

# **Net Positive Environmental Impact in the Digital period with Special focus to FMCG companies**

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## **Abstract**

In the current digital era, sustainability is an imperative issue for the economies and companies. Companies are changing their focus from merely “doing less harm” to becoming “net positive” and creating positive impact in the society. Their endeavour is to inculcate green practices right from supply chain to end user consumption and then applying 3R’s. For this very concern the present study has selected three renowned companies of FMCG sector- HUL Ltd., ITC Ltd., P&G Ltd. These companies portray them as the green marketing companies, comprising green manufacturing, and green supply chain and from their business sustainability reports which are showcased online witnessing a move towards eco environment. Hence, this paper aims to review the strategic moves of these companies, their impact on profitability and to gauge their environmental impact. Results reveal that digitalization has facilitated integration of all business stakeholders kick starting the companies to attain their stated vision.

**Key words:** Sustainability; 3R; net positive; digitalization 3BL.

## **1 Introduction**

Today the need is not only to aspire a good environment but to create a healthy and safe environment. A “good” future principally means only the diminution of the majority devastating impacts of universal typical climate change, moving the citizens out of scarcity, fall of waste, inadequacy, ameliorating unfairness and disparity. But the net positive approach is much broader in which, “good” means being regenerative, recuperative and having optimistic impacts on 3Ps- profits, planet as well as people. Increasing awareness and the perceptive has derived this process. For a company to represent itself as Net Positive it requires having new vision of the future, plan for long-term success with strong focus on what will be best for tomorrow, not just today for “We” rather than “Me”. We here specifies people, planet etc. They have to do things leaving risk avoidance approach [1]. Population will reach 9 billion by 2050[2]. So for companies to survive in the future, they need to replenish, regain the resources they are using. The need of the hour is to generate substitutes of the depleting resources. Forum for the Future worked with The Climate Group and WWF to set up the Net Positive Group (NPG) to share knowledge and experiences for understanding of the Net Positive concept in 2013 with other organisations like IKEA, HP, BT, DELL etc. [2]. With sincere efforts of this group companies started focussing on adopting Net positive approach. The Companies play a vital role in this regard. They need to shift their emphasis from doing no harm, to doing more good. This unprecedented transformation to net positive effect is going to be the thriving force for any business in the future. The companies need to be vigilant and pursue consistent efforts in improving their products and services, so that low carbon footprints are left behind. It is also important to understand that, the strategy of achieving net positive is not a repackaged CSR. It is more than attaining some principles of sound governance practices. The latest published reports

on environment warn the business houses and ask them to change the rules of game. If companies want to have sustained success, then they need to differentiate them by focusing on environment issues. Net positive is a new way of doing business where the business aspires to return back more than the resources consumed. Net positive manufacturing involves process of borrowing resources to address a real user need through products and returning these resources to their original status for future use[3] Achieving net positive requires the companies to be on their toes and inculcate innovation in every activity. Although net positive environment encompasses effects on people (societal context), sustainable profits (economic context) and planet (ecological context). In this paper the primary focus is on the impact on planet (ecological context). This work contributes in the following aspects:

- To understand the concept of net positive in digital context.
- To study the endeavors of select FMCG companies and the manner of digital reporting.
- To evaluate the initiatives of the companies in context of net positive environment impact.

### 1.1 Net positive early explorers

Distinct organizations have adopted the guidelines suggested by the Forum for the Future, WWF-UK plus the Climate group. Table 1 represents list of companies which are pioneers in understanding and implementing the concept of achieving net positive. IKEA, HP, Ericsson are early explorers. These have already marked a print by doing more good to the environment and causing less harm. BT- a key telecommunications corporation based in United Kingdom launched Net Good programme—its net positive initiative in year 2013. Its objective is to motivate customers reduce carbon emissions by at least 3 times the total carbon footprints of business. In year 2013, Kingfisher also aimed to achieve Net- positive goal by focusing on creating more positive and lifelong efforts to save natural as well as human resources. So it believed in working for “more good” means becoming more carbon positive. IKEA focused on following three areas for success of The climate positive project.

