Q.1 What is Sustainability Report?

Sustainability reporting is a process for publicly disclosing an organization’s economic, environmental, and social performance. Many companies find that financial reporting alone no longer satisfies the needs of shareholders, customers, communities and other stakeholders for information about overall organizational performance.

Through sustainability reporting, organizations report on progress against performance goals not only for economic achievements, but for environmental protection and social well-being.

John Elkington has coined the term 'triple bottom line' to describe social, environmental and financial accounting.

A sustainability report comprises information on how a company, proactively and beyond regulations, acts responsibly towards the environment around it and works towards equitable and fair business practices and brings to life products and services with lower impacts on the natural environment. Such a report describes how a company has implemented a greener supply chain, has engaged with local communities, is helping tackle climate-change issues, or is “innovating for the poor”.

Best-in-class reports mention where raw material labour are sourced from, and openly discuss sustainability issues at hand (e.g. diversity in the workforce, overall environmental footprint, safety performance, labour conditions in the supply-chain), along with the associated “remediation steps”. Some of the best reporting organisations benchmark their sustainability performance against global peers.

Q.2 What are the benefits of sustainability reporting?

There are multiple benefits to both report preparers and report readers. For reporting organizations, the Guidelines provide a tool for: management, increased comparability and reduced costs of sustainability, brand and reputation enhancement, differentiation in the market place, protection from brand erosion resulting from the actions of suppliers or competitors, networking and communications.

For report readers, the Guidelines are a useful benchmarking tool, corporate governance tool and an avenue for long-term dialogue with reporting organizations.

Q.3 Why are Sustainability Reporting Guidelines needed? Or why do we need the GRI Reporting Framework?

For financial reporting, companies follow a generally accepted reporting framework. Without a similar framework, sustainability reports lack the features that could make them broadly useful: creditability, consistency, and comparability. If the thousands of companies that voluntarily disclose their sustainability impacts did not refer to a generally accepted reporting frameworks they would risk producing non-comparable reports, and / or reports which inadequately address the full spectrum of stakeholder interests. A generally accepted framework can simplify report preparation and assessment, helping both reporters and report users gain greater value from sustainability reporting. Because the development costs of the Guidelines and other GRI (Global Reporting Initiative) documents is shared among multiple users, the overall transaction cost for reporters is considerably lower than the costs that might be involved in developing an ‘own company’ or ‘own sector’ reporting framework.
Q.4 What is GRI?

Global Reporting Initiative (GRI) is an initiative at the global level to standardize non-financial Reporting (NFR), which the institutions adopt and has become the de facto standard internationally. GRI is a long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. The aim of the Guidelines is to assist reporting organizations and their stakeholders in articulating and understanding contributions of the reporting organizations to sustainable development.

GRI is now a permanent, independent organization, with a distinguished Board of Directors, and global headquarters in Amsterdam, Netherland. The Board has fiduciary, financial and legal, and overall strategic responsibilities for GRI. Broadly representative advisory groups on policy (the stakeholder council) and technical issue (the Technical Advisory Council) ensure that the GRI’s core values of inclusiveness and transparency are sustained. Organizational stakeholders support GRI’s mission, contribute to the annual budget and elect the stakeholder council.

To ensure no single stakeholder group dominates, funding is secured through many sources, such as governments, companies foundations, and multi-lateral organizations.

Q.5 Do the Guidelines help to explore the value of a company?

The true value of a company is not always contained in its financial report. Significant market value derives from intangible assets such as reputation, capacity to innovate, and commitment to social well-being. Preparing a sustainability report on the GRI Guidelines will help to identify various components of a company’s value that are not always apparent when simply assessing its financial performance.

Q.6 What are the GRI Sustainability Reporting Framework and GRI sustainability Reporting Guidelines?

(a) The Reporting Framework is made up of the Sustainability Reporting Guidelines, Sector supplements, Indicator Protocols and soon to come, National Annexes. Together these are known as the Sustainability Reporting Framework.

(b) The Sustainability Reporting Guidelines are the core element of the Reporting Framework. They outline content that is broadly relevant to all organizations regardless of size, sector or location. All organization seeking to report using the GRI framework should start with the Guidelines.
Organizations of all sizes and types operating in any location should use the GRI Reporting Framework. The Guidelines form the core of the Framework, and are not specific to any single industry sector. The question is not whether an organization can cover all aspects of the Guidelines in its first report. The real question is whether an organization is serious about systematic disclosure of its non-financial information in a form that meets stakeholder expectations for rigor, consistency, and timeliness. This seriousness can be demonstrated in only one way: launching a reporting process.

Where they exist, Sector Supplements can be used to respond to the specific reporting needs of sectors. Sector Supplements should be used in addition to, not instead of, the Guidelines. This helps provide a general framework but also enables sector-specific information to be disclosed.

Q.7 What are standard Disclosures?

