

**Analysis of strategies and models adopted by ITC as ‘Green Company’ with respect to environmental sustainability**

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## **Abstract**

Awareness regarding environmental protection is growing in society all over the world. People are concerned about the environmental changes and are molding their behavior for the cause of environmental sustainability. Sustainable ecological development aims at development without harming the environment. Development in the present should not compromise with the needs of future generations. We are answerable to future generations for environmental degradation. Both individual and industrial consumers are becoming concerned about the environment. Today is the era of recyclable, non-toxic and environment-friendly products. This is indeed a great opportunity for marketers to achieve all the business objectives simultaneously. They can aim at satisfying the needs of consumers and be socially and environmentally responsible. The 'green company' concept is an outcome of ecological balance and protection of consumers interest through environmentally friendly products. As a growing pressure of government legislation, the companies must establish environmental consciousness through green brand strategy to comply with the requirements. Enterprises must respond to consumer demand for green consumption, green operations to win customer's trust. The enormous environmental and social challenges make it evident that progress cannot take place unless we redefine our strategies for growth and competitiveness to make sustainability and inclusivity the core of business transformation. ITC is one of the leading brands of India. It's functional in various sectors. The company understood the significance of going green as a matter of corporate social responsibility and environmental sustainability. Business Model of ITC and the strategies adopted to implement the model for environmental sustainability is the best example for the next generation of companies and to society.

## **Key words**

Green Company, environmental sustainability, climate change, biodiversity management, sustainable packaging

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## **Introduction**

Environmental sustainability is a challenge today. Our concentrated efforts are required to maintain an ecological balance of environment and conservation of natural resources to support the current and future generation. Climate change is a harsh reality today all over the world. We are facing its crushing impacts. the global temperatures have already increased by 1.1 degree Celsius resulting in significant increase in both frequency and severity of extreme weather events globally.<sup>1</sup> India is experiencing an extreme weather condition in many parts of the country in last few years. There is urgent need for integrated efforts from all. Industry needs to speed up its actions towards not only decarbonizing faster, but also adapting to the worst impacts of climate change.

We must leave greener, cleaner, and inclusive world for future generations as our legacy. The enormous environmental and social challenges make it apparent that progress cannot take place unless we redefine our strategies for growth and effectiveness to make sustainability and inclusivity the core of business transformation.

On this background, the study of concept of green company becomes evident. Green business offers non-toxic, eco-friendly products in sustainable, recyclable, reusable packaging sourcing materials and ingredients from company dedicated to ethical fair trade and sustainable practices. ITC is one of the well-known multinationals of India. It operates in umpteen sectors and has substantial products to market. Its businesses and value chains support over sixty lakh sustainable livelihoods. It's the only company to achieve the rare distinction of being water,

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<sup>1</sup> The sixth Assessment Report (AR6) , United Nation’s Intergovernmental Panel on Climate Change (IPCC)

carbon, and solid waste recycling positive over a decade despite its expanding manufacturing base. It is one of the few pioneers of green building structures. It proves its commitment to nature and to society through its sustainable, eco-friendly activities.

The researcher aims at study of ITC business on four indicators viz. environmental management, climate change, sustainable packaging, and biodiversity management. The researcher has critically analysed the strategies and models adopted by the company in this regard.

### **Significance of the study**

India is developing and emerging economy. Being the highest populated country, the climate change risks are predominant. The solutions on paper will not work unless its practical implementation with the use of extensive techniques and factual models. Environment sustainability calls for quick actions to abate the forthcoming effects of climate change and strategies to adapt to the newer environmental realities. This is the equal responsibility of business, government, and society. Deliberate actions and attention need to be targeted towards issues, such as environmental management, climate change, sustainable packaging. Rapidly diminishing non-renewable energy and biodiversity management is also equally the need of an hour.

Some of the worst influences of climate change are already being stroked around and are projected to further intensify. The extraordinary and random climate change and the consequential extreme weather incidents necessitate a focus on building resistance with respect to physical impacts of climate change. We can think of a cleaner and greener future only when we strive hard for transitioning to a zero-emission economy together. Large scale adaptation measures are indeed required. Nations and policymakers all over the world are accelerating mitigation and decarbonisation initiatives to battle climate change. A sustainable future will demand implementation of green technologies, building flexibility of functions. The businesses also must increase their investments in research and development to mitigate the risks and find new ways to address climate risks. ITC concentrates on research and innovation, particularly in agriculture. It's relentless efforts in carbon capture, green packaging, renewable energy enables a cost-efficient energy shift. Knowledge sharing, technology transfer and coordination of efforts between business enterprises and government will ensure a just transition, particularly for developing nations.