- Stimulating people to live a sustainable life at home
- Striving for resources
- Creating energy independence.

Table1

| Company Name | Year | Initiative taken   |
|--------------|------|--|
| IKEA         | 2007 | The Climate Positive project [ 4]                                      |
| HP           | 2008 | Low Carbon IT Solutions – reducing the first billion tonnes of CO2[5 ] |
| Ericsson     | 2009 | Climate-positive solutions to reduce global CO2 emissions[6 ]          |
| ITC Hotels   | 2010 | Luxury for the Planet[7]   |
| Dell         | 2013 | Legacy of Good Plan[8 ]  |
| Kingfisher   | 2013 | Net-positive goal [9]  |
| BT           | 2013 | Net Good Programme [10]  |
| Unilever     | 2015 | Unilever target: carbon positive by 2030 [11]                          |

## 1.2 Net positive measurement principles

Net Positive measurement principles proposed by NP Group help outcomes to be measured accurately and consistently. These principles guide companies regarding how to correspond an organization's approach in an understandable as well as compelling way. The net positive impact can be measured in two broad parameters namely measurement activities and impact areas. Measurement activities include Materiality, Measuring impact, Extrapolation, Capturing avoiding emissions, Assurance, Transparency etc. Impact areas includes Carbon, Water, Social, Material use, Ecological etc. These measures help in exploring the impact of company's initiatives with regard to environment. Moreover, following steps can also be adhered in this direction.

1. Identify positive and negative impacts in society and a process to evaluate the process to identify impacts.
2. Clarify system boundaries (what impacts/emissions should be included).
3. Determine an appropriate baseline.
4. Avoid cherry-picking (accounting for both positive and negative impacts) [2]

"A net gain to biodiversity features is measured in quality hectares (for habitats), number or percentage of individuals (for species)" [12]. Net-positive principles and measurement recommendations were published by Forum of the Future in 2014. Later Net-positive project was launched following the published principles at Harvard in 2016[13]. Net positive is a sort of innovative standard which can aid to ensure a flexible and regenerative world. Companies have to realize new potential in favor of the task, they can participate in the accomplishment of innovative vision through following principles.

- The rationale of the firm is to strap up personal welfare to give out the public good by maximizing the healthiness, comfort, awareness as well as potential of all of its existing stakeholders.
- Organizations will have to function in a participatory, fundamentally crystal clear, moral, and in an accountable mode.
- Organizations will have to reduce emissions in to the atmosphere by making use of solar panels
- Organizations will make sensible profits by satisfying resilient objectives. These will not make earning by externalizing their expenses or by means of using their authority at the cost of other stakeholders like employees, consumers, the public, its supply chains, and the surroundings.

## 2. Net Positive Environment: Sustainability and Triple Bottom Line

The pace of change is bringing pressure on companies to sustain their success in future. So Sustainability is getting a lot of attention in these days[14,15 ].In the world of sustainability John Elkington has proposed triple bottom line reporting for the companies which measure a company's performance in three distinct but covertly overlapped areas – Economic, social and environmental [16].

The economic perspective deals with the numbers and finance generating capacity of companies. It serves as a base for the existence of the business. The social perspective deals with the impact the activities of a firm has caused to the society and how the company is mitigating the effects by making it good for the society and the last, but the most vital constituent which deals with the impact of a firm's action on the environment and ecological part. Nowadays, companies are paving

major focus on this issue and implementing innovative practices for addressing the same. If the three aforementioned objectives are sustained to their fullest, then it paves path for achievement of net positive impact.

### **2.1 Net Positive Environment: In emerging digital world**

Digitalisation refers to a certain technology and its implications and consequences. Digital sustainability is how that technology is used to deliver sustainability. Digitalization is the integration of digital technologies into everyday life. There is very little digitalisation that does not contribute to digital sustainability. "There is widespread recognition among leaders in most industries that the role of digital technology is rapidly shifting, from being a driver of marginal efficiency to an enabler of fundamental innovation and disruption" [2]

Digitalization helps the companies to publish their sustainability efforts, results in a transparent manner. The reports have predefined format, which the companies need to adhere to and publish the same on their websites. It helps in achieving net positive, as it creates a sense of urgency among the competitors and they will also strive hard to attain the same. It is a kind of push as well as pull factor for the corporate.