Standard Disclosures are found in part 2 of the Guidelines. They consist of three different types of disclosures:

Profile: These disclosures help the organization set the context for readers to understand its sustainability issues and approach, Profile disclosures cover:

- Strategy and Analysis,
- Organizational Profile
- Report Parameters, and
- Governance,
- Stakeholder Engagement & Commitments
Disclosure on Management Approach: These disclosures help the organization set the context for understanding its performance results. Management Approach Disclosures include:

Goals and Performance
Policy
Organizational Responsibility
Training and Awareness,
Monitoring & Follow-up,
Certifications and
Additional Contextual information

Performance Indicators:

These disclosures are used to communicate performance results. Indicators are organized by sustainability category of case of reference – economic – environmental – social

(a) Economic Performance Indicators are further segmented into direct economic impacts and indirect economic impacts. Under direct economic impacts, details such as customers, suppliers, employees, providers of capital, public sector, etc. are furnished.

(b) Environmental performance indicators would encompass indicators such as materials, energy, water, Biodiversity, Emissions, effluents and waste, suppliers, products and services, compliance, transport etc.

(c) Social performance indicators are categorised into labour practice, human rights, product responsibility and society.

Q.8 What is G3 and from when is it applicable?

The GRI guidelines were last updated in 2002. In spirit of continuous improvements, G3 was developed to capture and respond to the years of global experiences and evolution in reporting using the GRI guidelines. The G3 guidelines were released in October 2006.

It is recommended by GRI that those just getting started begin with G3 version of Guideline. Stronger Reporting principles, consolidated performance Indicators, and the availability of Indicator Protocols make the G3 much easier to use and a stronger framework upon which to base the reporting.

Q.9 What are GRI Application Levels?

The Application Levels communicate to what extent the G3 Guidelines have been disclosed in the report. Upon completion of report, the GRI Application Level criteria is checked. There are three levels, C, B and A. Plus (+) level status is available at each level (C+, B+, A+) and indicates external assurance was utilized for the report. Criteria at each level reflects progressively wider coverage of GRI Reporting framework. A statement in the report declaring the reporting level achieved is made. It is optional to ask an assurance provider and / or the GRI secretariat check self-declaration.

All G3 reports must declare their Application Level. Unlike under the G2 Guidelines, one cannot report “with reference to” the G3 Guidelines. One has to declare the Application Level.
This applies to Sector Supplements that are in final version. Currently, there are no Sector Supplements in final version. However, GRI recommends organizations to use relevant Sector Supplements for reporting at each Application Level.

Q.10 Can some more light be thrown on sector supplements?

The GRI Guidelines provide universally applicable reporting guidance. However, some sectors have unique detailed reporting needs and thus require additional specialized guidance in addition to that contained in the Guidelines. Sector supplements fills this rode.

Sector supplements are part of the Reporting Framework. They are designed to complement the Guidelines, and should be used in addition to, not in place of, the Guidelines.

The following supplements were developed between 2001-2005, prior to the release of G3 Guidelines (2006). These were therefore designed for the use with the 2002 version of the Guidelines:

- Automotive
- Financial services
- Logistics and Transportation
- Mining and Metals
- Public Agencies
- Telecommunications
- Tour operators

The following supplements were released in 2007, after the G3 Guidelines were released. These are therefore designed for the use with G3 Guidelines:

- Approval and Footwear
- Energy utilities
Q.11 Which corporates have published Sustainability Reporting based on GRI guidelines?

Organizations in the auto, utility, consumer products, pharmaceuticals, financial telecommunications, transport, energy and chemicals sectors, among others, in addition to public authorities and non-profits, have published reports that adopt part or all of the Guidelines.

Of the 250 largest global companies, over 65% are already publishing a sustainability report. More than 3,000 companies across the world report on how they minimise their environmental footprint, engage with stakeholders, adopt fair social practices or embed sustainability into their day-to-day business, R & D or marketing practices.

Companies across Europe, Canada, Australia, Japan and USA and across sectors, have been coming up with sustainability reports for 6 to 10 years now. Companies like BP, ABN AMRO, BT, Novo NORDISK and others have been rated amongst the best reporters for years.

Q.12 Have any Indian companies come out with Sustainability Reports?

However, with over 7,000 listed companies, India has only a handful about 25 reporting on Sustainability strategy. These reports are mainly from Oil and Gas, Mining, Cement, Steel, Minerals, Automotive, Pharma and other such 'industrial sectors'. Hospitality is the only non-industrial sector which sees Indian Reporting (only 2), as against the world wide scenario where all leading banks, services, telecom and hospitality companies have been reporting on sustainability for years now. Reliance, ITC, Dr. Reddy’s Jubilant Organosys, Tata Steel, Lafarge India and Tata Tea are some of the more visible organizations that report on sustainability in India, with the first two companies having recently been given the highest rating (3 a+) for GRI for their latest Sustainability Report.

Q.13 To sum-up what are advantages of Sustainability Reporting?

