

Sustainability ... all it takes is **Commitment**



Sustainability Action Report
and
UNGC Communication of Progress

December 2012



ckinetics
Accelerating Sustainability

New Delhi Palo Alto

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Message from the Managing Directors

December 14, 2012

We are proud to declare our continued support of, and adherence to, the UN Global Compact in 2011-12.

This year has been transformative for our firm; as a young startup, we have grown our revenues and staff several fold since we began our journey three years ago.

An enduring passion for sustainability is at the very core of our organization's mission and vision. We are continually searching for methods of engagement to leverage our financial resources and intellectual capital in ways which create the highest environmental and social impact possible.

Our mission is to create a strong business case for relevant market-based sustainability interventions in emerging market economies. We see our role as a facilitator of innovation in the sustainability space, connecting innovative sustainability solutions with Indian industries interested in becoming more resource efficient and responsible in their operations.

In 2011-12, cKinetics continued to make progress in its flagship resource management work in the supply chain of major brands; we have advanced our work that began in early 2011 in building a market model for renewable energy based rural electrification; and promoting innovative sustainability solutions and corporate initiatives through Sustainability Outlook, the Sustainable Business Leadership Forum, and Parivartan Awards. Additionally through our work in promoting Sustainability in finance, we have established an investor focused working group examining the adoption of enhanced environmental and social (E&S) disclosure among Indian firms.

As a mission driven organization, we remain committed to *Accelerating Sustainability* through all that we do; and do so in a profitable as well as responsible manner.



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Director

cKinetics: A Mission Driven Organization

Overview and 2011-2012 Highlights



<u>Sustainability Blueprint</u>	<u>Market Access and Insight</u>	<u>Investment and Sustainability Finance</u>
✓ <i>Delivered Energy and Water savings to the supply chain of global brands</i>	✓ <i>Hosted 2012 Sustainable Business Leadership Forum (SBLF) Annual Summit – India’s only market development platform connecting stakeholders in the Corporate Sustainability space</i>	✓ <i>Structuring project finance for investment in Distributed Renewable Energy (DRE) companies</i>
✓ <i>Launched Resource Management and Tracking tool (comMIT) to help mid-sized businesses to track their footprint</i>	✓ <i>Successfully held Parivartan Awards 2012 – connecting and showcasing innovative sustainability initiatives of Indian Corporates</i>	✓ <i>Launched Investor Focused Working Group on Environmental & Social Disclosure and Reporting focused on enhanced non-financial disclosure among Indian corporates</i>
✓ <i>Released March to Sustainability: A comprehensive guide to sustainability in the Indian Textile Sector</i>	✓ <i>Market Insights generated in: Green Jobs, Waste-to-Energy, Distributed Renewable Energy (DRE) Policy</i>	

The emergence and the impending and necessary growth of emerging economies, has brought forth a unique opportunity to leapfrog the development of newer industry and community infrastructure to be more efficient, sustainable and hence more profitable.

It is in this context, that cKinetics was founded in 2009 by a team, passionate about using market based solutions and industry dynamics to address the most pressing issue of our time: sustainably driven growth and development. As a specialized Sustainability Advisory firm that provides end-to-end solutions for

investors and businesses, cKinetics leverages a thought process for accelerating actions on sustainable practices that include: (a) Closed loop systems, (b) Decentralized production and consumption, and (c) Resource conservation.

The mission of cKinetics is to propagate and develop market driven solutions for rapid adoption of sustainable growth strategies in industries and communities within emerging economies.

Vision: Our vision is to accelerate creation and maintenance of systems which shape a balance between resource needs of today and those in the future.

cKinetics USA, Inc.: A Registered Benefit Corporation

cKinetics USA, based out of Palo Alto, California is, in accordance with California Bill AB 361, now chartered as a Benefit Corporation.

The rationale for being among the first few companies to have sought this status is to exhibit and inculcate a firm and ongoing commitment to balance traditional financial metrics with environmental and social impact and value creation as the key success factor.

Tenets of cKinetics' Operating Philosophy: Making it Count

The following are the core elements of the operating **philosophy**:

Do: action counts louder than words.

Be frugal: Natural resources are scarce and limited. We need to be frugal with them just as we would with anything we own.

Set an example: Being an example and adopting low-resource-footprint is the best way to be the change as also to understand the challenges

first-hand. cKinetics will be a carbon-neutral company constantly pushing towards zero-carbon. By setting an example for our children we can enable the generations to come.