Digitalization in the domain of social perspective of triple bottom line can be a game changer. As the social domain includes the people, people who understand the vitality of sustainability. So companies can portray their favorable image by publishing the reports with genuine information and asking some inputs from the people, so that the same can be implemented and it can be a driver of innovation.

Companies can collect the funds for investments through crowd funding, as sustainability requires a word of trust.

The business sustainability report is one of the examples of digital reporting. It has been mandated by SEBI for 500 listed companies, to furnish their sustainability report which broadly encompasses following areas

- a. General information of the company- It encapsulates the information like company's name, business, sectors addressed etc.
- b. Financial details of the company- it comprises of details regarding paid up capital, total turnover, profits after tax, CSR spending and areas specifically focused for the spending.
- c. Other details- it includes details regarding subsidiary companies, their contribution for the sustainability reporting etc.

The report is published in extension to the annual reports of the companies, and its digital reporting addresses the issue of transparency, ambiguity on the part of company. [17]

Hence, digitalization opens up altogether a new ways to figure, scrutinize, and administrate sustainability. Digital sustainability relates to the role of ICT, digitalisation, connectivity, the Internet of Things (IoT) etc.

### **3. Rationale behind the selection of sample of study**

FMCG sector is one of the strategically important sector for an economy. It is the fastest developing sector and the fourth largest sector of Indian economy. It has a CAGR of 11% over past ten years. The overall FMCG market was planned to touch CAGR US\$ 103.70 billion by the end 2020[18]. Recently rural FMCG consumption has increased and rural FMCG market is anticipated to reach US\$ 220 billion by 2025. In terms of market segment, household & Personal care is the

leading segment accounting for 50%, healthcare 31% and food & beverages 19% [19]. Rural consumers are drivers of FMCG growth. 57.2% FDI inflows were noticed during April 2000 to September 2020. It is further expected that packaged food market in India would reach US \$ 70 billion by 2025. The rationale behind choosing the selected companies is that they can not only fuel economic growth, create sustainable livelihoods but replenish the environment also. From environment perspective also, this sector seeks huge attention. As the end user consumption contributes to large amount of carbon footprint. Confronting the competition in terms of pricing strategies, attractive advertisements only can't help the companies any more. They are compelled to induce innovation in their practices. Hence, as a result the companies have shifted their focus on the issue of sustainability: in profits, in resources, in protecting environment, paying back to the society. This paper explores the sustainability measures of the select companies and the major focus is on environment perspective including energy consumption, selected priority pollutants, solid waste management recycling, reuse of the waste, water management etc. Selected business organizations for this proposed study in FMCG sector and their sustainable practices are HUL (Hindustan Unilever Limited), P & G Co. (Proctor and Gamble) and ITC Ltd.

### **3.1 Hindustan Unilever Limited**

It is India's largest fast moving consumer goods company with a foot hold of more than eighty years. This company believes that businesses which are driven by a sense of purpose, create more values for the stake holders. The company is striving hard to achieve the same by its USLP (Unilever sustainable living plan). Unilever believes in creating sustainable living common place.

The main aim of Unilever is to focus on Greenhouse gases emissions, Water management, Waste management, Sustainable sourcing, Greenhouse gases emissions- the company strives to become carbon positive by all probable sources, consume renewable energy, employ grid electricity in renewable manner, remove coal footprints from energy, reduce the emission of GHG from washing clothes, refrigerating reducing GHG emission from transport, Reducing the energy consumption in the offices, Reducing employee travelling distance by allowing E- conferences.