## **Conceptual framework**

### **1. Green company**

A green company, also known as an environmentally friendly or sustainable business, is an organization that conducts itself in a way that minimizes harm to the environment. Examples of these actions may include the conservation of natural resources, efforts to reduce carbon emissions, a reduction of waste creation, and support of ecological conservation. Green companies often implement environmentally responsible practices across their entire value chain, from sourcing raw materials to manufacturing processes and distribution.<sup>2</sup>

A green business often exhibits core traits like:

- Offering nontoxic, eco-friendly products in sustainable, recyclable, or reusable packaging.
- Sourcing materials and ingredients from companies dedicated to ethical, fair-trade, and sustainable practices.

### **2. Environmental sustainability**

It is the responsibility to conserve natural resources and protect global ecosystems to support health and wellbeing, now and in the future. Because so many decisions that impact the environment are not felt immediately, a key element of environmental sustainability is its forward-looking nature. It is “meeting today’s needs without compromising the ability of future generations to meet their needs”.<sup>3</sup>

Sustainability is a social goal for people to co-exist on Earth over a long time. Experts often describe sustainability as having three dimensions (or pillars): environmental, economic, and social, and many emphasize the environmental dimension.<sup>4</sup>

### **3. climate change**

climate change describes global warming—the ongoing increase in global average temperature—and its effects on Earth's climate system. Climate change in a broader sense also includes previous long-term changes to Earth's climate. The current rise in global average temperature is more rapid than previous changes, and is primarily caused by

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<sup>2</sup> Kleiner, A, "What does it mean to be green". Harvard Business Review. 69 (4): 38–42, 44, 46.

<sup>3</sup> U.S. Environmental Protection Agency Report, 2022.

<sup>4</sup> Bosselmann, Klaus (2010). "Losing the Forest for the Trees: Environmental Reductionism in the Law". Sustainability. 2 (8): 2424–2448.

humans burning fossil fuel for their use and eventually its use, deforestation, and some agricultural and industrial practices add to greenhouse gases, notably carbon dioxide and methane.<sup>5</sup> These greenhouse gases absorb some of the environmental heat that the Earth radiates after it warms from sunlight. Larger amounts of these gases trap more heat in Earth's lower atmosphere, causing global warming.<sup>6</sup>

#### **4. sustainable packaging**

Sustainable packaging is the development and use of packaging which results in improved sustainability. This involves increased use of life cycle inventory (LCI) and life cycle assessment (LCA) to help guide the use of packaging which reduces the environmental impact and ecological footprint. It includes a look at the whole of the supply chain: from basic function, to marketing, and then through to end of life and rebirth. The goals are to improve the long term viability and quality of life for humans and the longevity of natural ecosystems. Sustainable packaging must meet the functional and economic needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is not necessarily an end state but is a continuing process of improvement.<sup>7</sup>

#### **5. Bio-diversity management**

Biodiversity or biological diversity is the variety and variability of life on Earth. Biodiversity is a measure of variation at the genetic (*genetic variability*), species (*species diversity*), and ecosystem (*ecosystem diversity*) level. Biodiversity is not distributed evenly on Earth; it is usually greater in the tropics as a result of the warm climate and high primary productivity in the region near the equator. Tropical forest ecosystems cover less than 10 percent of earth's surface and contain about 90 percent of the world's species. Marine biodiversity is usually higher along coasts in the Western Pacific, where sea surface temperature is highest, and in the mid-latitudinal band in all oceans. There are latitudinal gradients in species diversity. Biodiversity generally tends to cluster in hotspots, and has been increasing through time, but will be likely to slow in the future as a primary result

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<sup>5</sup> Lynas, Mark; Houlton, Benjamin Z.; Perry, Simon (19 October 2021), "Greater than 99% consensus on human caused climate change in the peer-reviewed scientific literature". *Environmental Research Letters*, 16 (11): 1 to 4.

<sup>6</sup> Ritchie, Hannah (18 September 2020). "Sector by sector: where do global greenhouse gas emissions come from?", *Our World in Data*, 28 October 2020.

