

A GUIDE FOR EXECUTIVES

RESPONSIBLE BUSINESS IN NEPAL

Responsible Business in Nepal:

A Guide for Executives

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SUSTAINABLE GROWTH

NETWORKING

RESPONSIBLE BUSINESS

BUSINESS ETHICS

PROFIT

INCREASING EFFICIENCY

GREEN ECONOMY

CORPORATE
SOCIAL RESPONSIBILITY

CODE OF CONDUCT

CORPORATE STRATEGY

LEADERSHIP

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- Himalayan Climate Initiative (HCI): <http://www.himalayanclimate.org>
- Kathmandu University School of Management (KUSOM): <http://www.kusom.edu.np>
- National Business Initiative (NBI): <http://nbinepal.org.np>
- School of Management, Tribhuvan University (SOMTU): <http://somt.edu.np>
- The Inclusive Development of the Economy (INCLUDE) Programme: <http://www.includenepal.org>

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PREFACE

BY PADMA JYOTI

We came to this realization during the violent conflict, when business was under attack both physically and ideologically. As a result fourteen major Nepalese business federations and associations came together to form the National Business Initiative (NBI) in 2005. As NBI, we seek to strengthen the role and the capacity of the Nepalese private sector to contribute to a sustainable peace in Nepal.

In 2013 we conducted a survey that told us that the contribution of private sector business in our economic development is widely recognised. That was the good news. But the bad news was it also identified six areas where business has a negative image: consumer rights, competitive markets, taxes, labour relations, environmental protection, and corruption.

In response, we undertook a consultative process to develop a Business Code of Conduct, focusing on these six areas. We launched this Code on 28th July 2013 and made a promise that day, to quote:

“We are fully aware that declaration of codes is not sufficient. Implementation is crucial. NBI will have to help the business

organisations and companies to incorporate these issues into their strategies, policies and operations. We will need to offer trainings and give opportunities to share experience of successful companies, local and international.”

To fulfil this promise, we helped organize the first Nepal Responsible Business Summit on 16-17 December 2014. We did this together with the following partners:

- The Himalayan Climate Initiative (HCI) – a Nepali Non-Profit Civil Society organization promoting inclusive and resilient development, focusing in particular on developing leadership among Nepali youth;
- The Schools of Management of Tribhuvan University and Kathmandu University, two of the country’s top universities; and
- The Inclusive Development of the Economy (INCLUDE) Programme, which is a joint Nepal-German initiative under the guidance of the Ministry of Industry (MoI), Government of Nepal. Technical Assistance to the Programme is provided by the Deutsche Gesellschaft

“This guidebook has as its premise that there can be no successful business without a successful society and there can be no successful society without successful business.”



für Internationale Zusammenarbeit (GIZ) GmbH, which is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ).

The Summit was a remarkable success. Almost 400 participants attended the opening plenary, listening to – among others – Prime Minister Sushil Koirala, keynote speaker Uday Gupta, and Shilshila Acharya from HCI. On the second day, participants engaged in discussions with about 50 international and Nepalese speakers on five key themes such as strategic leadership and community engagement. Five top businessmen led the tracks on each theme.

The Summit was a key moment in an on-going journey to enhance the role of business in building a prosperous Nepal. The NBI and our partners have committed ourselves to this journey, and we want you to join us.

This guidebook has been prepared with the valuable contribution of Ralph Hamann, Professor at the Graduate School of Business and Research Chair in the African Climate and Development Initiative, University of Cape Town, South Africa. We

hope that it will provide a vital resource for Nepali business leaders and managers who want to implement responsible business practices. Drawing on discussions at the Summit, it suggests that we have much to learn from international experience, but at the same time we need to make the most of our Nepali context, traditions, and experiences.

The guidebook provides practical guidance, showing that responsible business practices make good business sense because they can enhance productivity, save costs, reduce risks, and build brands. More than this, I would add that in Nepal responsibility is the price we have to pay for freedom – the freedom of doing business, the freedom of an open economy. This freedom can only be retained and nurtured if we conduct our business with responsibility.

This initiative is the first of its kind in Nepal and has excited the business sector in a number of ways. So I urge you to read this guidebook carefully and to use it frequently as a reference as you grow your business responsibly. We look forward to working with you on this journey!

1 INTRODUCTION



This guide is to support you – leaders and managers in Nepali businesses – to manage and grow your businesses in a responsible way.

1. Introduction

What do we mean by “responsible business”? Essentially it is about ensuring that business activities do as little harm as possible to people and nature; and it is about helping to address social and environmental problems in the business context. (A more elaborate definition is provided in Box 1.)

Why is responsible business important to you? It is important because managing your business in a responsible way can give you important benefits. It provides opportunities to attract and retain customers and to build your brand. It can also help you enhance efficiency and productivity.

Responsible business is also important because it is vital for building the Nepali economy. Through responsible business practices, you will help in building peace and prosperity. The government, workers, and neighbouring communities will recognise that businesses like yours are beneficial, and they will be more likely to support you. This motivation is summarised by Padma Jyoti, the President of the National Business Initiative, like this: “There can be no successful business without successful society, and there can be no successful society without successful business.”

Especially younger people are increasingly expecting more from companies. Shilshila Acharya from the Himalayan Climate Initiative argues, “The Nepali youth expect companies to make net positive contributions to society. We cannot support businesses that take more than they give.”

Around the world, business leaders are committing themselves to responsible business practices. They want to be part of the solution to problems like poverty, inequality, and climate change. There is much that we can learn from these efforts, and this report will introduce some frameworks and tools that have been developed internationally.

“We cannot support businesses that take more than they give.”

At the same time, the Nepali context needs to be emphasised. The country is undergoing a profound transition and this brings both challenges and opportunities for responsible business practices. You can also draw on a rich cultural heritage and associated ethical principles for inspiration.

This is why this guide illustrates responsible business with examples and experiences of Nepali business leaders. Most of these examples are drawn from the Nepal Responsible Business Summit 2014, which brought together about 50 presenters and 400 participants.

At this Summit, prominent Nepali business leaders committed themselves to responsible business, and they emphasised that this is an on-going journey. This booklet is a guide for you on this journey.

The next section emphasises the need for a strategic and committed approach to responsible business. The third section recommends ways for you to engage with various stakeholders: customers, workers, and so on. The fourth section focuses on

reducing costs associated with energy, water and waste. This is followed by a section on managing integrity. The final section provides references to additional resources and further reading.

KEY POINTS

- Responsible business is about minimising harm to people and nature, and helping to address social and environmental problems in the business context.
- This helps you to attract and retain customers and to build your brand, and to enhance efficiency and productivity.
- Responsible business is also important to develop the Nepali economy and to create a business-friendly environment.



Uday Gupta (Mahendra Steel) and Prashant Singh (HCI)

Definition of responsible business according to the Responsible Business Initiative India

Business Responsibility refers to the commitment of an enterprise to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders.

Organizations do not work in isolation. They are dependent on a wide set of stakeholders, including employees, supply-chain partners, collaborators, investors, local community and customers for their day to day operations. These stakeholders are in turn affected by the social, environmental and economic impacts of the business. A responsible enterprise engages meaningfully with its stakeholders and considers the impact of its activities while forming its policies and strategies. Such organisations create value for all its stakeholders, while augmenting their own long-term competitiveness.

(Source: <http://responsiblebusinessindia.com/business-responsibility-sustainability>)

BOX 1

2 STRATEGIC LEADERSHIP AND MANAGEMENT SYSTEMS



“Responsible business is about strategic leadership. The Managing Director and other senior leaders need to take a committed stance on managing and growing the business in a responsible way.”

2. Strategic Leadership and Management Systems

In the past, responsible business has often been associated with charity. There is a strong tradition of such charity in Nepal. This is an important contribution to society, but responsible business goes well beyond this: “Many Nepali managers still believe that their social responsibility is primarily about giving money to good causes, but we need to recognise that it is actually about how companies make money in the first place,” says Prof Binod Shrestha of the Kathmandu University School of Management.

“Our business is not only about growing financial capital; it is also about social, human, and environmental capital. This is in our enlightened self-interest.”

So it is vital for you, the business leaders, to make a commitment to responsible business. Uday Gupta, the MD of Mahindra Steel, makes clear that he is in the driving seat and is striving for excellence on these issues: “Our business is not only about growing financial capital; it is also about social, human, and environmental capital. This is in our enlightened self-interest.”

Gupta also highlights the challenges of taking a committed leadership stance: “The organisation depends on the tone at the top. So we have to be very clear what we expect from our leaders. To develop a responsible business, you will face hurdles, so you will need to have high frustration tolerance. As leader, you will also have to keep learning – there is no textbook for this journey; it is a journey of discovery!”

Nirvana Chaudhary, MD of the Chaudhary Group, has a similar message: “We have to make a difference in the eco-system that we live in. This is our Nepali experience. We try to make this the DNA of our company. Leadership commitment is key to this.”

Yet even if responsible business is a “journey of discovery,” as Gupta says, there are important frameworks and tools that can help guide the way. One of the best known of these is the United Nations Global Compact. It identifies ten principles based on international agreements that help define responsible business – they are listed in Box 2.

