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Climate Change: fast tracking business action

R K Pachauri

President, TERI-BCSD India, and
Director-General, TERI

The current economic downturn is clearly spreading its effects across the globe, and it is difficult to predict when this trend would actually bottom out. However, the situation presents corporate leaders with a great opportunity to carry out a detailed assessment of some of the flaws in our basic economic construct and policies and consequent steps required to move in a new direction.

India's corporate sector has undoubtedly been shaken by the affairs of Satyam Computer Services Ltd. The shocking actions by the promoters and leadership of Satyam have obviously created a stir worldwide and will certainly lead to some tightening of regulations and surveillance systems involving the corporate sector. In my blog, I recently wrote a long piece triggered by these developments, and I highlighted the fact that there is an obvious erosion of ethics in corporate governance across the world, but this also provides Indian industry with an opportunity to consolidate its own generally laudable record, wherein several companies have set standards that attract admiration from across the world. I referred to the *Wall Street Journal* of 21–23 November 2008, which reported on fifteen corporate

BACKGROUND NOTE

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chieftains of large home-building and financial services firms reaping more than \$100 million in cash compensation and proceeds from stock sales during the past five years. Four of those, including Lehman Brothers Holding Incorporated and Bear Stearns Companies, were actually responsible for companies that filed for bankruptcy protection or had their share prices falling more than 90% from the peak. Based on the examination of 120 public companies in a range of sectors, the study further shows that top executives and directors of the firms who had filed for bankruptcy cashed out a total of more than \$21 billion during the period reviewed.

Ethics, which are required for meeting some of society's challenges, and therefore of business organizations as well, cannot be confined only to doing the right things within a narrow framework of merely serving the interests of shareholders. The corporate sector now has to think in terms of a much larger role that in a strict sense relates to their ethical behaviour, but in a larger context also covers the longer-term self-interest of society. Dominant among these challenges is the growing challenge of climate change, which the corporate sector will do well to understand, particularly in respect of the impacts that society would have to suffer and, therefore, would affect corporate organizations as well. Given the strength of corporate organizations and their ability to manage the actions of at least their employees and their own operations, it is essential for every company to come up with a response strategy by which it can adapt to the impacts of climate change. These would include the growing scarcity of water, the health implications of more serious heatwaves, floods, and droughts, as they would affect the company's employees. In case of organizations located in coastal areas, sea-level rise would also be an important impact of climate change, which could have serious implications for the physical presence of companies operating in coastal areas. The reality is that as an important component of human society, companies would be affected substantially by the impacts of climate change,

and they would do well to understand and assess these impacts and then put in place adaptation measures, which in fact could become models for the rest of society as well.

In respect of mitigating the emissions of GHGs (greenhouse gases), again to the extent that companies can take in hand measures that reduce emissions, they should consider these seriously. Several mitigation measures can actually be implemented at negative cost, which will directly improve the bottom line of companies. Given these benefits and the fact that the world's future lies in the development and spread of low-carbon technologies, proactive measures in that direction would open up market opportunities for companies that are prepared to take the initiative.

All these opportunities also require a new era of partnership between government and business. Effective change in the future would be possible only if government and the corporate sector work in concert. This is particularly true in view of the current economic downturn that has gripped the world. President Obama of the US needs to be complimented for having visualized the opportunity that the current economic recession presents, as a result of which he has developed an approach to create green jobs to revive the economy. The benefit from government support for renewable energy programmes and energy efficiency measures to be implemented in government buildings in the US would be immense. Most of these, if properly implemented, could turn out to be negative cost options, as a result of which the economy can grow, new jobs created, and goods and services produced at lower cost than with the current, conventional approach.

In my view, there are some immediate challenges that would have to be met if we want to bring about change in the right direction. The first challenge is to sensitize corporate leaders on the scientific realities of climate change and the human role in creating this problem. It is critically important for business organizations and their leaders to appreciate the full implications of projected climate change, which perhaps can be

comprehended fully on the basis of specific problems that are occurring in different parts of the world. Currently, Australia, for instance, is witnessing extremely high temperatures, as a result of which people in the areas affected are undergoing considerable hardship, with consequential impacts on economic activities. Hurricane Katrina, which hit the city of New Orleans and surrounding areas, did not spare business and industry. Similarly, the heavy rainfall that occurred in a very short span of time in Mumbai in 2005 had an extremely harmful impact on business and industry on account of the damage and destruction that was caused. Corporate leaders need to understand the science of climate change and translate future projections into practical situations that they would encounter and need to deal with.