<sup>7</sup> European Organization for Packaging and the Environment, May 2009.

of deforestation. It encompasses the evolutionary, ecological, and cultural processes that sustain life.<sup>8</sup>

### **Review of literature**

If it can be agreed that a sustainable environment is a prerequisite to a sustainable socioeconomic system, then it also should make sense that the actions we take to remove threats to and foster environmental sustainability should contribute to such a system. While ecosystems range “from those that are relatively undisturbed, such as natural forests, to landscapes with mixed patterns of human use, to ecosystems intensively managed and modified by humans, such as agricultural land and urban areas,” the “environmental” focus proposed here delineates the portion of that range where there exist significant patterns of human use. A general definition of “environmental sustainability” can now be crafted in recognition of these linkages between human well-being and ecosystems and “ecosystem services.”<sup>9</sup>

Environmental sustainability is the ability to maintain the qualities that are valued in the physical environment. For example, most people want to sustain (maintain) human life, the capabilities that the natural environment has to maintain the living conditions for people and other species (e.g. clean water and air, a suitable climate), the aspects of the environment that produce renewable resources such as water, timber, fish, solar energy, the functioning of society, despite non-renewable resource depletion, the quality of life for all people, the liveability and beauty of the environment.<sup>10</sup>

Packaging materials contribute to the cost of the product due to the materials used and the process of producing them. The environmental influence of such materials, either during production or after their end-of-life, is of major concern, leading to several kinds of research along that line. Therefore, there is a need to critically evaluate the various materials used for packaging; the areas of application for each material and the merits and demerits of each packaging material are equally important. Several materials used as packaging materials include but are not limited to plastic, paper, glass, metal, etc. The nature of the product to be packaged will determine the choice of packaging materials. Environmental concern is another influencing factor when it comes to the choice of material selection. Of all the packaging

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<sup>8</sup> Tracy, Benjamin F. (2000). "Patterns of plant species richness in pasture lands of the northeast United States". *Plant Ecology*, 149 (2): 169–180.

<sup>9</sup> John Morelli, Environmental sustainability: A definition for environmental professional, *Journal of Environmental Sustainability*, Vol 1, issue 1, 2011.

<sup>10</sup> Phillip Sutton, A Perspective on environmental sustainability, April, 2004.

materials, plastic materials seem to be the most widely used material due to their various merits, such as their lightweight qualities, low cost, moldability, flowable nature, variable colours, or transparency. To ensure the availability of packaging materials all year round without negatively affecting the environment, a sustainable approach needs to be investigated. These approaches could be material recycling and reuse, the choice of materials, and the use of bio-based and biodegradable materials. Thus, the study focuses on the need for sustainable packaging.<sup>11</sup>

## **Research Methodology**

The study is based on secondary data. Analysis of ITC annual reports as well as ITC Sustainability integrated reports for last ten financial years is considered for the study. The models and strategies adopted by ITC for four indicators viz. environmental management, climate change, sustainable packaging, biodiversity management are critically evaluated under this study.

## **Strategies of ITC as green company**

### **1. Environmental management**

ITC nurtures a preservation culture that stresses on careful resource use. The company promotes innovations that helps in reducing the dependency on natural resources. ITC is joining forces with some of the like-minded stakeholders to spearhead large-scale interferences, such as social and farm forestry, integrated watershed development, and sustainable agriculture practices etc. Company is guided by a pre-approved set of policies. These policies outline the Company's dedication to high standards on environmental stewardship. They also provide the necessary framework to address the direct environmental impacts of the Company's own operations as well as progressively extend the efforts to ITC's supply chain. Business is implementing the policies phase-wise. The total accountability for ensuring implementation of Policies and Standards on environmental performance is with the Strategic Business Unit's Chief Executives. They work with their respective management teams.

The Corporate Sustainability department is responsible for reviewing and updating corporate standards, verifying compliance, and providing guidance and support as required. The progress and compliance of different businesses against the agreed roadmap are

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<sup>11</sup> dowu David Ibrahim, 'Need for sustainable packaging – a review', July 2022.



reviewed regularly by the Sustainability Compliance Review Committee constituted by the Corporate Management Committee. ITC's Businesses have targets for key specific performance indicators like energy consumption, greenhouse gas emissions and water intake. All ITC units have established management systems which lead to development of an environmental management plan and assessing of progress on a regular basis to ensure that company is working in line with the preplanned activities.

Company has established management systems, certified by accredited agencies in line with international standards like ISO 14001 and OHSAS 18001. Standard operating procedures are in place to define, collate and support audits of data for ensuring accuracy and verifiability. The Company continues to focus on raising stakeholders' awareness of environment management through ongoing training programmes.

Some of the aspects covered as part of training programmes carried out during the year include:

- Alliance for Water Stewardship Standard
- Climate Risk Assessments
- Life Cycle Assessments
- Environment, Health & Safety Management
- Sustainable Supply Chain

36,948-man hours of training were provided to employees on EHS related matters, and around 60 percent of the identified Critical Tier-1 suppliers received training on aspects like environmental compliance, fair business practices, corporate governance and ethics, occupational health and safety and fair labour practices and human rights.