There is a growing interest among Nepali businesses in becoming involved in the Global Compact, suggests Sulochana Shah, who has been championing this initiative in the country. (Shah is also MD of Formation Carpets, which is discussed in Box 4.)

The ten UN Global Compact principles of responsible business

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced or compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to support greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

BOX 2

In addition, the Global Compact provides a range of useful guidance on how to actually implement these principles and support the broader development objectives of the United Nations. This includes the Global Compact Management Model, illustrated in Box 3 below.

The UN Global Compact Management Model



(Source: https://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_17/UN_Global_Compact_Management_Model.pdf)

BOX 3

This model highlights the following steps:

1. It takes as its point of departure the need for you, as business leaders, to **commit** to responsible business, as emphasised also by Uday Gupta, Nirvana Chaudhary, and others;
2. The second step is to **assess the risks, opportunities and impacts** that are associated with your business.

Jonathan Hanks, a contributor to many international responsible business initiatives, highlights the importance of this step: “You need to ask yourself, ‘What are the value drivers of my business, and how are they affected by social and environmental issues in my context?’” For instance, an important value driver for many firms is to have a committed and productive workforce – this is why many proactive business

leaders pay particular attention to training and occupational health, and they may even work with universities to develop suitable education programmes.

3. Once you've identified the key issues that you need to dedicate attention to, it is important to set **goals** for improved performance on these issues. Uday Gupta emphasised that these goals should not be too modest and instead identifies ‘Big, Hairy, Audacious Goals’ to improve his company’s social and environmental performance for instance: “If we are drawing water from a river and the river dries up, we suffer, so we have an ambitious programme to reduce our water intake from rivers by 90%!”
4. Once goals have been set, it is necessary to develop **policies and strategies** for achieving them, and these will need to be given sufficient financial and human resources.
5. **Implementing** the social and environmental policies and strategies will depend on putting the right people on the job. Uday Gupta explains that one of his key tactics is to ask young, enthusiastic managers to move forward on achieving the ambitious goals mentioned above. They then create the necessary energy for others in the firm to “come on board.”

6. As the saying goes, “you cannot manage what you don’t **measure**.” An important step is therefore to continuously measure performance relative to the goals that have been set. Where possible, this should include quantitative measures – such as water extraction from rivers – but it could also involve qualitative assessments.
7. Finally, a vital part of the process is to **communicate** both internally and externally on the progress made. Internal reporting is important because it allows for learning about what is working well and what isn’t. Internal reporting on social and environmental performance is also useful to motivate employees, especially if this performance is tied to compensation or incentives. External reporting is important because it helps stakeholders, such as investors, customers, or the government, recognise that you are taking these issues seriously. The next few sections will consider key stakeholder groups in more detail.

Prabhakar SJB Rana, emeritus chairman of the Soaltee Group, concludes, “There are people who say that responsible business won’t work in Nepal. It will work. It is a question of how you will direct this. The key thing is to learn and to be humble as leaders. Transparency, learning and education are key for responsible business.”

Implementing responsible business at Formation Carpets

Nepal had a thriving carpet making industry until, in the late 1980s, customers in key export markets, such as Germany, boycotted the industry due to concerns related to child labour. Carpet exports are now a fraction of what they were 30 years ago. This illustrates that responsible business is not just “nice to have”, but could be a matter of life or death for an industry.

In this context, Formation Carpets was established in 1990 with a significant emphasis on employee welfare. No child labour was tolerated. The predominantly female workforce benefited from literacy programmes, free day-care for their young children, free health insurance, and a profit-sharing bonus scheme. Dedicated efforts were also made to reduce environmental impacts. For instance, mostly natural dyes were used, and no chemicals were used in washing.

Formation Carpets was involved in establishing the Goodweave initiative, which certifies carpets that are free of child-labour free, and it also provides care and rehabilitation for children rescued from child labour. These efforts were recognised by the Advocates for Human Rights Award (USA) in 1997.

Formation Carpets is also a member of the UN Global compact and every year it publishes a “Communication on Progress” that explains how it is implementing the ten principles. In 2006, this report won the Global Compact's “Best Practice from South Asia” award. Formation Carpets' MD, Sulochana Shah, argues that there are important benefits to becoming involved in the Global Compact, and the award shows that Nepali companies can excel in such international frameworks.

Most importantly, these responsible business practices have allowed Shah to grow a thriving export business. This would not have been possible without her firm, demonstrated commitment to responsibility.

BOX 4

KEY POINTS

- Responsible business is about strategic leadership, and thus the Managing Director and other senior leaders need to take a committed stance on managing and growing the business in a responsible way.
- Responsible business includes but goes beyond charity. It is primarily about your core business practices – in other words, how your company makes money.
- Responsible business is a “journey of discovery,” but there are important frameworks and tools that can help guide the way. One of the best known of these is the United Nations Global Compact.
- The Global Compact provides ten principles for responsible business. It also offers a variety of other guidance frameworks, including a responsible business management system with six key steps.

Additional resources and further reading:

- The UN Global Compact has a useful website with a variety of resources, including a guideline focused on the Global Compact Management Model mentioned above:
https://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_17/UN_Global_Compact_Management_Model.pdf
- The ISO Social Responsibility Guidance Standard 26000 provides a relatively comprehensive overview of the key themes that may be important to your business. An introduction to this standard is available on the following website:
<http://www.iso.org/iso/home/standards/iso26000.htm>.
This website also allows the purchase of the standard document.
- The Global Reporting Initiative has for many years provided principles and indicators that companies can use to develop their public reports on environmental, social, and governance (ESG) issues. They are available on the Initiative's website:
<https://www.globalreporting.org>
- Many large, leading companies around the world are developing Integrated Reports, which include in one report financial and ESG information. Guidance on such integrated reporting is available from the International Integrated Reporting Council:
<http://www.theiirc.org>
- The Responsible Business Initiative India has done much work to support the implementation of responsible business management and reporting systems in Indian companies. The following is a recent overview of how the top 100 companies are performing:
<http://responsiblebusinessindia.com/downloads/business-responsibility-disclosures-sustainability-practice-india-analysis-top-100-listed-companies>
- The following article describes management opportunities for enhancing responsibility and sustainability in your company:
<http://www.exed.hbs.edu/assets/Documents/become-sustainable-company.pdf>

3 ENGAGING STAKEHOLDERS



Stakeholders are individuals or groups that affect, or are affected by, your business. They include, of course, the companies' owners and customers, and they also include workers, suppliers, neighbouring communities, and civil society organisations.

3. Engaging Stakeholders

Responsible leaders and managers need to proactively recognise the needs and interests of these stakeholders. This is because improving relationships with stakeholders gives rise to important benefits, such as a stronger brand and customer loyalty. It also helps avoid problems such as strikes, protests, or legal action by stakeholders who may feel mistreated by your business.

In the following sections, we will focus on six particularly important stakeholder groups: customers, workers, suppliers, neighbouring communities, investors, and academics. We will explain how developing good relationships with these stakeholders is good for business.

The key overarching theme is that your business can benefit from a proactive and systematic way of identifying and engaging with your various stakeholders. Such engagement can take a variety of forms, ranging from occasional communication to a dedicated, longer-term partnership to address common challenges.

Additional resources and further reading:

- The International Finance Corporation provides a good practice handbook on stakeholder engagement: http://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagementpdf?MOD=AJPERES
- The Network for Business Sustainability has published an executive report focused on how partnerships with stakeholders can enhance business performance and sustainability: <http://nbs.net/wp-content/uploads/NBS-Partnerships-Executive-Report.pdf>
- The UK organisation Accountability has created a standard for stakeholder engagement: <http://www.accountability.org/images/content/3/6/362/AA1000SES%202010%20PRINT.PDF>

3.1 Customers: Building Responsible Brands

In a competitive business environment, Nepali business leaders are recognising the need to build a strong brand. A brand is created by the thoughts or feelings that customers associate with your product or service.

Customers are attracted in the first instance by a product or service of high quality at a competitive price. At a basic level, this means that the product or service should be safe and healthy. This is particularly relevant in the food industry. As argued by the International Labour Organisation's Saloman Rajbanshi, "Companies need to do more to ensure that our food is safe and hygienic. We also have problems with the use of non-edible colours and chemicals in food items."

Over and above such fundamental requirements, customers also want to make sure that they are buying from a responsible company. They want to make sure that the product or service they are purchasing is not associated with human rights abuses or environmental damages.

Customer-facing firms in sectors such as telecommunications or retail are particularly conscious of the need for responsible branding. Sanju Koirala, Communications Director at Ncell, argues that responsible business practices help develop stronger customer relations. Ncell emphasises in its marketing the positive difference that the company seeks to make by giving people access to affordable telecommunications. It also engages in social investment initiatives that build on the company's core strengths, for instance by supporting technology entrepreneurs. All these things are important to ensure that Ncell's customers see the company as trustworthy and supportive.

Some companies and their brand are fundamentally focused on creating a social benefit. Anthropose is a Nepali company that sells high-end sunglasses. For every ten sunglasses that are sold, it sponsors a free cataract surgery for a needy recipient in rural Nepal. By end 2014, close to 30 people benefited from such operations. This social contribution is prominent in the firm's marketing, as illustrated in its slogan: "Get. Give. Change."