Be alert to opportunities: Air, water and land are considered 'free' (or close to 'free') in many more ways than we can imagine. We need to alert ourselves to such cases and identify opportunities to bring about change.

Be wise on technology: Technology is our biggest ally in increasing efficiency and driving conservation. Technology is also our biggest enemy when it lets consumption go out of control.

Leverage market driven solutions: These have a tendency to work and cKinetics will expend its energies on being creative in coming up with products and services that help align incentives along with other players.

Be factual: If it can't be measured, it is probably not worth doing. Data will form the pillar for cKinetics. All internal initiatives should be measurable and decisions made on data from them. Chances are that others will also want to make data-driven decisions especially in market-driven-scenarios. cKinetics should become their go-to resource.

Set imagination free: We're limited on what is possible by our own minds. Dare to think beyond the conventional and make it happen.

Materiality Assessment, Commitment and Ongoing Engagement

As a part of its ongoing commitment to mainstreaming sustainability in the Indian business community, cKinetics is proud to support the UN Global Compact Principles in December 2012. These principles have been central to cKinetics' growth strategy and expansion

Materiality of Principles

Given its role as a specialized Sustainability Advisory firm, cKinetics has limited exposure to Sustainability Risks, and by extension created limited ESG impact through its *own* operations. Thus, the issues of materiality of UNGC Principles, their implementation and subsequent outcomes have been evaluated through the following lens:

1) How, and to what extent, do the principles apply to cKinetics in its operations?

2) How, and to what extent, can these principles become central to the service offerings of cKinetics and, thus, attain the desired impact created *through* its business operations?

Given the focus of our operations on emerging markets, we feel it is particularly important to subscribe to relevant internationally recognized principles, charters and best practices in the sustainability space.

Engagement with UNGC

The cKinetics team actively participated in the Rio+20 Corporate Sustainability Forum convened by the UNGC in Rio de Janeiro in June 2012.

The team engages in the monthly meetings and conferences organized by the Global Compact Network in India.

Sustainability at cKinetics: A Mission Driven Organization

Communicating Progress: Ongoing Commitment to UNGC Principles

In its ongoing day-to-day operations, cKinetics has, in the year 2011-12, incorporated several of the strategies, proposed by UN Global Compact, for integrating the ten principles. These include the following:

Code of Conduct

The Code of Conduct outlines the expectations and aspirations of cKinetics management and staff in key areas of Human Rights, Corruption and Work Force Environment, etc.

Operating Principles

As explained in the previous section, the operating principles guide the strategic planning and day-to-day operations.

Training and Development Opportunities

The young, talented and passionate team at cKinetics are afforded opportunities for and encouraged to engage intellectually and professionally in industry conferences, field building activities and training/certification programs both within India and abroad.

Policies for dealing with incidents of Human Right Violations and Corruption

We are committed to diligently managing our business operations, both internally as well as in external stakeholders, in a manner which reflects our high ethical standards.

cKinetics has a zero tolerance policy with respect to incidents of corruption, both in the public and the corporate sphere.

Table 1 outlines how the UNGC Principles have been implemented in the year 2011-12

It should, however, be noted that the comprehensive application of these principles is an ongoing area of focus for the company and a number of wide-reaching improvements are planned for 2012-13.