## **2. Climate change**

ITC's factories, warehouses and hotels are spread across the country. They depend on Agri and forest-based value chains for sourcing key raw materials. Company's approach directs on alteration of both transition risks as well physical risks of climate change. Effective climate risk management offers openings for ITC to become a future-ready climate-resilient organization. ITC is pursuing a multi-pronged climate strategy as a part of its Sustainability strategy. It addresses risks through extensive decarbonisation across the value chain, and physical risks through implementation of location-specific adaptation strategies for value chain.

**Table 1: Use of renewable energy for business**

<b>Business</b>	<b>% Purchased Grid Electricity from Renewables</b>	<b>% Share of Renewables in Total Energy</b>
Paper Business	61	44
Food Business	32	41
Hotels	45	38
FMCG Cigarettes	67	57
Others	47	27

Source: ITC Sustainability integrated report, 2023

### **3. Sustainable packaging**

ITC's approach focuses on ensuring that packaging is reusable, recyclable, or biodegradable. This aids in improving recyclability of multi-layer packaging by reducing the complexity of the structure identifying alternative packaging material with lower environmental impact including bio-based plastics. ITC is also exploring potential applications of reusable models. Another crucial factor is optimising packaging in a way that reduces the environmental impact arising out of post-consumer packaging waste without affecting integrity of the product. This includes progressive reduction in plastic packaging intensity over time and evaluating the life cycle impacts of packaging. Company processes also aim at identifying opportunities for improvement using tools like Life Cycle Assessment studies. As a leading Paperboards, Paper & Packaging company, ITC is also leading the way by introducing more recyclable and sustainable packaging solutions in the market including innovative paperboard-based plastic substitution solutions.

As part of its sustainable packaging strategy, ITC is leveraging its unique in-house capabilities and expertise in the form of:

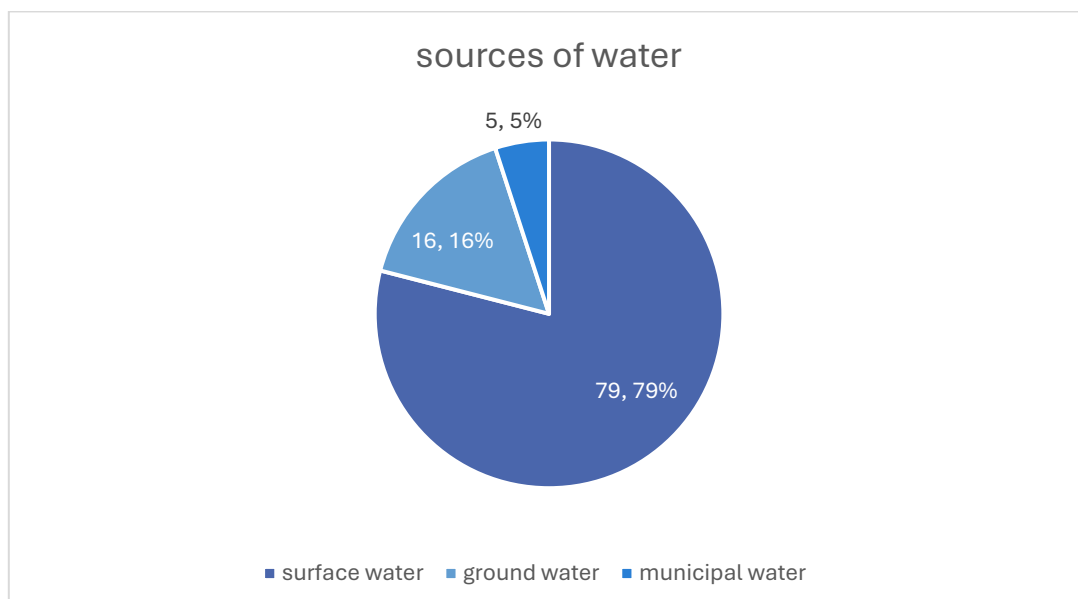
- Centre of Excellence in material Sciences and recycling at Life Sciences and Technology Centre (LSTC), ITC' Research & Development Centre.
- Sustainable and Circular Design Expertise of packaging experts from Paperboards & Specialty Papers Division, Packaging and Printing Division and FMCG businesses.

- Consumer insights of FMCG businesses.
- Sustainable Waste Management experience developed within the Company through the WoW initiative.
- Leveraging synergies between LSTC, paper and packaging, and FMCG businesses for developing solutions that enable complete or partial substitution of plastics with sustainable alternatives.
- Exploring paper as a substrate for packaging.