Nepali business leaders also need to recognize that customers' expectations and knowledge are continuously changing. The importance of human rights was already mentioned above in connection with the Nepali carpet industry's decline due in part to child labour. More recently, the Nepali brick industry has received prominent coverage in the UK media in connection with concerns

surrounding bonded labour and child labour. These experiences illustrate the importance of ensuring that customers feel confident that their purchase is associated with responsible business practices.

The Fair Trade label can help in this regard. Sunil Chitrakar from the Fair Trade Group Nepal explains that "Fair Trade is not about charity; it is a sustainable business model, through which we ensure that producers get a fair share of the value created in supply chains." He invites Nepali companies to consider adopting the Fair Trade label, as it can add value to a brand and build customer loyalty.

The use of labels and certification is particularly pertinent in some sectors. Pushpa Man Shrestha, President of the Nepal Pashmina Industries Association, explains that the pashmina industry is vital for Nepal especially because of the many livelihood opportunities it generates for unskilled rural workers. Yet alternative products that are not pure pashmina threaten the industry, and so a collective trademark has been established to certify quality pashmina from Nepal and to promote responsible business practices. This includes ensuring that there is no child labour and that production is environmentally friendly.

"Fair Trade is not about charity; it is a sustainable business model, through which we ensure that producers get a fair share of the value created in supply chains."

Similar branding efforts could even help build Nepal's economic prospects. Prashant Singh, CEO of the Himalayan Climate Initiative, argues that Nepal should brand itself as a "zero carbon" country. It

can do this relatively easily, he says, given the significant potential for hydropower in the country. The benefits include an enhanced national brand, which could help attract investors and tourists, as well as create improved markets for Nepali products. It could also focus people's hearts and minds on a strong vision for national development.

KEY POINTS

- Increasingly, customers are attracted by responsible brands, which they associate with companies making a positive difference.
- Responsible branding can be used to attract new customers, and it is important to avoid customer boycotts.
- Dedicated labels can be useful to assure customers of responsible business conduct.

Additional resources and further reading:

- The Fair Trade Group Nepal is mentioned in the text above:
<http://www.fairtradegrouppnepal.org>
- The Guardian article on Nepali brick industry:
<http://www.theguardian.com/global-development/2015/feb/12/how-nepal-is-trying-to-solve-its-blood-brick-problem>
- The Himalayan Climate Initiative is championing the "0 Carbon Nepal" branding initiative:
<http://www.himalayanclimate.org>
- The Network for Business Sustainability has published an executive report on socially conscious consumerism:
http://nbs.net/wp-content/uploads/NBS_Consumerism_Brief_2009.pdf

3.2 Workers: Dialogue, Productivity, and Safety

Prabhakar SJB Rana, emeritus chairman of the Soaltee Group, notes, "We have come through a difficult time, especially with regard to labour relations." Formation Carpets' MD, Sulochana Shah, agrees: "Politicised trade unions are a big challenge."

Shah explains how from 2008 to 2010 Formation Carpets' workforce shrank from 500 to 30 direct employees, largely because of the challenges experienced in labour relations. One of the company's responses has been to establish a "hybrid production system" that involves many producers working from home.

In the Soaltee Group, Rana says, "The way we came through was to build commitment among managers and employees. We had weekly management meetings and every month we had union representatives

participating. They began to understand our problems and we began to understand their problems. That was possible also because we had educated workers. Management must focus on transparency and help to educate the workforce."

Managers thus face significant challenges with regard to labour relations, also because Nepali labour law is still being developed and its implementation is constrained. In this context, the International Labour Organisation's Saloman Rajbanshi argues:

"One of the key gaps is that there is not adequate communication between management and labour. This has to do with the traditional culture. Managers see themselves as people that are not supposed to speak to the workers. They need to engage in dialogue with the workers; they need to identify the problems and find mutual solutions. It is not good enough to have an "open door" policy; managers must reach out to the employees."

Rajbanshi continues, "Some managers go the extra mile to improve the situation in the workplace. We have seen managers who are very positive in terms of for example the minimum wage. They offer a higher salary than required in the law, and at the same time they make sure they get a return through higher productivity. They do this through regular consultation with the workers; they explain the situation; and they regularly appreciate workers for a job well done." Arguably an example of such an enlightened approach to labour relations and productivity is CE Construction, one of only a few Nepali companies that are expanding operations overseas (in Qatar and Bhutan). Its MD, Bijay Rajbhandary explains, "We want to employ people with passion. This also ensures higher productivity. The financial

benefit is a by-product of this passion. So we have different incentive structures for people who want to be strategic leaders and entrepreneurs within the firm. I spend a lot of my time on mentoring. It is more than a boss-employee relationship."

CE Construction is also noteworthy for its proactive approach to occupational health and safety, as described in Box 5 below. Another company that has taken a proactive approach to occupational health and safety is Quest Pharmaceuticals. The company's MD, Umesh Lal Shrestha, lists a broad array of activities in this regard, ranging from the installation of fume hoods and other equipment in laboratories to the provision of annual health check-ups and insurance to employees. He notes, "One of the biggest benefits of our health and safety work has been an improved relationship between workers and management."

"We want to employ people with passion. This also ensures higher productivity."



Bijay Rajbhandari (CE Construction Private Limited) and Pradeep Shrestha (Pancha Kanya Group)

Occupational health and safety at CE Construction

Workers' health and safety is a crucial concern in the Nepali construction sector. Serious injuries and deaths resulting from accidents on construction sites have devastating consequences for the workers' families and communities. The statistics show that the Nepali construction sector has extraordinarily high rates of such accidents, due to unsafe working practices and conditions.

CE Construction has put workers' health and safety high on the management agenda. Bijay Rajbhandary, the company's MD, explains, "Health and safety is a priority for us because we care for human value. When a young worker drops from three stories, without a safety belt, he will become handicapped, and his family will suffer. If we can prevent this with a bit of education and safety equipment, we do this."

Improving occupational health and safety at CE Construction includes the following dimensions:

- First, the company insists that workers wear the appropriate equipment, including hard hats, solid shoes, and safety belts. Rajbhandary has strong views on the need for hard hats – when he was young, a hard hat saved his life!
- Second, workers are given training to ensure they understand the need for safe working practices. This includes a safety meeting every day, as well as signs in prominent locations on every site.
- Third, special efforts focus on creating a safe working environment. Rajbhandary calls it "good housekeeping – making sure that everything on site is clean and safe, so that there are no nails or loose planks lying around, and so on." It also involves providing workers with hygienic, well-ventilated accommodation while they are on site.
- Finally, when an accident occurs, the company makes sure that the necessary lessons are learnt by discussing each incident at weekly management meetings. Management also ensures that the victim is well taken care of, and it provides medical treatment and compensation in the case of illness or death. Rajbhandary concludes, "This is important to us because workers are our primary asset."

BOX 5

KEY POINTS

- Labour relations are a recognised challenge for Nepali business leaders.
- Successful business leaders emphasise the need for on-going dialogue with workers and supporting education and training of workers.
- Continuously improving occupational health and safety is a vital aspect of ensuring a productive workforce.

Additional resources and further reading:

- The ILO Country Office for Nepal is a useful source of information on labour issues in Nepal:
<http://www.ilo.org/kathmandu/lang--en/index.htm>
- The UN Global Compact has published a guide on the labour principles of the Global:
https://www.unglobalcompact.org/docs/issues_doc/labour/the_labour_principles_a_guide_for_business.pdf
- A number of government agencies around the world implement national laws and provide support and advice on occupational health and safety. A basic introductory overview, which will be useful to Nepali business leaders and managers, as well, is published by the UK government's Health and Safety Executive:
<http://www.hse.gov.uk/pubns/indg449.pdf>

3.3 Suppliers: Enhancing Quality, Reliability, and Distinctiveness of your Supply

The competitiveness of your business depends not only on the efficiency and

reliability of your own operations, but also on your supply chain. It is important to realise that the supply chain consists of much more than those companies that supply you with products and services, on the one side, and your customers, on the other. Your suppliers also have suppliers, and – unless you sell directly to consumers – your customers also have customers.

So the success of your business depends on the efficiency and reliability of this entire network of companies. Many successful companies not only recognise this reliance on their supply chain, but they work together with companies in their supply chain to make it more effective. It is often the case that you will try to pay your suppliers as little as possible and charge your customers as much as possible – but even so it helps to take a proactive, holistic and collaborative approach to your supply chain.

In some cases, efficiency, reliability, and flexibility are often improved if you can help develop local clusters, or groups of suppliers and other supporting firms in a geographic region. Such clusters also become more viable and productive if the social and environmental conditions, on which they depend, are actively improved.

An example of a Nepali company making such efforts is Priobiotech Industries, a business owned by Nimbus Holdings. As one of the first large animal feed producers in Nepal, its main brand "Shakti" is also the largest selling animal feed brand in the country. Whereas initially much of the basic raw materials, such as maize and soya seeds, were imported from India, much work has been done to increase the proportion of Nepali supply.