Table 1

Areas	Principles	Outlook and Undertaking	Tools for Implementation	Outcomes
Human Rights	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>cKinetics is committed to upholding Human Rights, in its capacity as a responsible business, in letter and in spirit, as it is material to the company currently and in future. Operating in India poses a number of unique human rights challenges. cKinetics is committed to reporting of any human rights violations observed in the course of conducting its business operations.</p>	<p>The <i>Code of Conduct</i> defines our commitment to human rights; it outlines our stance and strategy for preventing the abuse of human rights. All employees and extended stakeholders are expected to abide by it.</p> <p>Any violation can be reported confidentially (through an anonymous email ID) and the individual will be protected from repercussions.</p>	<p>There have been reported incidents of Human rights violations in the company</p>
Labour	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour</p> <p>Principle 5: the effective abolition of child labour</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation</p>	<p>As a firm with India and US presence, cKinetics is in compliance with all relevant local labor regulations in its respective operations.</p> <p>The prevalence of the informal, unorganized, sector in India poses a number of distinct challenges in adequately assessing the adherence of some of our small suppliers to Principles 3-5. However, we continue to maintain vigilance when working with local small businesses.</p>	<p>Our <i>Company Labour Practices</i> is an internal document which defines our expectations and commitments regarding employment both in our own operations and in those of our partners. Any violation can be reported confidentially and the individual will be protected from repercussions.</p> <p>We conduct weekly, monthly and half yearly meetings with the staff wherein feedback from employees is actively incorporated by management into the company’s policies and strategies.</p> <p>We continually provide opportunities, through training and access to industry conferences, for our workforce to grow intellectually and professionally.</p>	<ul style="list-style-type: none"> - No reported incidents of violations of Labour principles - Each employees met with the manager twice to discuss the performance, concerns and goals <p>Training and Development</p> <ul style="list-style-type: none"> - Each employee is allowed 1 day per month to attend conferences, seminars and programs for knowledge advancement - All internally reported complaints and concerns were dealt with on a priority basis to the employee satisfaction - 12 internal sessions conducted on different topics as a part of the Friday learning discussions
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges.</p> <p>Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility</p> <p>Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies</p>	<p>As a small operational consulting firm, cKinetics has a limited ecological footprint. However, we are actively engaged in managing our resource consumption and reducing waste from our operations.</p> <p>Our commitment to sustainability is at the very core of our business mission, vision, and operations. cKinetics has made strong contributions to sustainability in India (see: <i>Thought Leadership in the Sustainability Space</i>) as well creating real impact through our various business ventures (see: <i>Creating Impact in Accelerating Sustainability</i>).</p>	<p><i>Thought Leadership in the Sustainability Space</i> details the current and past field-building research and action undertaken by cKinetics.</p> <p><i>Creating Impact in Accelerating Sustainability</i> focuses on our core business operations and the environmental/social impact they generate.</p> <p>Our offices are currently engaged in actively monitoring and tracking our electricity consumption using a suite of metering and analytics software.</p>	<p>Internal Outcomes</p> <p>Smart use of resources is an operating principle of cKinetics and focus is on reducing consumption. cKinetics has a philosophy of resource conservation which includes use of electricity and paper. Dis-incentive mechanisms include fines from employees for failing to leave the computer monitor down/ lights turned off. Reuse of paper made mandatory and recycling is encouraged.</p> <p>External Outcomes</p> <ul style="list-style-type: none"> • Through the division, Sustainability Outlook, cKinetics reaches 68,000 people annually informing them on activities and updates related to resource conservation. More at www.SustainabilityOutlook.in • Parivartan Awards 2011 and 2012 recognized 30 pioneering businesses that are shaping the Sustainability agenda in India. More at www.ParivartanAwards.in • Through the Resource Management and Efficiency Program, 15 of India’s largest exporting manufacturers were assisted in improving their resource efficiency.
Anti-Corruption	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>cKinetics supports all 71 articles of the UN Convention against Corruption (UNCAC).</p> <p>We take an active, zero-tolerance, stance against bribery and corrupt business practices through diligent monitoring and enforcement.</p>	<p>The <i>Code of Conduct</i> defines our expectations and commitments regarding anti-bribery practices both in our own operations and in those of our partners.</p> <p>Any violation can be reported confidentially (through an anonymous email ID) and the individual will be protected from repercussions.</p>	<p>There have been reported incidents of Human rights violations in the company</p>

Communicating Progress: Driving Sustainability in Emerging Markets

In its endeavour to drive sustainability in emerging markets, cKinetics provides specialized operational consulting and strategic services with a focus on:

- Resource Efficiency and Conservation: Energy, Water, Carbon, Waste
- Renewable Energy and Smart Infrastructure
- Sustainability Finance

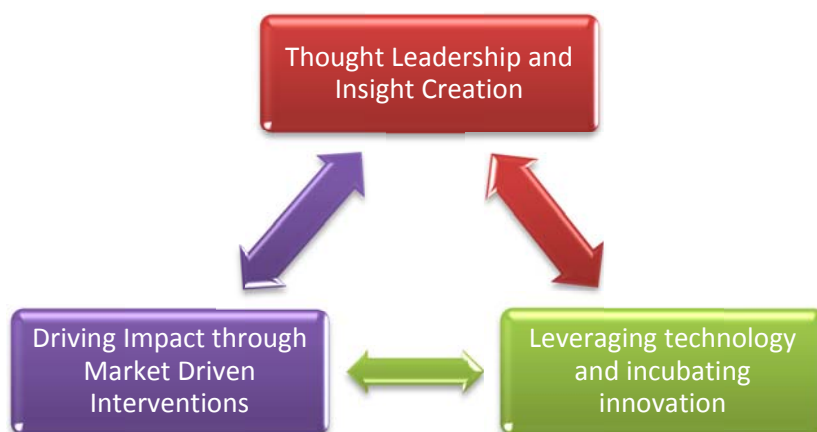
Our track record as specialists in leveraging cross-functional management resources across geographies uniquely positions us as a 'partner of choice' to design and execute profitable business models that enhance and promote Sustainability. We help architect and implement growth oriented sustainable solutions by bringing a deep understanding of sector dynamics across industries.