Water management- 200 Billion liters of water conservation potential was created through HUF partnerships, Waste management, Reduce waste from manufacturing, Zero non-hazardous waste to landfill. Reduce packaging Recycle packaging: Increase recycling and recovery rates, Increase recycled content are the examples.

The company has been endlessly innovating to lower the amount of material resources used in the packaging. In 2015, the company has launched the reformulated plastic Sun silk shampoo and conditioner bottles in Brazil. Figure 1 represents images of company's sustainable practices. In order to save plastic, they made the caps yet lighter, which reduced the number of cap designs from a huge number ten to four and also it halved the bottle sizes manufactured from 44 to 22. These new designs resulted in savings of around 2,300 tons of plastic in developed countries per year. The redesigned bottles inwardly mean that they can fit more bottles onto a pallet, which helps in sustainable supply chain solution as around 300 bottles can be fit at a time [20].

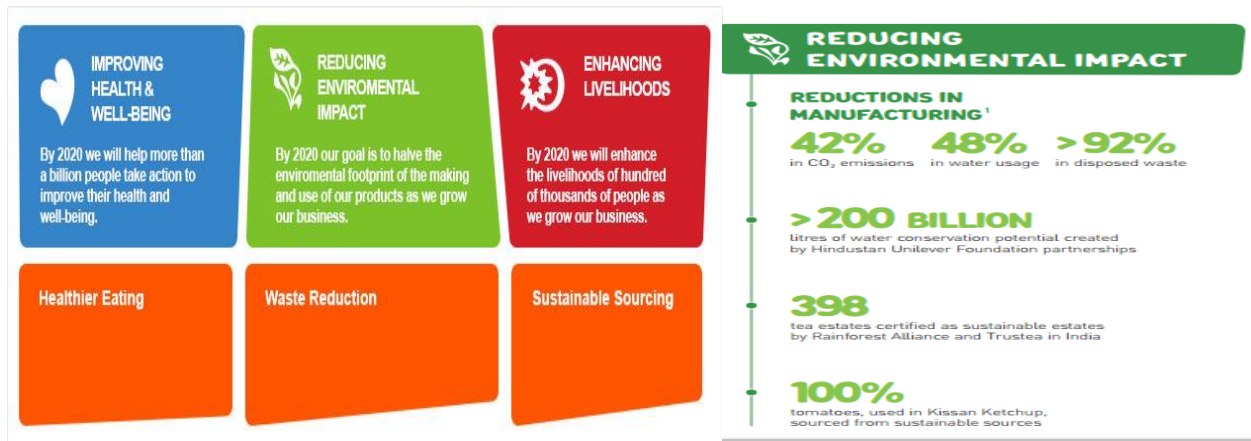


Fig1. Source: Sustainable practices (HUL) [20,21]

Table 2 represents various products with sustainable sourcing like Lipton with 100% sourcing of tea, Knorr with 92% vegetable sourcing, Dove manufacturing involves 25 % carbon foot print reduction etc in the year 2015[20]. In sustainability sourcing (2019) - the company sourced 100% chicory and 76% of tomatoes which it is using in Kissan ketchup preparation [22]. The company further plans for 100% plastic package recyclable by 2015[23].

Table2. Products with sustainable sourcing

| Products | Reduction unto                                   |
|----------|--|
| Domestic | 15% less plastic needed for manufacturing        |
| Dove     | 25% reduction in the carbon footprint            |
| Knorr    | 92% of the vegetables used are grown sustainably |
| Lipton   | 100% of the tea is sustainably sourced           |

Source: Unilever sustainable living plan 2015[20]

Table 3 represents main achievements of the Company in the thrust areas of environment sustainability against 2008 baseline specifically in manufacturing from annual reports of different years. In manufacturing the Company reduced CO<sub>2</sub> emissions to 42% in 2016 which is increased to 54% (2017), 59% (2018) and 85% (2019). Company reduced water usage to 48% in 2016 which is increased to 55% (2017, 2018,) and 58% (2019) and 63% reduction in disposed waste generation till 2019”[ 21]. Such significant reduction in CO<sub>2</sub> emission, water usage and disposed solid waste reflects innovative changes made in different manufacturing processes are giving positive to the planet, hence contributing to ecological context.