The company's MD, Anand Bagaria, notes that this process has not been easy: "It is

an ongoing challenge to ensure consistent quality of the raw materials, and that the supply chain remains cost effective." One of the company's responses to these challenges has been to employ collectors that link suppliers to the company – but rather than act as middlemen that diminish earnings for suppliers, these collectors are supported and supervised so that suppliers benefit. Nimbus is also making broader efforts to support agricultural supply chains, including the development of "Nimbus Krishi Kendra" stores, which provide agricultural inputs to farmers and also create job opportunities for vulnerable women.

For some companies, developing local suppliers is a fundamental part of their mission. Himalayan Biotrade, for instance, was established in 2000 to process and market natural products, such as herbs and honey, provided by community-based enterprises or cooperatives. Supported by a number of certifications (see also section 3.1 above), it now exports 90% of its produce.

Himalayan Biotrade works directly with the community enterprises or cooperatives. It helps to finance and set up operations, and it provides them with off-take agreements at a fair price. The company also helps to ensure that the benefits are shared within the community. Ensuring product quality is an on-going challenge, but the company works with its local partners by providing training and investing in equipment, such as testing laboratories. An example of such a supply chain is illustrated in Box 6.

Of course, procuring from and supporting local suppliers is not just an important topic in the agriculture sector. It is also prominent, for instance, in the hotel industry. Dwarika's is a prominent example

of a hotel that has a strong commitment to local sourcing, and this is also an important part of its branding strategy.

Dwarika's Director of Business Development and Finance, Rene Vijay Shrestha Einhaus, notes that common arguments to procure locally are to save time, control risks, and reduce costs. "These reasons can be important, but for Dwarika's they are not the most significant. Instead, we go for local procurement because it is a point of differentiation. We are a Nepali brand, and our customers appreciate this. 'Local' is part of our business philosophy."

Mr Einhaus continues, "But local procurement requires some extra effort. We need to coordinate closely with our suppliers and put some effort into quality control. Sometimes things take a bit longer or might even be more expensive than the imported version. But it is worth it for us. The extra effort pays off."



Tom Larsen (Himal Hydropower Limited) and Ellen Kallinowsky (GIZ)

An example of sustainable supply chain management: Himalayan Biotrade's essential oil production process

Himalayan Biotrade and its village cooperatives produce and market the only essential oils in the world, which are certified Organic and Wildlife Friendly, among others. The wild plants are harvested from responsibly managed forests by villagers, distilled by local communities and quality controlled and packaged by Himalayan Biotrade for sale to domestic and international markets. The key stages in the production process are as follows:

- Villagers organized in cooperatives supported by Himalayan Biotrade harvest the raw materials.
- The collectors also do the preliminary cleaning and drying in the herb collection areas, and further cleaning and drying is done in the village.
- The processing unit buys these raw materials, paying the market price that includes the conservation premium for the concerned forest user group. The processing unit usually has to clean and dry the raw materials again. The raw materials are weighed and put into the distillation apparatus.
- Himalayan Biotrade checks the quality of the final product, and it packages, brands, and markets it.

(Source: adapted from <http://www.himalayanbiotrade.com>)

BOX 6

KEY POINTS

- Improving your supply chain and supporting your suppliers can enhance your company's competitiveness.
- Procuring from local suppliers can improve efficiency and flexibility of your supply chain, and it can also help differentiate your brand.
- Working with local suppliers may require some extra effort, but the benefits could be worth it.

Additional resources and further reading:

- The UN Global Compact has published a report, Supply chain sustainability: A practical guide for continuous improvement: https://www.unglobalcompact.org/docs/issues_doc/supply_chain/SupplyChainRep_spread.pdf
- The Network for Business Sustainability has published a short executive report on managing sustainable global supply chains: <http://nbs.net/wp-content/uploads/NBS-Executive-Report-Supply-Chains.pdf>
- The Responsible Business Initiative India has published a number of relevant documents, including “Fostering Business Responsibility in MSME (Micro, Small, and Medium Enterprise) Clusters”: <http://responsiblebusinessindia.com/downloads/fostering-business-responsibility-in-msme-clusters-role-of-policy-makers>
- There are a multitude of initiatives on responsible and sustainable supply chains. The Guardian publishes regular articles on this topic, such as this one following the Rana Plaza collapse in Bangladesh: <http://www.theguardian.com/global-development-professionals-network/2013/jul/29/responsible-business-retail-supply-chains>
- There are also resources provided by consulting companies, such as PWC’s report, Sustainable supply chains: Making value the priority: http://www.pwc.com/en_US/us/operations-management/publications/assets/sustainable_supply_chain.pdf
- The International ValueLinks Association is an independent network of practitioners working on supply chain development: <http://www.valuelinks.org>

3.4 Local Communities: Being Good Neighbours

We know that a community depends on good neighbourly behaviour. When neighbours disregard each other, conflict and decline are likely to follow. The same applies to businesses – they need to ensure that they are good neighbours to communities surrounding them. Otherwise it is possible that their business will be disrupted by protest or other activities of disgruntled community members.

This is particularly so for large industrial facilities or infrastructure and energy projects. Anagha Mahajani, MD of the Ambuja Cement Foundation, explains the significant efforts by Ambuja Cement, one of the largest cement companies in India, to be the “neighbour of choice” for local communities.

In these efforts, the company focuses on synergies between the needs and resources of the company and those of the community. For instance, explains Mahajani, they realised that many farmers around their operations burn their crop residue, which is a waste. So they developed a pilot project to use this biomass as an alternative fuel in the cement plants. This has been very successful: the company saves on energy costs and greenhouse gas emissions, and the community benefits from additional income. Mahajani identifies six lessons that they have learnt in working with communities – they are outlined in Box 7.

Six lessons in community development from Ambuja Cement

The following six lessons were highlighted by Anagha Mahajani, MD of the Ambuja Cement Foundation, at the first Nepal Responsible Business Summit:

- 1) *Needs assessment is crucial:* Business managers should proactively assess the needs of both the company and neighbouring communities, in order to then develop a strategy of responding to these needs in an effective manner. Community development initiatives should be based on this needs assessment and should take a holistic approach that addresses human development needs (including health and education), livelihood development, and natural resource management.
- 2) *Projects should be aligned with the business:* It makes sense to design community development initiatives that can make use of the company’s abilities and interests. For instance, Ambuja Cement needs water for its operations and so do the local communities, so the company can make a big difference by creating and maintaining dams and related infrastructure that service both its own operations and local communities.
- 3) *Support community based organisations (CBOs) for sustainability:* CBOs such as Village Development Committees or water user associations play an important role in ensuring that communities make effective decisions and share the benefits of development projects. They are also important so that the company and others can effectively communicate with communities.
- 4) *Keep engagement proactive, not reactive:* Waiting for issues to arise when there are problems or grievances in a community means that it is often too late to effectively intervene. This is why companies must take a proactive approach to communicating with communities. For instance, Ambuja Cement annually assesses the relationship between its operations and neighbouring communities and it undertakes site-specific human rights risk assessments. The company has also set up Community Advisory Panels that help identify issues as early as possible.
- 5) *The need for replication and scaling up:* Ideas for community development initiatives are first discussed with community stakeholders and others and then tested in pilot projects. Lessons learnt in these pilot projects can then be integrated into the project design before implementation on a larger scale or in different places.
- 6) *Measure return on investment (ROI):* Investing in community development is just like any other investment: business managers need to assess the impacts and prioritise those investments that have the greatest impact. Ambuja Cement has taken an integrated approach to assessing the “true value” of its operations and community development initiatives, taking into account both the positive and negative impacts on society and the environment.

BOX 7

Despite a company's best efforts, relationships with communities can quickly turn into a serious management challenge. This has been the case with some Nepali hydropower projects. Himal Power is one of these hydropower operations. Its MD, Tom Larsen, explains how the company has put much effort into running a well-maintained and reliable operation, but it has had challenges with its neighbouring communities. Two years ago, the company's operations were almost shut down by protesters who demanded more benefits.

Larsen is concerned that local communities have unrealistic expectations and try to hold the company to ransom. Sometimes such expectations are used for political purposes, and it is not always easy to identify the legitimate leaders of communities. Larsen notes that one of the things that has helped the company is that it has employees who have lived in the area of the operations for a long time and they are able to communicate effectively with the locals.

It is therefore clear that community engagement is often particularly important and challenging for large industrial or infrastructure projects, and this is especially so in the construction phases of such projects. This is why, for instance, much effort is going into ensuring a sense of community commitment and support for the Kathmandu-Hetauda tunnel highway project. It is also why the Nepal Investment Board requires large infrastructure projects to involve local communities in planning and to provide tangible benefits to them. The Investment Board's CEO, Radhesh Pant, says that the Investment Board tries to be an honest broker

to ensure local communities actively collaborate in projects and feel at ease.

However, community engagement and development also plays a crucial role in other areas, including tourism. Indeed there are a number of Nepali initiatives that seek to develop tourism opportunities to support community development.