We work with:

- Indian organizations targeting global markets
- International businesses that have operations and supply chains in India
- Development Financial Institutions and catalysts for sustainability actions
- Investors
- Cleantech and sustainability firms

Product and Services offered

cKinetics engagements are characterized by a demonstrated commitment to bring about change through:



Thought Leadership and Insight Creation

Under the Market Access and Insight division of cKinetics, several initiatives were undertaken in 2011-12 to generate insight and foster thought leadership. These are:

Sustainable Business Leadership Forum (SBLF)

Sustainable Business Leadership Forum (SBLF) is an invitation-only Indian industry focused

market development platform which equips organizations, managers and industry stakeholders on the 'how' of sustainability through a unique programmatic approach comprising of round the year programs and 'on-ground industry oriented' work. Instituted by Sustainability Outlook, the leading information marketplace on sustainability action, SBLF enables a unique exchange of thought



**SUSTAINABLE BUSINESS
LEADERSHIP FORUM**
INSTITUTED BY SUSTAINABILITY OUTLOOK

leadership, business know-how and catalytic tools for enabling corporate transition towards sustainable business practices.

Parivartan Awards

The Parivartan Sustainability Leadership Awards (www.ParivartanAwards.in), instituted by

Sustainability Outlook, are a platform to uncover and recognize progressive corporates, service providers, and individuals whose efforts serve as catalyst for advancing sustainability in India.



India Carbon Outlook

Launched at the Clinton Global Initiative, India Carbon Outlook is an independent information marketplace

tracking actions related to the carbon economy as well as their impact. It proactively promotes a data driven approach to enable action by local, regional as well as global practitioners.



Carbon Outlook provides (a) in-depth business and policy analysis, (b) updates on the market participants and latest trends on sustainability initiatives, and (c) expert inputs on the GHG emission reduction and other carbon abatement as well as adaptation measures being undertaken in these regions.

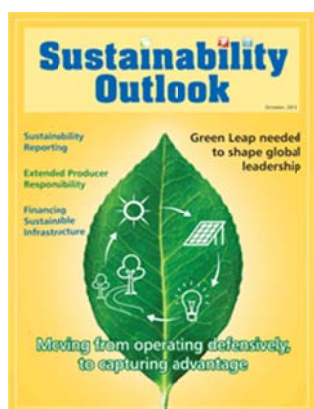
Sustainability Outlook

Sustainability Outlook is a market access, insight and collaboration platform tracking actions related towards sustainability in the Indian economy. It proactively promotes dialogue and collates data to enable action by

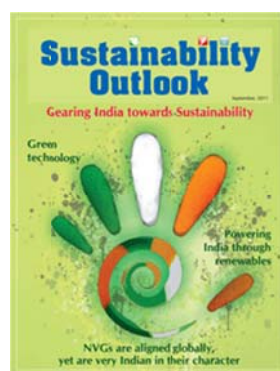
local, regional as well as global practitioners. Sustainability Outlook aims to be the bridge for shaping change in this thought process and spur innovation. The online and print editions of Sustainability Outlook attempt to provide comprehensive in-depth coverage on market participants and latest trends on sustainability initiatives as also expert perspectives on business and policy analyses as they pertain to measures impacting sustainability in the business operations.



