

Corporate Responsibility and the Challenges of Sustainability



Dr Mukund Rajan
Former Chairman
Tata Global Sustainability Council

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Good evening ladies and gentlemen. It is a pleasure to be here today, and to share with you some perspectives on the challenges of sustainability that corporates face, and the role that corporates might be expected to play in directing the changes we can expect to see in the next three decades.

As a lifer in the Tata group, I will draw upon examples from the Tata organization, amongst others, and demonstrate that corporates can and must play a leading role, alongside Governments and other stakeholders, in driving much needed changes in society. Some of these changes, inevitably, will need to be directed internally, within corporates themselves.

I will start with the critical environmental sustainability challenges the world faces today, and then reflect on the social challenges that we will need to address in the coming decades.

The first environmental sustainability challenge is the pressure that a growing global population places on the natural environment. We are now reaching the so-called Earth Overshoot Day, the date when humanity’s demand for ecological resources and services in a given year exceeds what Earth can regenerate in that year, in August, which is simply frightening. A very specific outcome of our consumption of fossil fuel based energy sources is the looming threat of global warming, which will lead to melting glaciers, sea level rise, inundation of low lying geographies, changes in cropping patterns, and increase in natural disasters. We are already witnessing the phenomenon of the increasing frequency of man-made environmental disasters in India, like the Uttarakhand floods four years back, or the Chennai floods of 2015, or the Assam floods last year.

The second critical environmental sustainability challenge is the pressure of urbanization on infrastructure and housing, inevitable in the context of accommodating over 1 billion migrants we expect to see across the globe over the next decade.

The environmental degradation this will create can be gauged from the fact that a majority of the world’s urban population already lives in cities with air pollution levels at least 5 times higher than the World Health Organization’s (WHO) recommended standards. India is no stranger to this problem; it is worth noting that as per the WHO’s ambient air pollution database released in 2017, 13 of the top 20 most polluted cities in the world are in India. We know that in our capital city, Delhi, the air pollution continues to be severe, aggravated by the crop burning by farmers in the neighbouring states. The images of children in Delhi going to school wearing masks last year is a forewarning of our future if we don’t take urgent action.

The good news is that corporates are recognizing the critical urgency of responding to these challenges. They are beginning to integrate sustainability thinking into their strategies, and are making real investments and business choices that reflect their commitment to addressing issues like climate change. At Tata, for instance, our energy utility company, Tata Power, has emerged as India’s largest renewable energy player, and has announced that by 2025, 40% of its generation capacity will come from renewables. Our automobile company, Tata Motors, has joined RE100, the global collaborative initiative of companies committed to using 100% renewable power. And we are piloting innovative projects around the theme of the circular economy, a good example of which is the work being done in Jaguar Land Rover’s REALCAR (REcycled ALuminium CAR) project.

Corporates are also taking cognizance of the calls for greater transparency and accountability in their sustainability practices. The recent recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), around reporting of material climate-related risks by businesses in their financial filings, are but the latest in a series of disclosure guidelines that more and more corporates are heeding.

The challenges that face us are also stimulating significant innovation and collaboration in the corporate world. The continuing success of the Montreal Protocol on Substances that Deplete the Ozone Layer which has seen corporate collaboration and innovation to phase out ozone depleting substances is a good example.

The challenges of sustainability are also catalyzing new business opportunities and business models. In India, we are seeing this in areas like rooftop solar, green buildings, the internet of things, and the emergence of the sharing economy in sectors like transportation and hospitality.

Let's turn next to the social challenges that we will need to address - the question of growing economic inequality in society. At Tata, we have learnt over a century and a half that if we do not address inequality in society, it prevents us from becoming a valued member of the community, and a neighbor of choice.

Our Founder, Jamsetji Tata, was clear about the role of business in the community, when he famously said that "In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence". He felt corporates have a responsibility to concern themselves with the quality of life of the communities they serve. If the community is not successful, if the customers, suppliers, lenders and investors in that community are not successful, it is hardly likely that the corporate that serves that community will survive.

It is this differentiated purpose that informs the work we do for addressing inequalities in society through, for instance, our Affirmative Action programme, or our work in addressing gender diversity.

The Tata Affirmative Action Program (TAAP) uses the 4 Es – Education, Employability, Employment, and Entrepreneurship – to address the inequities and social exclusion faced by the SC/ST communities.

Turning to gender inequality, a great example of the role corporates can play in shining a light on this issue is the campaign designed by Tata Global Beverages under their Jaago Re platform, 'The Power of 49'. This campaign was designed to encourage women in India to recognize their power to change the country with the use of informed votes. The campaign was launched ahead of the 2014 General Elections; a multi-media campaign solicited women's inputs on the issues that really mattered to them, as a result of which views were gathered from over 1.2 million women, perhaps the largest survey of its kind.

These views found their place in the 'Voice of 49' manifesto, and eventually were integrated into the political manifestos of India's three largest political parties. The campaign won the Grand Emvie award for the best campaign of the year in 2014-15; more importantly, as a result of initiatives like this and other efforts to mobilize women to register for and cast their votes, the General Elections witnessed the highest ever female voter turnout in Indian history, at 66% compared to 56% in the previous General Elections.