Table3. HUL Achievement in manufacturing operations against 2008 baseline

|                              | 2016 | 2017 | 2018 | 2019 |
|------------------------------|------|------|------|------|
| Reduction in CO <sub>2</sub> | 42 % | 54%  | 59%  | 85%  |

| Emission(kg/tonnes of production)                               |     |     |     |     |
|---|-----|-----|-----|-----|
| Reduction in water usage(m <sup>3</sup> / tonnes of production) | 48% | 55% | 55% | 58% |
| Reduction in disposed waste ((kg/tonnes of production)          | 92% | 54% | 58% | 63% |

Source: Non financial HUL annual reports from 2016 to2019 [21, 22, 23]

### 3.2 Proctor and Gamble

It is one of the largest consumer (packaged) goods company and also a founding member of the alliance to End Plastic waste [25]. The ideology of this company is to grow responsibly. Goals of the company are focused towards powering their energy plants with 100% of renewable energy, or recycled materials in all products, zero manufacturing waste going to landfills, designing products to facilitate consumers in a better manner, enhance values and while maximizing the conservation of scarce resources. To accomplish the above goals the company's main focus areas are Product and Operations.

**Products –Ariel and Tide:** The Company initiated introducing concrete detergents in India which uses a smaller amount of raw material and covering material, at the same time ensuring better user value. Figure2 represents images of company 's sustainable practices.

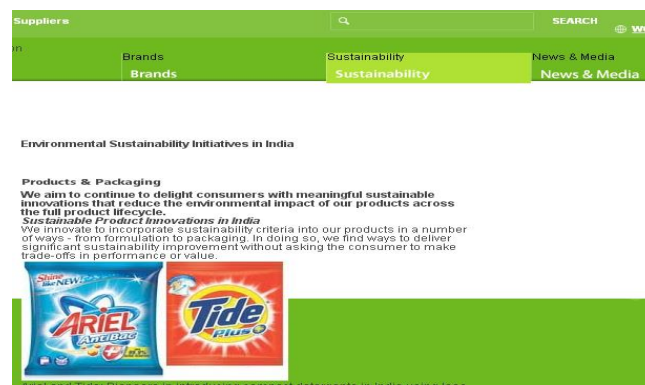


Fig2 sustainable practice Source: P&G company website [26]

Olay: The Re-designed pump package reduces plastic utilization. It is 25 percent lighter also. It saves more than four hundred tons of packaging in a year which is equal to the weight of a Boeing 747.

**Operations-** the focus areas of company are Energy, Waste, CO<sub>2</sub> emission and Water conservation. Baddi plant has adopted various innovative ideas to transform waste into daily utilities like making of plastic chairs, mixing of plastic with cement that is used for construction, waste from shampoo manufacturing is used as car washing agents, the plant claims that it has achieved 40% reduction in carbon footprints in last three years. The Goa plant recycles and reuses 4000 tons of scrap, which is equal to 12 times of the waste produce by population of any metro city in terms of paper and plastic. The Bhiwadi plant has saved 13.3lites of water last year. The sludges of waste water treatment plant are used in other productive activities. The Mumbai plant has contributed in the reduction of annual energy consumption by 27 % over the last 9 years [26].It is working closely with leading climate experts to fund different projects which will be designed not only to protect, improve but to restore

forests as well. In a direction to contribute towards environmental sustainability company will increase carbon storage or avoid greenhouse gas emissions.

### 3.3 ITC

It is one of India's renowned conglomerate, with a market capitalization of US \$45 billion. It is also recognized as one of the world's largest sustainable value creator. The wealth out of waste program is helping in creating the awareness among the people regarding 3R reduce- reuse-recycle[29]. It is the only Company in the world to have achieved the global environmental distinction of being carbon positive for twelve consecutive years, water positive for fifteen years and solid waste recycling positive for ten years [30].