The following themes have been covered in some of latest issues, keeping in line with the key questions of the day:



Moving from Operating Defensively to Capturing Advantage (October 2012)



Gearing India Towards Sustainability (September 2011)



Aligning Business with Sustainability Across the Supply Chain (March 2011)

	<p style="text-align: right;">Linking to</p> <p>e</p> <p>Kinetics undertook a research study to determine Investor and policy view to leverage standardization of Environmental and Social disclosure and reporting</p> <p>rs 1)</p> <p>The study focussed on creating a positive feedback loop for a virtuous cycle of getting more firms and investors to start moving towards standardized disclosure of impact measures and outlines the role of policy makers in creating the enabling infrastructure.</p>
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Driving Impact through Market Driven Interventions

Sustainability Blueprinting and Sustainability Finance teams are focused on identifying interventions which are seeded in the market need and are backed by a formidable business case. The following work streams and products are being worked based on this premise, which are generating value for clients:

Resource Management and Efficiency Practice: Energy, Water and Carbon Management:

Our resource management practice has been built upon supporting manufacturing units to become more sustainable through developing mechanisms for understanding and managing their energy and water consumption. A data driven approach and standardized processes directed at impact creation, have allowed paved the way for greater savings and shorter pay-backs

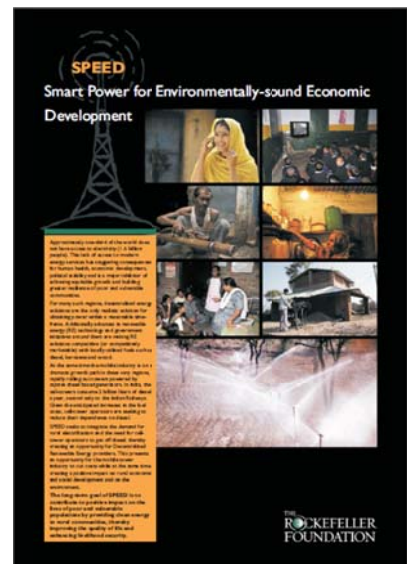


Smart Power for Environmentally and Economically-sound Development (SPEED)

cKinetics has been supporting the SPEED Program to design and test the potential of business models and implementation plans that deliver electricity from renewable fuel sources in energy deficient regions of the developing world.

The Programme aims to leverage the power of needs of cell-towers in electricity-starved regions as an anchor load to create a cleaner power infrastructure that would serve the larger needs of poor and vulnerable people in these regions, thus catalyzing economic and social development.

cKinetics work is geared at fostering a framework for enabling multiple bottom line assessment and financing for these projects.



Planning institutional engagement for impact disclosure: advance disclosure of impact in businesses

cKinetics has been working with investors, which are looking at impact in addition to financial returns, to understand their nature of interest in impact/ sustainability disclosure. These investors have expressed the for advancing deployment of the disclosure-measurement systems by leveraging existing institutional frameworks such as the Ministry of Corporate Affairs, Global Reporting Initiative, Carbon Disclosure Project, Institute of Chartered Accountants of India, amongst others. In this context, a Working Group was established to answer the following questions through applying an investor lens:

1. What steps are needed to coordinate actions between existing institutions to increase the prevalence of impact disclosure from businesses in India?
2. When, where, and how should these steps be undertaken to promote deployment of investment capital looking beyond a pure financial return?

The working group, convened under the Sustainable Businesses Leadership Forum includes cKinetics, GIZ (German Development Authority) and Impact Investing Policy Collaborative (IIPC). The Indian Institute of Corporate Affairs, under the Ministry of Corporate Affairs is the Policy Lead for the projects.

Leveraging Technology and Incubating Innovation

Some of our recent initiatives include:

Resource Conservation Tool

comMIT is an analytics and information aggregation platform developed to enable clients to build insight into their operations. It helps build a view on the impact of sustainability related actions being taken. It is designed to interface with existing client reporting systems.



Venture Accelerator at cKinetics

cKinetics Accelerator seeks to invest-in and support new cutting-edge Sustainability focused ventures that are shaping the future of resource conservation.

Engagement Models:

- ✓ **Investments:** cKinetics Accelerator invests in early stage ideas and ventures providing strategic capital usually when the venture is young and the firm still addressing many aspects of risk
- ✓ **In-situ incubation support:** Should an entrepreneur or a venture be located in Delhi, cKinetics Accelerator can provide space and facilities for operations

- ✓ **Entrepreneur-in-Residence (EIR):** Should an entrepreneur be contemplating an idea in the Sustainability domain, we share our insights with EIRs and work collaboratively to refine the ideas and also can provide initial seed funding. EIRs necessarily need to operate out of our Delhi center for us to engage and support effectively

cKinetics Accelerator invests in ventures and ideas emerging from platforms such as the Unreasonable Institute, ISB iDiya, CIIE-INFUSE at IIM Ahmedabad and others.

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