Sustainability – an essential tool for good corporate governance

A B Chakraborty
Group General Manager
Chief Carbon Management Group & Chief CSR, ONGC
Coverage

- Corporate governance and Sustainability
- Climate change and SD: Possible intervention
- Sustainable development in ONGC
- Conclusions
Corporate governance and Sustainability
Corporate governance and Sustainability

- Corporate governance – focus on accountability, ethical functioning of the board and thus, corporation as an entity.

- Sustainability – accountability, responsiveness and transparency are essential elements to ensure sustainability by the corporation.

Thus, accountability is the common connect between corporate governance and sustainability.
Corporate governance and Sustainability

Sustainability as applicable to corporate to focus on:

- Intergenerational equity
- Accountability to stakeholders
- Responsiveness to stakeholders

Thus, Corporate governance is the code of governance to ensure accountability and responsiveness of the board.
Ethical responsibilities are primarily inward looking, asking companies to put their house in order, particularly with respect to labour standards, health and safety, environmental impact and anticorruption.

Sustainability responsibilities are distinctly different; outwards looking with a macro perspective addressing intergenerational responsibilities and the need for multi-stakeholder coalitions to create capacity for sustainable development.
Corporate Sustainability

“A business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”
Sustainable Development

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

- Brundtland Report, 1987

This definition calls for business to acknowledge its responsibility for its impact on society and the environment.
Inclusive Growth

11th Five year Plan defines as under:

“A growth process which yields broad-based benefits and ensures equality of opportunity for all”

Benefits:
Reach the poor
Reach the poor proportionately more than it reaches the non-poor.
Promoting Inclusive Growth –
Role of Corporate

Triple bottom line approach:
Business creating value for communities, transforming lives, blending economic & social benefit

According to Ministry of Corporate Affairs:
Corporate should come together and work along with the government in promoting inclusive growth in the country.
Triple bottom line - 3 dimensions

- **Economic** – Enhancing profitability, increasing shareholder value and creating wealth whilst aggressively pursuing opportunities for growth.

- **Social** – Achieving high rates of economic growth in order to enable all sections of society enhance their quality of live with dignity.

- **Environmental** - Pursuing economic growth whilst preserving and enhancing our natural resources.
Sustainability makes business sense

SD has become a priority for businesses across the world. The main drivers are:

- **Cost and risk reduction**
  - Eco-efficiency

- **Reputation and legitimacy**
  - Recognized by society and stakeholders

- **Innovation and Repositioning**
  - Leadership role in process of creative destruction

- **Clean Technologies**
  - Competitive edge

- **Growth Trajectory**
ONGC philosophy on Corporate governance

Company’s philosophy on corporate governance is led by strong emphasis on human values, individual dignity and adherence to honest, ethical and professional conduct.

The management and employees of the company are committed to uphold the core values of transparency, integrity, honesty and accountability.
Our Corporate Governance philosophy is based on the following principles:

- Achieving high level of Transparency, openness and accountability and fairness in all areas of operation.
- Promoting ethical conduct throughout the organisation with primary objective of enhancing shareholders value.
- A sound system of internal control to mitigate the risks.
- Compliance of law, rules & regulations in true letter and spirit.
- Independent verification of the Company's financial reporting.
- Strategic supervision by the Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities.
- Timely and balanced disclosure of all material information to all the stakeholders.
- Protection of the interest of all the stakeholders including employees, customers, vendors, shareholders and investors.
Climate change and SD: Possible intervention
Making development more sustainable

- Changing development paths – major contribution towards climate change mitigation.
- Mitigation options in several sectors.
- Economic growth and development.
- Sustainable development as business model.
- Sustainability is an attempt to provide best outcomes for the human and natural environments now and in future.
- Continuity of economic, social, institutional and environmental aspects of human society & non-human environment.
Minimizing risk

- Minimizing GHG emission
- Optimizing energy usage through operational and energy efficiency
- Minimizing waste and Redesign to minimize water use
- Redesign for resilience
- Emergency response preparedness
- Supply chain balancing and contingency planning

