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While India has been benefitting economically from its remarkable growth record, the country has also been suffering from substantial negative externalities. When it comes to reverse effects from environmental degradation, India has bared a cost of \$30 billion per year, or 5.7 percent of its GDP, according to the World Bank estimates



LOOKING BEYOND TREE-PLANTATION DRIVE

*A Triple-win For*

*Company, Society &*

*Environment*

Rapid economic and demographic growth is threatening the environment through expansion and intensification of agriculture, uncontrolled urbanization and industrialization and destruction of natural resources. This accelerated human impact on a fragile eco-system, which in turn is exposing the population to severe air and water pollution. Moreover, India is at the top of the "race to the bottom" aiming at producing low cost products with minimal cost (made possible by cutting business regulations, labor standards, environmental laws and excise taxes). While living standards have increased for a portion of the population, the environmental standards are being drawn down. Bearing in mind the

size and diversity of the Indian economy, there is a promising prospect on the horizon.

With the passing of the new Companies Act 2013, Corporate Social Responsibility (CSR) has become a legal obligation. Companies that fall under the Act are encouraged to spend a portion of their profit on areas of poverty, education, environment, healthcare, women empowerment, developmental research & development and social business. Although the Act mandates a highly philanthropic approach to CSR, it is an essential start to the realisation of a new social involvement for corporates in India.

Focusing on the environmental impact of companies, we find that many of them have failed to take the responsibility for the

real cost of their operations. Running away from the environmental externalities constitutes a real loss to the Indian economy. Currently, many Indian corporates often adopt a simplistic and philanthropic approach in the area of environmental sustainability. In fact, the 2.0 percent CSR policy encourages them to do so. However, there is much scope to go beyond mere cheque-writing to an environmental NGO and into the creation of a 'triple-win' situation where the environment, society and the company itself all stand to benefit.

The triple-win encompasses a holistic environmental strategy, whereby a company, applying an embedded approach, aligns its CSR policy with the business strategy and incorporated best

CSR practices at all levels.

At Innovaid we have a client portfolio spanning corporates from a great variety of industries. Some of them are Indian conglomerates made of many verticals that operate in different industries. As a result, their environmental impacts can vary in size and nature. Some verticals cannot be considered heavy-polluting, while others are large enough to generate considerable harm to the environment.

Having analysed diverse business areas and their major environmental concerns, Innovaid has come to the conclusion that for each source of environmental concern, a two-fold approach can be developed, encompassing internal and external initiatives.

External solutions relate to the implementation of programs involving surrounding communities, employees and customers in awareness raising campaigns and environmentally friendly habits, such as tree plantation initiatives. Such programs offer various benefits: addressing the major environmental concerns, pursuing projects falling under the 2.0 percent CSR expenditure as per the new Companies Act and enhancing the reputation of a company as an environmentally conscious corporate citizen.

Although these projects are necessary, a company implementing them should realize that the actual contribution to the environment might be maximised by following a more planned and comprehensive approach. Recognizing the urgent need for more trees in India to mitigate the effects of a highly polluted environment, the tree plantation drive should be done in a structured way with support from experts in order to ensure long-term positive impacts on native flora and fauna, as well as to the soil structure and water balance.

In addition, it is worth mentioning an interesting study by Earthville, a non-profit organisation working to catalyse sustainable thriving for people and the



planet. This NGO has studied the necessary extent of a tree plantation drive in order to truly offset a company's environmental footprint in India.

On average a business tends to generate 3-4 tons of CO<sub>2</sub> per employee (not counting travel), hence it will need to plant about 150 trees per employee to offset office emissions, plus 60-100 trees per round-trip flight (depending on distance and class of travel). Businesses that use servers or other significant IT require an extra 80 trees per computer used (1). Above that, tree maintenance and tree mortality rates should be factored into the equation.

Therefore, before engaging in peripheral cleaning efforts in the surrounding environment, it is wise for a



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business to first seek to decrease its own footprint. Optimal results are achieved when the external solutions are combined together with internal initiatives.

Although internal solutions do not directly fall under the new Act, they are very rewarding. They are still relatively unpopular in India and considered somewhat challenging since implementing them requires considerable effort and commitment from all employees.

This can only happen after educating, motivating and convincing staff to "go green", by decreasing their individual and corporate carbon footprint.

This can be achieved through practices such as: recycling, saving energy and encouraging car-pooling. Of particular importance is that this measure contributes to a healthier environment, allowing the company to save money, enhance its reputation and in fact inspire higher levels of employee pride and commitment, providing a new way for employees to connect with the company and customers.

Summing up, applying a combination of external as well as internal solutions will speed up and enhance the process of minimising environmental risks. The mandated 2.0 percent CSR expenditure is certainly an innovative solution to India's social and environmental challenges. Although not flawless, it is a beneficial, unprecedented incentive in India motivating the private sector to become a major player in tackling social and environmental issues. In the long run, it promises to reduce many negative externalities, potentially leading to new growth records not at the expense of human (capital) development and environmental degradation.

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Ref: 1. (<http://earthville.org/projects/earthville-orchards-carbon-offset/>)