The bottomline with societal inequality is this – you need to carry the community with you, and demonstrate your commitment to inclusive growth.

Of course, inequality also exists within corporates, and questions can be raised about the compensation structure of corporates. In recent years, questions have been raised about the level of executive pay, and the acceptability of very high pay differentials between the highest paid executives and the lowest paid workers in an enterprise. This should, of course, not tempt us to revisit the bad old days of socialism when salaries even in the private sector were capped. Nor should we envy the wealth creation by entrepreneurs, such as the new billionaires leading the so-called Indian unicorns. But we need to be sensitive to this issue of income disparity.

So, I want to make the case that corporate responsibility, in the wake of the many new challenges of sustainability, requires a new face to be presented by corporates and corporate leaders. A face that is genuinely caring and concerned, that is willing to invest for long-term solutions to current problems, that recognizes the social tensions that arise from gross inequalities in society, and that is willing to undertake the changes necessary to make a meaningful difference.

In making change possible, I believe there are three spaces where corporates will be increasingly tasked and challenged. The first is the role of those millions of men and women who make up part of every corporate's organization. I believe volunteering, and active demonstration of individual responsibility, will be something increasingly expected from every

corporate. At Tatas, we have accordingly undertaken a corporate volunteering programme, Tata Engage, which we believe is the largest in India - last year, it delivered over a million hours of volunteering support for non-profits. What we have found from this exercise is that our employees emerge from the experience of volunteering more enthused and passionate about the work they do and the difference they can make in society. And very gratifying is the fact that this is especially true of the millennials in our organization.

The second space where corporates will be challenged is the need for collaboration to address complex problems. Fortunately, legislations such as the CSR amendments to the Indian Companies Act are helping to address this by permitting corporates to pool their CSR funds, to achieve greater impact; the space is seen as one where corporates can collaborate, without worrying about losing their competitive edge, and where the contribution they can make offers a win-win for all stakeholders. As a result, corporates are now aggregating their funds to deliver results on scale; this also has the benefit of reducing the system overheads on issues like staff salaries, commissioning of experts, and the like. At Tata, we are seeing this play out in initiatives like our skills development activity, where corporates like Schneider, Siemens and Bosch have willingly joined hands with us to deliver high quality skills development programmes.

The Companies Act also mandates strict standards of reporting and hence gives external stakeholders a chance to assess the impact companies are creating in CSR. This scrutiny is elevating the discourse on CSR at the level of the Board – where earlier CSR spending by Indian companies used to be something undertaken “beyond business”, if and when a corporate had the money and inclination, it is now a firm mandate, and a matter of considerable debate and discussion amongst the Board Directors, with a focus on the efficiency of spending and the outcomes delivered.

As a result, corporates are significantly revamping and refreshing their CSR programmes, and bringing in the discipline and rigours of measurement that they would hitherto reserve for their business activities. The efficiencies being introduced in ensuring that every rupee spent on CSR delivers appropriate value is definitely helping the sector.

The third space where corporates will be challenged relates to the structure of corporate ownership, and this is linked to the economic inequality in society which I mentioned earlier. At Tata, we have been fortunate to be owned at the level of our parent investment holding company, Tata Sons, principally by charities. These charities, created from the wealth bequeathed by Jamsetji Tata’s sons, are India’s largest private charities today, undertaking various philanthropic causes across the country, giving away in the region of over \$ 100 Mn, a number that has been steadily rising, every year. As a result, we are a most unusual corporate in the world of capitalism, owned as we are principally by charities that are dedicated to doing good. As JRD Tata famously said “The wealth gathered by Jamsetji Tata and his sons ... is held in trust for the people and used exclusively for their benefit. The cycle is thus complete. What came from the people has gone back to the people many times over.”

The Trusteeship model of ownership does a lot to instill pride in employees, and to engender trust within other stakeholder groups. As the challenges of sustainability present dramatic possibilities to each society, I am certain there will be more debate on the role of corporates and the structure of corporate ownership.

Ladies and gentlemen, thank you so much for listening to me. I hope what I have said will provoke more thoughts around the role of corporates in addressing the challenges of sustainability in society.

Thank you very much.

Dr Mukund Rajan
Former Chairman – Tata Global Sustainability Council

Microsoft lab is the quietest place in the world: A lab built by Microsoft at its headquarters in Washington, US, is the 'Quietest place on Earth', as recognised by the Guinness World Records. The company built the anechoic chamber for audio and device testing, and reported -20.35 dBA average background noise. An anechoic room is insulated from exterior noise sources and designed to completely absorb reflections of sounds inside.

Google installing 9,656 km undersea cable between Japan, Australia: Technology giant Google on Tuesday said it has started installing a 9,656-kilometre-long undersea cable between Japan and Australia to expand its cloud business. The cable system will have two fibre pairs connecting Japan to Guam, and two fiber pairs connecting Guam to Sydney. The project is expected to be completed by the end of 2019, Google said.