- Community emergency response
- Infrastructure planning
- Logistics contingency planning
- Community health plans
- Watershed management

- Support of global health programs
- Improved information systems
Possible adaptation

- Promote to renewable energy (Business process reengineering)
- Proper water management
- Protecting coastal operations
- Improving offshore structural design
- Improving information management
- Improving emergency response
- Improving supply chain and logistics management
- Improving contingency planning
Adaptation and business opportunities

- Design new products
- Enter new markets with new products
- Extend markets
- Better access to raw material
- More favourable regulatory framework
- Leveraging mitigation measures
Adaptation and CSR

- Work towards betterment of surrounding communities
- Work towards betterment of information system
- Work towards global adaptation strategies
Sustainable development in ONGC
Vision & Mission statement

Vision:

“To be global leader in integrated energy business through sustainable growth, knowledge excellence and exemplary governance practices.”

Mission:

“ONGC will continually strive to reduce CO₂ emissions across its activity chain with the objective of achieving carbon neutrality”
Carbon Neutrality: Approach

- Corporate wide GHG accounting (Assessment of carbon footprint)
  - To be completed by 2012

- Devising Action plan
  - Short term mitigation (1-2 years, 15%)
  - Mid term mitigation (3-7 yrs, 40%)
  - Long term mitigation (7-20 years, offsetting and balancing)

- Internalizing the concept
  - All future project shall have carbon footprint established and neutrality embedded in proposal
  - All future procurement process shall consider carbon footprint across its vendor chain

- Certification
Initiatives: ONGC

- **GFR Projects**
  - Corporate policy towards zero flaring
  - Interventions adopted:
    - Pipelines networking, Using compressors, Using ejectors
    - Adopting innovative measures as GTW (Gas to Wire)

- **Methane to Markets Projects**
  - Total 3.2 Million Meter Cube of Methane saving in 2008-09
  - Total 30 MMSCM of Methane has been measured for capturing

- **CDM Projects**
  - Six UNFCCC registered projects

- **Green Buildings**
  - Four green buildings- Delhi, Mumbai, Kolkata and Dehradun
  - Green pledge on Green building under MNRE

- **Wind Power**
  - 51 MW wind turbine project in the state of Gujarat (*India’s largest CDM project on renewable energy - 85762 CER pa for 21 years*)
CSR– An integral part of SD

Corporate Social Responsibility

- Focuses on the societal aspect of SD
- An integral part of adaptation strategy
- Generates good will to help implement SD strategy

Makes business sense
CSR functioning in ONGC

- New CSR Paradigm- Philanthropy to ‘Stakeholder Participation’
- Project approach on identified focus areas
- 12 identified focus areas
  - Education including vocational courses
  - Health Care
  - Entrepreneurship (self help & livelihood generation) schemes
  - Infrastructure support roads, bridges, Schools, hospitals in around our operational areas
  - Environment protection, ecological conservation, promotion
  - Protection of heritage sites, UNESCO heritage monuments etc.
  - Promotion of artisans, craftsman, musicians, artists etc. for preservation of heritage, art & culture.
  - Women’s empowerment, girl child development, gender sensitive projects
  - Water management including ground water recharge
  - Initiatives for physically and mentally challenged
  - Sponsorship of seminars, conferences, workshops etc
  - Promoting sports/sports persons; supporting agencies promoting sports / sports persons
Conclusions
Conclusions

• A sustainable business enhances long term shareholder value by addressing the needs of all its stakeholders and adding economic, environmental and social capital through its core business functions.
• Meeting society’s expectations from business.
• Ensuring long term growth and sustainable development.
Conclusions (contd…)

- Sustainability as a driver rather than a barrier for innovation.
- Sustainability is multi-dimensional.
- Engagement with relevant stakeholder is necessary.
- Measurable targets is a must to ensure that sustainability efforts adds value to company in economic, social, and environmental areas.
- Innovation needs to be driven by leadership.
Thank you for your attention.

Email: chakraborty_ab@ongc.co.in