#### **Initiatives related to environment**

**Energy conservation and renewable energy-** The company envisions that at least 50% of the total energy requirements will be met through renewable sources. The company has portrayed that over 40% of energy necessity is fulfilled by carbon neutral fuels like wind,solar energy, biomass, etc.

**Water conservation-** The company is thinking upon integrated water management programs. The innovation is needed in adopting technologies that reduce fresh water intake but also increase reuse, recycling practices. The result of the efforts are the rain water harvesting potential is twice over the net water consumption of the company's operations.

**Greenhouse gases and carbon emissions-** The notion of tackling the issue of greenhouse gases is integrated in new constructions as well as in existing hotels. The company works on the idea of responsible luxury. The greenhouse gas inventory has been assured at the "highest reasonable level" as per ISO 14064 standard.

**Solid Waste recycling** –Figure 3 shows solid waste recycling-well being out of waste (WOW). It has prevented the waste reaching to landfills in addition to problems of soil along with ground water contamination. It has already achieved over 99% solid waste recycling in 2019 [30].

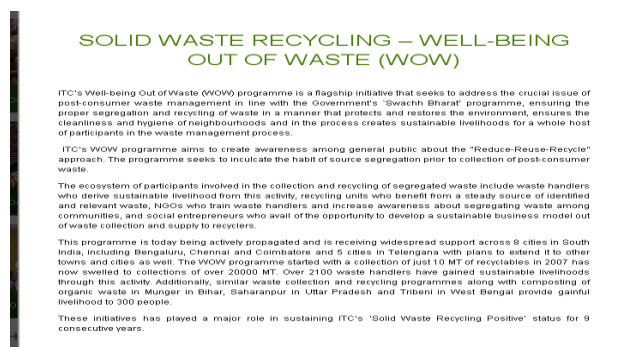


Fig3 Source: sustainability report ITC[29]

Table4 represents HUL, ITC and P&G increasing trend of profits from 2014 to 2016 as per money control report.



Table4 Operating Profits of three years(profits are on

| Years | HUL<br>Ltd.(Rs.) | ITC Ltd.(Rs.) | P&G (Rs.) |
|-------|------------------|---------------|-----------|
| 2016  | 5729.2           | 14,238.23     | 606.64    |
| 2015  | 5208.24          | 13473.55      | 484.42    |
| 2014  | 4475.26          | 12454.84      | 420.69    |

Source: money control [31]

Table 5.represents HUL, and ITC increasing trend of profits from 2018 to 2019 as per company annual reports. Elisabeth Albertini conducted a meta analysis of 52 studies over a 35-year period that confirms a positive relationship between environmental performance and financial performance. meta-analysis tries to answer the question: "When and how does it pay to be green?" [32]] so there seems to be positive impact of sustainability practices on corporate financial performance.

Table5. Operating Profits in different years

| Years | HUL<br>Ltd.(Rs.) | ITC Ltd.(Rs.) |
|-------|------------------|---------------|
| 2020  | 6,738            | 15136.05      |
| 2019  | 6036             | 12464.32      |
| 2018  | 5237             | 11223.25      |

Source: Annual reports of HUL ITC [23, 24, 29, 30]

#### 4. CONCLUSION

The rules of the game have changed drastically. In present scenario, the companies which walk, talk and live with sustainability can only survive. Stakeholders have understood that the resources are limited and they need to replenish, regain and regenerate them. Not only the consumers but also the suppliers of funds are serious for the concerned issue. GREENEX is an example of such an interest from the investors who would like to invest in companies which are doing good to the nature. The companies maintain sustainability reports on YoY basis, and publish the same on websites. The digital reporting enhances credibility of the company, and it is a communicator of the efforts; the company is pursuing in addressing ESG (Environment, Social, Governance) perspectives. The companies are striving hard to ensure positive environment impact (from afforestation to recycling, reuse, water management). Study of the reports confirms that many of the targets are attained and some are yet to be attained by end of 2025.

Hence, doing right things and communicating it through right source will certainly elevate companies towards green environment and sustainable future.

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