesting potential than ITC’s net consumption)
- Waste Recycling Positive for three years in a row
- All Environment, Health and Safety Management systems in ITC conform to international standards

Social:

- ITC’s businesses generate livelihoods for over 5 million people
- ITC’s globally recognised e-Choupal initiative is the world’s largest rural digital infrastructure benefiting over 4 million farmers
- ITC’s Social and Farm Forestry initiative has greened over 1,00,000 hectares, creating an estimated 46 million person-days of employment among the disadvantaged.



- ITC's Watershed Development initiative brings precious water to over 50,000 hectares of drylands and moisture-stressed areas.
- ITC's Sustainable Community Development initiatives include women's empowerment, supplementary education, integrated animal husbandry programmes.

RESPONSIBLE BUSINESS PRACTICES OF ITC LIMITED:

(a) e-Choupal Rural digital-physical infrastructure:

ITC's globally awarded e-Choupal initiative is a powerful illustration of a unique business model that delivers large societal value by co-creating rural markets with local communities. The e-Choupal digital infrastructure enables even small and marginalised farmers in rural India, who are de-linked from the formal market, to access relevant knowledge, market prices, weather information and quality inputs to enhance farm productivity, quality and command better prices-making them more competitive in the national and global markets. Customised agri-extension services and farmer training schools through a focused programme-'Choupal Pradarshan Khet' – enable farmers to access best practices in agriculture and improve productivity. Together the digital-physical-human infrastructure has led to the creation of an efficient two-way channel-raising farmer incomes and productivity, transforming rural communities into vibrant markets

(b) Social and Farm Forestry:

ITC procures wood pulp for its Paper and Paperboards business from renewable plantations cultivated by tribals and farmers on their private wastelands. ITC invested in extensive R&D to create clonal saplings which apart from being disease resistant, grow much faster and in harsher conditions. A large number of tribals and marginal farmers have benefited by growing these pulpwood saplings on their private wastelands. Recently, ITC's Social forestry project in Andhra Pradesh was registered under the Clean Development Mechanism of the United Nations Framework Convention on Climate Change. The carbon credits earned will also be shared with the tribals and farmers, enabling them to participate in an international carbon market mechanism

(c) Integrated Watershed Development:

Recognising the vital role that irrigation and water play in the rural economy, ITC supports the creation of watershed projects in water-stressed areas, providing precious water



resources for agriculture, rural communities and livestock. Based on a participatory approach that involves local communities, the programme facilitates building, reviving and maintaining water harvesting structures as well as management of water resources to reverse land degradation, provide critical irrigation and increase agricultural productivity.

(d) Providing Supplementary Education:

ITC's Supplementary Learning Centres offer additional coaching that backs up school learning, stemming drop-outs and enabling more children to complete school. ITC also supports outreach projects, including mobile libraries that foster the reading habit and a 'roaming laptop' programme that promotes computer skills and interactive learning.

(e) Economic Empowerment of Women:

ITC's initiatives provide sustainable economic opportunities to poor women in rural areas by assisting them to form micro-credit self help groups that enable them to build up small savings and finance self-employment and micro-enterprises. A large number of women earn income as self-employed workers or as partners in micro-enterprises. The programme has demonstrated that extra income in the hands of women leads to significant and positive changes in human development since it is spent largely on children's education, health and nutrition and is a catalyst for gardening development.

(f) Livestock Development:

ITC's livestock development programme assists rural households to upgrade livestock quality through cross-breeding by artificial insemination to boost milk productivity by a factor of 6-9 times, leading to a threshold increase in household incomes and thereby an improvement in their poverty status. Currently, these initiatives reach out to nearly 2,600 villages in 5 states.

(g) ITC Green Centre:

The 'ITC Green Centre' in Gurgaon has been certified by the US Green Building Council for Leadership in Energy & Environmental Design (USGBC-LEED) as one of the first and one of the largest commercial 'Platinum rated' buildings in the world and continues to provide inspiration to the 'greener buildings' movement in India. At ITC Green Centre, energy consumption has been reduced significantly through design integration. The building has been designed to maximize the use of natural light during the day, largely eliminating the need for artificial lighting. At the same time, glass used for the windows allows light in, but



does not allow heat. Water consumption has been reduced by 40% and with a water recycling plant, the building is now a zero water discharge building.

(h) Renewable Energy at ITC:

ITC has adopted a conscious strategy to lower its carbon footprint, which has brought immense benefits. Currently, renewable sources and carbon neutral fuels provide over 30% of the Company's total energy consumption

(i) Empowering the differently abled:

ITC's hotel business, ITC-Welcomgroup has taken a positive step by employing differently abled people across their hotels. Committed to the principle that everyone should be treated with sensitivity and empathy, ITC-Welcomgroup has created models which have been effective and have succeeded in sensitizing other employees to the needs of those differently abled. Keeping in mind their specific skills, over 100 differently abled people have been employed in diverse functions like housekeeping, teleworking, bakeries and as musicians. For its substantial contribution to the cause of promoting employment opportunities for differently abled people over an extended period of time, the NCPEDP Shell Helen Keller Award was conferred on ITC-Welcomgroup.

GLOBAL RECOGNITION TO ITC LTD.:

The company has been recognised around the globe for running its business with responsible business practices. The feathers added to the company are the various awards received by the company at various stages. To mention them vis-a-vis Inaugural World Business Award, Development Gateway Award, Stockholm Challenge Award, UNESCO – Water Digest Corporate Social Responsibility Crown Award, Asian CSR Award for Environmental Excellence, SAM/SPG Sustainability Leadership Award conferred on Mr. Y.C. Deveshwar, Chairman, ITC Limited, FICCI Outstanding Vision Triple Impact Corporate Award, UNIDO Award at the International Conference on Sharing Innovative Agri Business Solutions, Readers' Digest Pegasus Award and NCPEDP Shell Helen Keller Award.

CONCLUSION:

ITC has been handling the commercial market with successful strategies for many years. The company believes that its corporate strategy which holds societal development as an integral part of its mission of wealth creation for the stake holders ensures the long term sustainability of the business enterprise. The company has been contributing to social and



environmental dimensions with similar importance with which it contributes for economic dimension, which is one of the major reasons for its goodwill and long standing in the business. Instead of adopting only a philanthropic approach, the company has made social responsibility as a part of its day today activities which are evident from the contributions discussed above. If all the multinational and national companies adopt such practices, countries across the world would definitely reach promising, constructive and sustainable growth.

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