For example, Asian Trekking is a company set up with the explicit intention to support the Sherpa community, providing employment to about 65 people and also supporting their children's education and training. The company's MD, Dawa Steven Sherpa explains that the company works hard so that tourism brings opportunities to community members' lives. It also engages in clean-up operations and climate change awareness, because the environment is the foundation of the company's business.

Another business with a similar perspective is Social Tours, which uses its links to local communities to build its brand and to attract socially conscious customers. Such community-oriented businesses are often linked to initiatives that try to develop tourism in particular places or regions, such as "Ghale Gaun model village" or the "Tourism Development Society" promoting tourism in the Far Western Region. Over and above marketing these places to domestic and international tourists, these initiatives often include programmes to educate locals about the tourist industry. This helps create a tourist-friendly environment and also enables locals to benefit. They also work with government and other organisations to develop basic infrastructure, such as roads.

KEY POINTS

- Engaging with and helping develop neighbouring communities can provide important business benefits. It helps develop your brand and create a peaceful, supportive business environment.
- Community development initiatives benefit from six things: conducting a needs assessment; aligning with core business; supporting community based organisations; proactively addressing needs and grievances; scaling up impacts where possible; and assessing impacts.
- Community engagement activities range from proactive communication to avoid conflict to on-going partnerships to address common challenges.

Additional resources and further reading:

- The Responsible Business India Initiative has relevant resources, including an overview of the work of corporate foundations in community development: <http://responsiblebusinessindia.com/downloads/beyond-philanthropy-towards-collaborative-approach-india>. It also has a useful overview of interactions between business and rural communities: <http://responsiblebusinessindia.com/downloads/responsible-corporate-engagement-in-rural-india-a-compendium-of-good-practices>
- As described in some of the examples above, company-community relations can sometimes involve significant conflict. In this regard, you may find useful a UN Global Compact report on responsible business in conflict-affected areas, which also includes dedicated sections on community engagement: https://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf

- The Network for Business Sustainability has published an executive report on community engagement, which is focused on mining companies but has relevant advice for all sectors: http://nbs.net/wp-content/uploads/NBS_Community-Engagement-Guide.pdf
- As mentioned in the text, the Tourism Development Society promotes tourism in the Far Western Region, with a focus on ensuring community development through tourism: <http://www.tdsnepal.org>

3.5 Investors and Lenders: Attracting Responsible Finance

It is not just customers and local communities who have growing expectations for responsible business conduct. Banks and insurance companies are also putting increasing emphasis on ensuring that the companies or projects that they support – either through credit, equity participation, or insurance – do not have negative social or environmental consequences.

This is because finance companies want to avoid the reputation or legal risks associated with such consequences. In addition, they are increasingly seeing good social and environmental practices as a sign of due diligence and a general indicator of management quality.

As argued by the Deputy Governor of Nepal Rastra Bank, Maha Prasad Adhikari, banking is the business of managing risk, and ensuring high degrees of social and environmental responsibility is an important part of this.

A Nepali bank that emphasises responsibility in its strategy is the Clean Energy Development Bank. Its Deputy CEO, Barsha Shrestha, says that environmental, social and

governance (ESG) issues are vital in Nepal, because three of the country's key sectors – hydropower, tourism, and herbs – rely heavily on these issues.

Shrestha explains that the norms established by Nepal Rastra Bank for prudent lending are important to his company. In addition, the Clean Energy Development Bank does not invest in any business that does not show commitment towards the “triple bottom line of people, planet and prosperity.” To ensure this, the bank is working on measuring and reporting on its ESG performance.

Similarly, Anupa Aryal Pant from the International Finance Corporation (IFC) says that responsible business practices are a crucial aspect of the IFC's work. Before it invests in a project or company, it seeks to ensure that the client aligns with its performance standards. The IFC's performance standards are summarised in Box 8.

Pant notes, “When we talk to business leaders, we ask ‘where do you want to be in 10 years and how do social and environmental issues affect this vision?’” For instance, when the IFC discussed this with a Nepali animal feed company, that company realised that if it wanted to be an industry leader, it would need to train farmers to ensure reliable supply. In this way, the IFC tries to support companies in taking a strategic approach to responsible business.

The Dolma Impact Fund is a private equity investment company that focuses on companies that have high growth potential and also a positive social and environmental impact. Measuring this impact is therefore a priority, says Nikita Bajracharya, Investment Analyst at Dolma Impact Fund, and they make use of the IFC's Social and Environmental Performance Standards to help guide such assessments.

The IFC's Social and Environmental Performance Standards

These Performance Standards guide the IFC in ensuring its investments and activities take account of possible environmental and social risks and impacts. In the case of its direct investments, IFC requires its clients to apply the Performance Standards to manage environmental and social risks and impacts so that development opportunities are enhanced.

There are eight Performance Standards, as listed below. While Performance Standards 2-8 focus on particular themes that require particular attention, such as “labour and working conditions,” the first Performance Standard requires the implementation of an Environmental and Social Management System. This system includes: (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the client's management of environmental and social performance throughout the life of the project.

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

(Source: adapted from IFC website - see box on resources for reference)

BOX 8

Additional resources and further reading:

- The United Nations has a dedicated initiative focused on responsible investment, called the UN Principles for Responsible Investment (UN PRI): <http://www.unpri.org>.
- The Responsible Business India Initiative has a number of resources on the role of the finance sector, including a report focused on impact investment: <http://responsiblebusinessindia.com/downloads/invest-catalyze-mainstream-indian-impact-investing-story>

KEY POINTS

- Banks and insurance companies want to ensure that the companies or projects that they support do not have negative social or environmental impacts. They want to avoid the reputation or legal risks associated with such negative consequences.
- To ensure that their clients or investments are sustainable, many finance companies measure their clients' performance on environmental, social



Anil Shah (Mega Bank)

and governance criteria. A prominent example is the IFC's social and environmental performance standards.

3.6 Academia: Research and Teaching for Responsible Business

This guide has emphasised that responsible business is a journey of discovery and learning. As argued by Uday Gupta, MD of Mahindra Steel, you and your team will need to be continuously learning in order to implement business responsibility, and to recognise “the next big thing.”

Business leaders like Gupta emphasise that partnerships with universities can be useful for this learning process: “We need to work with lecturers and students at universities to ensure that they engage in relevant research that will help us implement responsible practices. We also need to support their teaching so that we will have access to well-educated graduates.”

Prabhakar SJB Rana, emeritus chairman of the Soaltee Group, agrees: “It is important for us and our employees to continuously learn so that we remain competitive in a responsible way. Universities have a vital role to play in this regard.”

“We need to work with lecturers and students at universities to ensure that they engage in relevant research that will help us implement responsible practices. We also need to support their teaching so that we will have access to well-educated graduates.”

“Putting in place strategies and operational changes for responsible business cannot be done overnight,” notes Professor Raj Aryal of School of Management at Tribhuvan University (SOMTU). “Universities can play a critical role in this learning process.”

Professor Binod Shrestha of the Kathmandu University School of Management adds, “We are already integrating business responsibility themes into our MBA and other teaching programs, and we also want to conduct research in this area in partnership with companies.”

Getting students involved in conducting research on themes related to responsible business practices has two advantages. It helps bring fresh thinking from bright, young minds to bear, and it helps build skills among the students. Working with businesses on tangible problems also ensures that they can connect theory with practice.

Ashish Shrestha, an MBA student from SOMTU illustrates these benefits. He and his fellow students conducted research on why and how small and medium enterprises engage in responsible business practices. He explains, “Some people think that responsible business practices are only relevant for big companies, but our work shows that this is also important in small companies. At the same time, we need to recognize that these small companies face specific challenges and opportunities.”

How can you partner with universities? The first step is to go through the steps outlined in section 2 above. This will allow you to identify some of the priorities, challenges, and opportunities facing your company in implementing responsible business practices.

The second step is to discuss these issues with students or lecturers at a university or college near you. It is possible that they have been doing research on related themes, or they can put you in touch with appropriate colleagues.

Working together, you can then identify a project that will help you address your challenges and it will also benefit the students or lecturers generate new insights. If you don't know who to turn to, contact the National Business Initiative, which is supporting partnerships between companies and the universities.

Additional resources and further reading:

- Partnerships between companies and universities focused on responsible business are part of a broader trend to foster innovation through such partnerships. Best practices in such partnerships are discussed in this article: <http://osp.mit.edu/sites/osp/files/u8/best-practices.pdf>
- The Network for Business Sustainability includes a group of sustainability centres at business schools around the world, including some Indian business schools: <http://nbs.net/sustainability-centres>

KEY POINTS

- Working with students or lecturers at local universities can help you find answers to questions you may be facing in your responsible business journey. It can also help you develop and recruit promising graduates.
- To explore possible research or teaching partnerships, think of a question that you are faced with, and which you think other companies are also facing. Then approach a suitable contact person at your local university, or the National Business Initiative.



From the left: Uday Gupta (Mahindra Steel), Subash KC (KUSOM), Pushkar Bajracharya (TU), Pramila Rijal (Federation of Women Entrepreneurs Association of Nepal) and Anil Chitrakar (Siddharthinc)

4 BECOMING ENVIRONMENTALLY EFFICIENT



Taking care of the environment is an important part of responsible business.