The second area on which awareness must increase is the expectations of society in respect of corporate actions and behaviour. Just as President Obama has called bonuses given out by Wall Street as shameful, the day is not far when leaders in specific countries and the public would come down severely on organizations that are insensitive to the problem of climate change. It is conceivable that consumers may even resort to boycott of goods and services produced and marketed by organizations that do not take action in

meeting the threat of climate change. Yet another area where enhanced and revised understanding is important, not only on part of business leaders but political leaders as well, is the need for closer partnerships between business and industry. Recent developments have certainly raised questions about unbridled capitalism as a system that has been regarded as both efficient and equitable. As a result, we would see much greater regulation of private sector activity and, therefore, perhaps a need for closer interaction between these two stakeholders, so that in the process of regulation we do not take away some of the merits of a dynamic market, which would be able to translate signals that the market provides into timely and efficient responses.

While understanding some of these emerging issues would involve very practical and deep knowledge, there would also be a clear need for a new set of ethics. Paramount in this would be the need for corporate leaders to understand their heightened accountability to society and, therefore, by implication to governments as well. We are, therefore, clearly at the edge of some major changes and the smoothness with which they are implemented would depend greatly on initiatives that corporate leaders take on a timely basis and in the correct direction.

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14:00–15:00 hrs	Registration (<i>Cocktail lounge, Third Floor</i>)
15:00–15:45 hrs	Inaugural session (<i>Banquet Hall, Third Floor</i>)
15:45–16:30 hrs	Panel Discussion I: <i>Climate Change - Tackling the global challenge</i>
16:30–16:45 hrs	Break
16:45–17:30 hrs	Panel Discussion II: <i>Partnerships: the answer for tomorrow</i>
17:30–18:30 hrs	Panel Discussion III: <i>Fast tracking business action</i>
18:30–18:45 hrs	Concluding Session: <i>The way forward</i>
18:45–19:15 hrs	Cocktail Reception (<i>Front Lawn, Ground Floor</i>)
19:30 hrs onwards	Dinner Session (<i>Front Lawn, Ground Floor</i>)



Enabling responsible business for a sustainable future

With a vision to create a synergy for the corporate sector as a whole to move towards sustainability, TERI-BCSD India was set up by TERI in 2001. It has now evolved into a strong industry body, with membership from diverse sectors, including public sector undertakings, multinationals, and private

companies from across India. It is the Indian partner of the WBCSD (World Business Council for Sustainable Development), Geneva.

For more information please visit www.teriin.org/bcsd or email us at bcsd@teri.res.in

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3	Alcatel-Lucent	31	Hindalco Industries Ltd	59	Philips Electronics India Ltd
4	Alcoa India Pvt. Ltd	32	Hindustan Lever Ltd	60	Power Grid Corporation of India Ltd
5	Apollo Tyres Ltd	33	Hindustan Petroleum Corporation Ltd	61	Power Trading Corporation of India Ltd
6	ArcelorMittal India	34	Hindustan Zinc Ltd	62	Rabo India Finance Ltd
7	Areva T&D India Ltd	35	Hongkong and Shanghai Banking Corporation Ltd. (HSBC India)	63	Rallis India Ltd
8	Ashok Leyland Ltd	36	Huntsman International (India) Pvt. Ltd	64	RBS Home Appliances Pvt. Ltd
9	Bajaj Eco-tec Products Ltd	37	IBP Company Ltd	65	Reliance Industries Ltd
10	Ballarpur Industries Ltd	38	IL&FS Ecosmart Ltd	66	Reliance Infrastructure Ltd
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12	BG Exploration and Production India Ltd	40	Indian Metals and Ferro Alloys Ltd	68	Seshasayee Paper and Boards Ltd
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Pooja Kumar
TERI-BCSD India, TERI, Darbari Seth Block
IHC Complex, Lodhi Road
New Delhi – 110 003, India

Tel. +91 11 2468 2100 or 4150 4900
Fax +91 11 2468 2144 or 2468 2145
E-mail poojak@teri.res.in
Web www.teriin.org/bcsd

Visit us at
www.teriin.org/bcsd