Research has established and proved world over, corporates that do Sustainability Report gain a lot. To sum-up, few gains are listed as under:

- Corporates that focus on SR outperform their peers over the longer run, which in turn results into a stronger market position and increased profitability.
- There is a reliable co-relation between business integrity and above average financial performance. Reporting will help to demonstrate ongoing business integrity thereby enhancing investor and stakeholder confidence.
- SR help to acquire national and international listings and provide access to otherwise restricted markets.
- SR will provide a sound understanding of the organization’s customer needs, especially foreign international customers.
- Corporates that focus on SR are more in tune with recent market trends; can adopt to changes easily and are generally better managed.
- SR help organizations to identify and address their current and potential risks (early warning system) saving time and money in short and long term.
- SR help organizations identify opportunities and potential benefits from cost savings and improvements in product quality and employment performance.
- Other benefits include attracting finance through transparent relationships with credit providers, improving management systems and improving employee motivation and customer satisfaction.
- SR can also reduce the costs of compliance with new environmental or labour regulations.
Yours Company’s triple bottom line performance continued to improve across all the three dimensions, namely economic, environmental and social.

The Company’s 4th Sustainability Report, published during the year under review, details the ‘triple bottom line’ performance and achievements of your Company in accordance with ‘G3’; the latest guidelines of Global Reporting Initiative (GRI). Your Company’s 5th Sustainability Report covering the year 2007-08 is already in the process of publication.

It is matter of pride that your Company’s Sustainability Report received two Readers’ Choice Awards from GRI at the GRI International Conference, held in Amsterdam in May 2008. The Report has received the 3rd ‘Overall Award’ amongst Non OECD large company reports.

Your Company, the only one in the world with positive footprints in the 3 serious global environmental concerns, has further improved its ‘water positive’ and ‘carbon positive’ status. The Company in 2007-08 not only recycled nearly 99% of all the solid wastes, but also used 1,63,245 tonnes of external waste paper as raw material in its paperboards units, thereby achieving the 3rd positive environmental footprint.

Your Company’s strategies to become ‘carbon positive’ have yielded rewards through significant saving in energy costs. Seven Clean Development Mechanism (CDM) projects of the Company have been accepted by the CDM Executive Board set up under the ‘Kyoto Protocols’ A number of additional projects are in different stages of CDM registration.

The Bhadrachalam mill continues to be the only producer of ‘Elemental Chlorine Free’ (ECF) pulp and paperboards in India. The ‘ITC Green Centre’ in Gurgaon, certified by the US Green Building Council for Leadership in Energy & Environmental Design (USGBC-LEED) as the largest commercial ‘Platinum Rated’ building in the world when it was commissioned, continues to provide inspiration to the ‘green buildings’ movement in India.

Your Company continued its uncompromising dedication to maintaining the highest levels of safely, occupational health and environmental standards across all its units. Environment management systems at all manufacturing units and large hotels have been certified ‘ISO 14001’ compliant, while all manufacturing units have received ‘OHSAS 18001’ certification. These and several other certifications and awards, bear testimony to your Company’s dedicated and uncompromising pursuit of the Triple Bottom Line.

Your Company’s social sector footprint can be seen at a glance in the following chart:

<table>
<thead>
<tr>
<th>Intervention Areas</th>
<th>Unit of Measurement</th>
<th>2007-08 (Cumulative Achievement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Districts Covered</td>
<td>Number</td>
<td>47</td>
</tr>
<tr>
<td>Social and Farm Forestry</td>
<td>Hectare</td>
<td>80000</td>
</tr>
<tr>
<td>Social and Moisture Conservation Programme</td>
<td>Hectare</td>
<td>34979</td>
</tr>
<tr>
<td>Sustainable Agricultural Practices</td>
<td>Organic Fertiliser Units</td>
<td>12706</td>
</tr>
<tr>
<td>Sustainable Livelihoods Initiative</td>
<td>Number</td>
<td>95</td>
</tr>
<tr>
<td>Cattle Development Centres</td>
<td>Milch Animals</td>
<td>128056</td>
</tr>
<tr>
<td>Animal Husbandry Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Employment of Women</td>
<td>Persons</td>
<td>13981</td>
</tr>
<tr>
<td>SHG Members</td>
<td>Persons</td>
<td>9900</td>
</tr>
<tr>
<td>Women Entrepreneurs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Education</td>
<td>Beneficiaries</td>
<td>128000</td>
</tr>
<tr>
<td>Health and Sanitation</td>
<td>Low Cost Sanitary Units</td>
<td>Number</td>
</tr>
</tbody>
</table>

Note: A separate report on Sustainability Report is issued by ITC LIMITED.
The advances made towards contributing to India's sustainable development goals have been possible, in large measure, to your Company's partnerships with some of the globally renowned NGOs like BAIF Development Research Foundation, Dhan, FES, MYRADA, Pratham, SEWA, SRIJAN and WOTR etc. These partnerships, which bring together the best in class management practices of your Company and the development experience and mobilisation skills of these NGOs, have demonstrated that it is possible to create innovative grass-roots solutions to some of India's complex problems of development.