4. Becoming Environmentally Efficient

“As Nepalis, we are very conscious of the need to care for nature. This is an important part of our culture,” notes Prashant Singh, CEO of the Himalayan Climate Initiative.

In addition, many business leaders have learnt that good environmental management contributes to profitability, because using less energy and water and producing less waste often reduces costs. The examples below show that such investments can make a lot of business sense. They can also help build your brand and ensure the long-term health of your business environment. A first step is generally to find out how your business operations are using energy and water, and creating waste, in order to then identify ways to reduce these impacts in a cost-effective manner.

Additional resources and further reading:

- WBCSD has an Eco-Efficiency Learning Module that provides hands-on advice on how companies can achieve cost savings by managing energy, water and waste: <http://www.wbcsd.org/pages/EDocument/EDocumentDetails.aspx?ID=13593&No-SearchContextKey=true>

4.1 Energy Efficiency

Energy efficiency is a particularly important opportunity for Nepali businesses. Not only is electricity supply unreliable and relatively expensive. “Most Nepali companies are using inefficient processes and old technologies, and they are therefore

using more energy than necessary,” argues Dr Uttam Kunwar of the Energy Efficiency Centre (EEC) in the Federation of Nepalese Chambers of Commerce and Industry. (The EEC is an initiative supported by the Nepal Energy Efficiency Programme, a collaboration between the Government of Nepal and Federal Republic of Germany.)

EEC has conducted energy audits of energy intensive industries, including cement, metal, pulp and paper, food, and brick making. The results suggest that there are significant opportunities for reducing energy consumption with limited investments. Such changes could save 15% of electricity consumption and 25% of thermal heat use (in cement plants or brick-making kilns, for instance).

Conducting an energy audit is often the first step that you can take to identify opportunities for reducing your consumption. For instance, Sitaram Gokul Milks conducted such an audit, which identified a number of energy saving investments. “We knew that energy costs were an important part of our total costs – up to 20% – but it was necessary to get a better understanding of what our actual energy needs were, and what to do about them,” says Sumit Kedia, the MD of Sitaram Gokul Milks.

“The audit suggested investments that cost just over 8 million Rupees, but these investments gave rise to annual cost savings of over 11 million,” explains Rajiv Khanal. “The audit allowed us to identify energy saving measures that would have returns in the short-, medium-, and long-term.” (An overview of these investments and associated returns is provided in Box 9. Note that some of the changes did not require any investment at all)

Apart from saving costs associated with your electricity bills or coal supply, reducing energy consumption is often the best way to reduce your contribution to climate change. Indeed, a growing array of stakeholders is insisting that companies report on their greenhouse gas emissions (see reference

to the Carbon Disclosure Project below) – even if you don’t have investors involved in such initiatives, you may be supplying companies that do, so your customers might demand such information sooner than you currently imagine!

Example of energy saving investments at Sitaram Gokul Milks (adapted from slides presented by Rajiv Khanal)

Energy Efficiency Options	Investment in NPR	Saving / year (approx)
Short-term measures		
Operating the Effluent Treatment Plant (ETP) during low tariff off peak period	Nil	Rs 96,000
Operating ground water pump at night, off peak hours	Nil	Rs 46,000
Insulation of Ghee boiling pan	Rs 1,70,000	Rs 28,000
Condensate Recovery from CIP cream pasteurizer and ghee boiling pan	Rs 1,20,000	Rs 60,000
Recovering condensate during Diesel boiler operation	Rs 50,000	Rs 68,000
Medium-term investments		
Installation of VFD for Chilled water pumpw	Rs 15,00,000	Rs 7,50,000
Installation of DE Superheater at ammonia compressor discharge		
Effective use of Ice Bank System	Rs 19,00,000	Rs 14,62,250
Long-term investments		
Performance of Boilers and measures for fuel economy (Replacement of oil fired boilers with rice husk fired boiler)	Rs 55,00,000	Rs 83,31,600
Heat recovery from DG set flue gas	Rs 5,00,000	Rs 2,12,625
Installation of a 1 KL/Day solar hot water system to generate hot water	Rs 5,00,000	Rs 1,57,000

BOX 9

KEY POINTS

- Reducing energy consumption is often an effective way to reduce business costs. It is particularly important in the Nepali context, due to the insecurity of energy supply and the relatively high costs of electricity.
- The first step is often to conduct an energy audit, which identifies where energy is used in the company, and how consumption can be reduced effectively.
- Investments in energy efficiency often pay for themselves within relatively short periods, and some energy efficiency improvements do not involve any expenses.

Additional resources and further reading:

- The Energy Efficiency Centre in the FNCCI: <http://www.eec-fncci.org>
- The Nepal Energy Efficiency Programme: <http://weecs-neep.gov.np>
- The World Business Council for Sustainable Development has a programme focused on energy and climate: <http://www.wbcsd.org/work-program/energy-and-climate.aspx>
- The Carbon Disclosure Project is an initiative, through which global investors are asking companies to report on their greenhouse gas emissions (as well as water consumption): <https://www.cdp.net>

4.2 Saving Water

Clean water is a vital resource and it is becoming increasingly scarce due to overconsumption, pollution, and climate

change. Business leaders are making significant commitments to reducing water consumption and pollution, because they recognise that their companies and neighbouring communities depend on water.

A company known for its efforts to conserve water is Coca-Cola. “Water is an important part of our product, and it is also critical to human survival. It is therefore one of our priorities in terms of responsible business and community interests,” explains Alok Kohli, Coca-Cola Country Manager for Nepal and Bhutan. “For a start, we work on reducing water use in our operations, for instance, by reusing water for the first wash of our bottles.”

“In some countries, Coca-Cola has achieved a zero water balance, which means that the company returns to communities as much water as it uses for its operations. We are aiming for that here in Nepal, as well,” Kohli continues. “It means that we need to return about 300 million litres per year. We have two pilot projects in Pulchowk, which have the capacity to replenish about 40 million litres a year.”

Coca-Cola is developing this rainwater harvesting facilities with the help of Smart Paani, a company focused on water efficiency. Indeed a growing number of companies, including Coca-Cola, Honda, and the Chaudhary Group, are putting in place rainwater harvesting facilities to save water costs and also help conserve Kathmandu’s diminishing water reserves.

What is the first step to address water issues in your business? Just like an energy audit is the first step for energy efficiency, you will benefit from understanding where in your business you are having the greatest impact on water in terms of consumption or pollution. There

are a variety of guidelines available for how to conduct such a water footprint analysis, and some of them are listed in the “resources” box below.

KEY POINTS

- Clean water is a vital resource for companies and neighbouring communities. Water resources in places like Kathmandu are under increasing pressure.
- Some Nepali business leaders are making concerted efforts to reduce water consumption in their operations, and some are also putting in place rainwater harvesting measures.
- A first step is to conduct a water footprint analysis, which assesses where in your business (and supply chain) you are having the greatest impact on water consumption or pollution.

Additional resources and further reading:

- The CEO Water Mandate is an initiative of the UN Global Compact to advance the role of business in water stewardship: <http://ceowatermandate.org>
- The World Business Council for Sustainable Development has a dedicated programme on water. Its website is <http://www.wbcsd.org/work-program/sector-projects/water.aspx>. This initiative also provides a “Water Tool” that can help you assess your impacts on water. One such tool has been developed specifically for India, so this is likely to be the most appropriate for Nepali business leaders: <http://www.wbcsd.org/indiawatertool.aspx>

The WBCSD also provides an interactive online tool to help you manage your water resources: <http://www.wbcsd.org/waterforbusiness3.aspx>

- An authoritative and comprehensive guide to assessing impacts on water resources is provided in The Water Footprint Assessment Manual: <http://www.waterfootprint.org/downloads/TheWaterFootprintAssessmentManual.pdf>
- The Nepal Water Conservation Foundation focuses on supporting and making available research on the sustainable use of water in Nepal: <http://www.nwcf.org.np>
- The Institute for Human Rights and Business has published a report explaining the relationship between water and human rights, and how companies can respond: http://www.ihrb.org/pdf/More_than_a_resource_Water_business_and_human_rights.pdf

4.3 Reducing Waste

By adopting waste management systems, you can reduce your company’s contribution to these problems, and you can also create a safer and more productive environment for your staff, customers, and neighbouring communities. There are also opportunities to make money from recycling and other waste reduction activities.

The important need for companies to pay more attention to waste management is illustrated in the health industry. Mahesh Nakarmi, Director of the Health Care Waste Management Program at the Health Care Foundation Nepal, argues that the current situation is extremely dangerous. Waste from hospitals often ends up on the street, including used syringes and amputated body parts. This creates dangerous hazards for people, including in particular children.

Nakarmi has been working with Bir Hospital to illustrate how even such an

overstretched organization can implement and benefit from waste management efforts. As reported in Republica in February 2014:

“Since the Health Care Foundation Nepal started working with the facility two years ago to improve its waste disposal, the 121-year-old Bir Hospital in central Kathmandu has nearly halved the amount of waste it dumps into municipal systems, is routinely separating hazardous materials from non-hazardous garbage, and has begun experimenting with new disposal procedures, such as vermi-composting, in which waste is fed to various types of earthworms.”

A significant challenge in this process has been to convince overstretched hospital workers to do things differently. “But, over time, they have seen the benefits of such changes for themselves, their patients, and neighbouring communities. It’s been wonderful to see waste management champions emerge from among the nurses and other staff,” explains Nakarmi.

Some initiatives are recognising and making use of business opportunities in

managing waste. One example is the PET bottles recycling project implemented by a multi-stakeholder partnership including the Himalayan Climate Initiative, Coca Cola, Ganesha Ecosphere, and German Development Cooperation-GIZ. It engages waste pickers to separate PET bottles from waste collected from the street. The bottles are sorted and baled by vulnerable women who have been identified and trained by Hamri Bahini, an initiative of the Himalayan Climate Initiative. The pressed plastic bottles are then sold to Ganesha Ecosphere, a recycling company in India. Box 10 describes this project in more detail.

Coca-Cola’s Alok Kohli explains, “Some of our products are sold in PET bottles, so we want to help pick up and recycle the used bottles, while also creating jobs. It is about building a self-sustaining business. Our main contribution has been to help develop the business model, to bring on board the recycling company, and to make sure that we can run an efficient operation. It is interesting because a diversity of role-players are putting the various nuts and bolts into place.”

The PET Bottle Recollection Social Enterprise

The PET Bottle Recollection Social Enterprise is an innovative partnership to reduce waste in the streets and to provide benefits to waste collectors and vulnerable women in the process.

The waste collectors sell their PET bottles to recollection centres at a fair price. They also receive support such as basic training, medical care, and safety kits.

At the recollection centre, groups of vulnerable women sort and crush the plastic bottles into transportable bales. The women are identified and trained by Hamri Bahini, an initiative of the Himalayan Climate Initiative focused on supporting women rescued from or vulnerable to trafficking.

(Source: adapted from: <http://includenepal.org/images/publications/hci.pdf>)

BOX 10

KEY POINTS

- Companies’ solid waste contributes to dangerous pollution on our streets and in our rivers. It is important for you to reduce waste.
- Reducing and recycling waste creates a safer and more productive environment for your staff, customers, and neighbouring communities.
- There are also opportunities to make money from recycling and other waste reduction activities.

Additional resources and further reading:

- A report providing more detailed discussion of the Bir Hospital waste management initiative: https://noharm-global.org/sites/default/files/documents-files/2042/Bir_Hospital_Interim_Report.pdf

A video about this initiative is available here: <https://noharm-global.org/articles/news/global/video-bir-hospital-transforms-its-healthcare-waste-management>

- The PET Bottle Recollection Social Enterprise is outlined in this brochure: <http://includenepal.org/images/publications/hci.pdf>
- The US Environmental Protection Agency has published a useful guide for small businesses on managing hazardous waste: <http://www.epa.gov/osw/hazard/generation/sqg/handbook/k01005.pdf>
- The WBCSD has published case studies of particular companies’ waste management efforts, such as Goodyear: <http://www.wbcscd.org/Pages/EDocument/EDocumentDetails.aspx?ID=15750&NoSearchContextKey=true>. It also offers reports that focus on waste management in particular industries, such as “The cement industry: Creating solutions for safe, resource-efficient waste management”: <http://www.wbcscdcement.org/pdf/Waste%20management%20solutions%20by%20the%20cement%20industry.pdf>



Shilshila Acharya (Himalayan Climate Initiative)

5 BUILDING INTEGRITY IN YOUR BUSINESS



Values are fundamental to responsible business and it is important to be clear about them.

5. Building Integrity in your Business

Uday Gupta, MD of Mahindra Steel, emphasises that the foundation of responsible business is integrity: “Ethics and integrity are about what people do when nobody is watching. They are fundamentally about building trust. We have won important customers because they feel they can trust us, because we are transparent even if we don’t have good news. We also don’t compromise on integrity. Recently we fired one of our top-performing managers, because we couldn’t be sure of his integrity.”

Values are fundamental to responsible business and it is important to be clear about them. Saurabh Jyoti, Director of the Jyoti Group of Companies, says, “Our mission is to be a market leader, but we are not only about profits, we want to grow together with the society and nation at large. An important part of this is to pay taxes. It is the ethical thing for each and every business and person to pay tax, VAT, excise, and customs duties. This is an important foundation for a prosperous nation.”

Like Gupta and Jyoti, the MD of Surya Nepal, Abhimanyu Poddar, also emphasises the role of integrity in building trust and relationships: “We have clear company values, but it is not enough to just talk about them. We put in place rigorous management systems to ensure accountability and measure progress, to make sure that there is alignment between what we say and what we do.”

Developing a management system to build integrity and avoid corruption involves the basic steps discussed in section 2:

- 1) Leadership commitment to values and integrity;
- 2) Assessing risks and opportunities

(i.e., where in your organisation may corruption take place?);

- 3) Defining goals, strategies and policies to deal with these risks and opportunities;
- 4) Implement these strategies and policies, possibly with help from NGOs or others;
- 5) Measure and monitor progress (e.g., do employees report higher levels of trust in management?); and
- 6) Communicate progress and strategies to internal and external stakeholders.

Transparency International has recommended an adapted version of such a management system, based on its “Business principles for countering bribery.” This “six-step implementation process” is outlined in Box 11.

Nepali businesses have a long way to go to implement such integrity management systems. In one of the sessions during the Nepal Responsible Business Summit, the facilitator asked which of the companies present in the room had an anti-corruption hotline (a telephone number that employees or customers can call to anonymously report on corruption) – none of the participants raised their hand.

However, there are signs that things might be changing. For instance, Ncell recently signed an “integrity pledge” with Transparency International Nepal. Ncell’s CEO, Erim Taylanlar, is quoted on the company’s website: “We at Ncell and Teliasonera acknowledge that corruption is a serious problem. The corporate sector has a responsibility in dealing with this problem. Hence, we pledge to follow ethical norms and undertake measures that are conducive to good corporate governance. We are against corruption in all its manifestations.”

The Transparency International six-step implementation process

STEP	ACTION	1	2	3	4	5	6
		Decide to adopt a no bribes policy	Plan the implementation	Develop detailed anti-bribery Programme	Implement Programme	Monitor	Evaluate and improve
PRIMARY RESPONSIBILITY		Owner of company/board/CEO	Appointed senior manager/Project Team	Appointed senior manager/heads of department	Appointed senior manager/support functions/business partners	Ethics/compliance officer Internal and external auditors	Owner of company/board/CEO/audit committee
	PROCESS	Obtain commitment to no-bribes policy “from the top”	Define specific company risks/review current practices	Integrate no-bribes policy into organisational structure and assign responsibilities	Communicate anti-bribery Programme- internal/external	Regular reviews of the system	Receive feedback from monitoring
		Decide to implement an anti-bribery Programme	Review all legal requirements	Review ability of service functions to support new Programme	Run training courses for all employees and tbusiness partners	Capture knowledge from incidents	Evaluate effectiveness of Programme
		Decide extent of any public disclosure	Write no-bribes policy, develop and write anti-bribery Programme	Develop detailed implementation plan to include: <ul style="list-style-type: none"> ▪ Adapt HR policies ▪ Communications ▪ Training programmes 	Ensure capabilities are in place of specialist functions up to speed: internal audit, finance, legal department	Use external Verification Providers	Develop improvements to Programme
				Prepare for incidents	Review role of Project team	Review use of issues (whistle-blowing) channels	Report to management
							Board review and sign-off on Programme
							Publish Programme process and results (optional)
TIME SPAN		One month	Three to six months	Three to six months	One year	Continuous	At least annually

(Source: UN Global Compact, “Business against corruption: A framework for action,” page 12)

BOX 11

One of the important features of this pledge is that the company is working with an NGO, Transparency International Nepal, in monitoring compliance with the company's code of conduct. This is part of a broader programme of Transparency International Nepal to enrol the private sector more strongly in reducing corruption.

KEY POINTS

- Building a culture of ethics and integrity in your organisation is the right thing to do, and it is also important for business success because it avoids damage to your reputation and possible legal problems. It also helps develop trust in your relationships with your stakeholders.
- A first step in this process is to clearly communicate the values that are important to you and your business, and to establish a code of conduct that helps employees understand how they are expected to behave.
- This also involves putting in place management systems to implement your code of conduct. Such a management system ought to address the six key steps outlined in Box 11. It may include for instance a way for employees or customers to anonymously report complaints.

Additional resources and further reading:

- The UN Global Compact has published "Business against corruption: A framework for action":

https://www.unglobalcompact.org/docs/news_events/8.1/bac_fin.pdf

- Transparency International publishes the "Business principles for countering bribery" (http://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery), and this is also available in a dedicated version for small and medium sized companies: http://www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery_small_and_medium_enterprise_sme
- The OECD offers an "Anti-corruption ethics and compliance handbook for business": <http://www.oecd.org/corruption/Anti-CorruptionEthicsComplianceHandbook.pdf>
- Transparency International Nepal has a website with much information on enhancing integrity and fighting corruption in Nepal: <http://www.tinepal.org>. It provides a video of Ncell's CEO, Erim Taylanlar, talking about Ncell's integrity pledge: http://www.tinepal.org/?post_events=integrity-pledge-2, as well as a report on Codes of Conduct in Nepali organisations (though this focuses on a range of organisations and has little analysis of individual companies' codes): <http://www.tinepal.org/?p=1049>
- The Harvard Business Review published an article on "Managing for organizational integrity," which is available online (the journal provides you with three articles for free): <https://hbr.org/1994/03/managing-for-organizational-integrity>



Participants at the Nepal Responsible Business Summit 2014.

6

COLLECTIVE BUSINESS ACTION



“Some issues benefit from
businesses working together,
to address them.”

6. Collective Business Action

Many of the opportunities and challenges described in this guide can be addressed by your committed action within your firm. Often, however, it helps to work with other stakeholders, such as the government, NGOs, or development aid agencies. A number of examples mentioned in this guide – such as the PET Bottles Recollection Social Enterprise or the integrity pledge signed by Ncell and Transparency International Nepal – are based on such collaboration.

In addition, some issues benefit from businesses working together to address them. Anti-corruption is a prominent example. Many business leaders privately complain that they struggle to maintain strict integrity measures because they worry that they will lose business to competitors who are less scrupulous. Even though there are important examples of business leaders who insist that strict compliance with their code of conduct will be maintained regardless, it is clear that curbing corruption will benefit from a collective effort. As one business leader put it, “corruption is a team sport, so any effort to fight it also has to be a team sport!”

This is one of the underlying motivations for the National Business Initiative Nepal (NBI). Saroj Pandey is a board member at

NBI and explains: “When we conducted a survey, we found that businesses are thriving with great difficulty in Nepal owing to various factors like conflict with labor and communities, power shortages, and so on. Corruption was definitely one of those factors, as well.”

Pandey continues, “In such a context, business ethics and responsibility received little priority and those who tried to take any initiative met with little success. That is why we thought that a national level collective movement within the business community is required and we took our first step with the public declaration of the NBI Code of Conduct.”

Based on a consultative process, the NBI Code of Conduct was developed with a focus on six themes:

- Respecting consumers’ rights,
- Avoiding non-competitive behaviour, such as collusion,
- Paying taxes,
- Managing labour fairly,
- Protecting the environment, and
- Controlling corruption.

Over and above the generic NBI Code of Conduct, the NBI has been working with particular sectors to identify the important issues that apply within these sectors with regard to the six categories in the Code of Conduct. Box 12 provides an overview of some of these issues as they arise in the dairy industry, to illustrate.

Key issues in the dairy industry with regard to the NBI Code of Conduct (based on a presentation by Saroj Pandey)

- **Consumer rights:** Companies are committing themselves to good quality, fresh produce. This is also in the context of instances, in which the dairy industry was faced with a reputation crisis associated with contaminated milk. As a response, companies are implementing random checks for E Coli and other contaminants. They are also aiming for appropriate and complete product labelling.
- **Competitive market:** Companies are raising concerns that the government needs to do more to level the playing field for dairy producers, and to incentivise dairy farming. Current taxation regimes are not favourable in this regard, so a collective industry voice needs to communicate that policy changes are in the public interest.
- **Taxation:** Dairy companies are committing themselves register for value-added tax payments, and to report transparently on their accounts to tax authorities.
- **Labour management:** Dairy companies realise that productivity and workers’ prospects can be improved by investing more in training. They are also committing themselves to abide by labour laws.
- **Environmental protection:** Dairy producers recognise that they depend on a clean environment, and that they have potentially damaging impacts on the environment. They are thus endeavouring to improve sanitation systems and to reduce and recycle wastewater, among other things.
- **Corruption control:** Over and above the general provisions on anti-corruption in the NBI Code of Conduct, dairy companies have committed themselves to a transparency in their efforts to influence policy making.

BOX 12

The NBI is thus seeking to play a proactive role in enhancing business responsibility in Nepal. It is also endeavouring to work closely with similar initiatives elsewhere, including in particular the Responsible Business India Initiative. Among other things, this Indian initiative has established the “National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business” (NVGs).

According to the Initiative's website, “These are a set of nine principles that offer a unique

Indian understanding and approach to businesses on sustainability and responsible business conduct... The adoption of NVGs will improve the ability of businesses to enhance their competitive strengths, improve their reputation, increase their ability to attract and retain talent and manage their relations with investors and society at large.”

Importantly, the Responsible Business India Initiative worked with the Indian government and the Securities and Exchange Board of India to make it a requirement for the

top-100 listed companies to report on their performance relative to these nine principles. The nine principles are outlined in Box 13.

The NBI and Nepali business leaders, such as you, can learn from these initiatives in India and elsewhere. But the most

important thing is that you make the commitment to business responsibility and embark on the resulting journey of discovery. This need not be a lonely journey, however, so we invite you to join the NBI and other partners to travel together!

The nine principles of the Indian “National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business” (NVGs)

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Principle 3: Businesses should promote the wellbeing of all employees

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

Principle 5: Businesses should respect and promote human rights

Principle 6: Business should respect, protect, and make efforts to restore the environment

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Principle 8: Businesses should support inclusive growth and equitable development

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

(Source: http://responsiblebusinessindia.com/wp-content/uploads/2014/04/NVGPRINT-2013-Revised-13.11.2013_2.pdf)

BOX 13

KEY POINTS

- Many aspects of business responsibility – including anti-corruption – benefit from businesses working together to address them.
- The National Business Initiative Nepal (NBI) is an effort to enhance collective business action in support of sustainable development in Nepal. In consultation with business leaders, it has established the NBI Code of Conduct focusing on six themes, and it is working in diverse sectors to implement the Code of Conduct in sector-specific ways.
- The success of the NBI depends on your participation, so get in touch!

Additional resources and further reading:

- The National Business Initiative Nepal has a dedicated website: <http://nbinepal.org.np>. The NBI Code of Conduct is available here: <http://nbinepal.org.np/wp-content/uploads/2015/01/NBI-Code-of-Conduct-Concepts.pdf>
- The Responsible Business India Initiative has a website with many useful resources: <http://responsiblebusinessindia.com>. The “National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business” (NVGs) are described in more detail here: http://responsiblebusinessindia.com/wp-content/uploads/2014/04/NVG-PRINT-2013-Revised-13.11.2013_2.pdf
- The UN Global Compact encourages companies to become involved in Global Compact Local Networks. It has published a brochure that describes the benefits of companies engaging in collective action in such local networks: https://www.unglobalcompact.org/docs/networks_around_world_doc/LN_Brochure.pdf. The UN Global Compact has also published an overview of how such networks are working against corruption: https://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/AC_CAP.pdf



Commitment by the partners towards “Responsible Business Collaborative Nepal “ From the left: Ellen Kallinowsky (GIZ), Bhoj Raj Aryal (SoMTU), Binod Shrestha (KUSOM), Padma Jyoti (NBI) and Prashant Singh (HCI)

ABOUT THE PARTNERS AND AUTHOR



“This guidebook is the outcome of collaboration between six partners that are committed to fostering responsible business in Nepal.”

About the Partners and Author

Inclusive Development of the Economy (INCLUDE) Programme

INCLUDE Programme is a joint Nepal-German initiative under the guidance of the Ministry of Industry (Mol), Government of Nepal. Technical Assistance to the Programme is provided by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, which is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). INCLUDE aims to contribute to a socially balanced economic development in selected districts of the Mid-Western and Far-Western Development Regions of Nepal.

Himalayan Climate Initiative

Himalayan Climate Initiative (HCI) is a Nepali Non-Profit Civil Society organisation promoting inclusive and resilient development. HCI does that by developing leadership among Nepali youth and delivering positive impact on the ground.

Kathmandu University School of Management (KUSOM)

Kathmandu University School of Management (KUSOM) is committed to develop leaders in professional areas through quality educa-

tion and providing relevant opportunities for learning, knowing, discovering and applying the best in the management. It offers research degree programs (MPhil and PhD), graduate management programs (MBA, EMBA), undergraduate management programs (BBA-honors/emphasis, BBIS and BHTM).

National Business Initiative (NBI)

NBI is an apolitical and non-profit organisation that mobilizes the existing private sector bodies at local and higher levels, generating knowledge relating to private sector on softer issues around peace, conflict, economic growth, enhancing image of private sector business, entrepreneurship development and creating demand as well as support for positive change in the society.

School of Management, Tribhuvan University (SOMTU)

SOMTU is an autonomous institution that is responsible for operating full-time professional MBA program with the objective to produce management professionals and entrepreneurs which would not only cater to the needs of today's organizations, but also create and grow their own ventures. SOM envisages implementing the MBA program with a professional touch with the huge support base of academically qualified faculty members with wide exposures and experience.

Professor Ralph Hamann

Ralph Hamann is Professor at the University Of Cape Town Graduate School Of Business, and he holds a Research Chair with the UCT African Climate and Development Initiative. His research and teaching is on business sustainability, social innovation, and cross-sector collaboration. Among his other roles, Ralph is Academic Director of the Network for Business Sustainability (South Africa) and Chair of the Southern Africa Food Lab.