#### 4. Biodiversity management

ITC’s framework for managing key biodiversity impacts is explained through their operations. Company’s operations and value-chains too depend on nature, and accordingly location-specific and contextual biodiversity management plans are developed and implemented across key locations. Given the linkages between agriculture and the essential ecosystem services that nature provides, ITC recognises that the preservation and nurturing of biodiversity is crucial for long-term sustainability of its business. It is committed to conducting its operations in a manner that protects, conserves, and enriches biodiversity in line with the Board-approved Policy on Biodiversity Conservation. ITC also recognises the potential of nature-based solutions for carbon sequestration and building climate resilience and prioritises actions to minimise impacts across land, freshwater and atmosphere.

**Graph 1: Business wise water consumption**



Source: ITC Sustainability integrated report, 2023

## **Models of ITC**

Company as a leading brand in FMCG sector. Strategies for environmental sustainability and climate change can be effectively implemented through experimentations. Company has developed practical models for the execution of strategies.

### **Climate change**

- 43 percent of ITC's energy is from renewable sources.
- 40 buildings of the Company are Platinum rated green buildings (as on 31st March 2023)
- 12 Hotels and one data centre are certified as LEED Zero Carbon buildings (as on 31st March 2023)
- ITC has installed 178 MW of renewable energy assets across States.
- 12 ITC units met more than 90 percent of their electrical energy requirements from renewable sources in financial year 2022-23.

Climate change is undoubtedly the defining issue of the 21st century. ITC is committed to scaling its efforts for combatting climate change and enabling the transition to a Net Zero economy.

### **Accelerated Decarbonization**

- Company is accelerating towards achieving sustainability goals through continued investment in green infrastructure and energy efficient technologies.
- Company is working towards estimating its full value chain emissions and developing a Net Zero plan covering all major businesses.

### **Climate Adaptation**

- Company is enhancing the understanding of potential impacts of climate change on its operations and value chain through science-based climate risk assessments.
- Company is developing and implementing robust and inclusive adaptation strategies for own operations and value chain in consultation with key stakeholders - farmers, NGOs, and local Government.

## **Disclosures**

- ITC's approach regarding strategy and performance on climate change is communicated to stakeholders including investors through disclosures aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.
- Company promotes thought leadership and industry-wide collaboration on climate change through 'CII-ITC Centre of Excellence for Sustainable Development'.

## **Packaging**

- 'ITC One Supply Chain' initiative aims at optimization routes, deploying higher capacity vehicles and shifting to lower emissions modes like rail, waterways, and sea routes to reduce transportation related GHG emissions. ITC has also strategically located its Integrated Consumer Goods Manufacturing and Logistics facilities of FMCG businesses closer to the market, allowing direct shipments to customers. The Company has also been working on introducing electric vehicles for last mile delivery.
- ITC leverages Lifecycle Assessment studies identifying product level footprint including hotspots where interventions are required for making the product more sustainable. This may include changing product formulations, product packaging and product delivery models.
- ITC has been working towards progressively increasing the coverage of key third-party manufacturing facilities as this enables benchmarking their key performance indicators and develop action plans. In addition, ITC also provides technical guidance to its key third-party manufacturing partners for identifying and implementing improvement areas.
- ITC collects and sustainably manages postconsumer plastic packaging waste across India. Company has been able to collect and sustainably manage over 60,000 MT of plastic packaging waste through this program.

## **Analysis**

ITC is a world class Indian fast moving consumer goods brand. It has thirteen businesses in five segments. It exports in ninety countries and products are available at six million retail outlets. It reaches to 230 million households in India. It leaves its footprints over a considerable region and responsible for a large movement of resources. On this background, the researcher studied the strategies and models adopted by ITC as 'green company'. Company has played a

substantial role in preserving the ecological balance through its business activities. The climate change is successfully handled by the company through the precise measures. Biodiversity is preserved through environment friendly practices for ensuring long-term sustainability of nature-dependent businesses. These include resources like water, key raw materials, Agri commodities, and ecosystem services like recycling of nutrients, ensuring soil fertility, control of local micro-climate. Company's operations impact nature in many ways and hence it bears responsibility for its protection. ITC's operations and value-chains too depend on nature. It has developed location-specific and contextual biodiversity management plans. Company recognises that the preservation and nurturing of biodiversity is crucial for long-term sustainability of its business and is committed to conducting its operations in a manner that protects, conserves, and enriches biodiversity in line with the Board-approved Policy on Biodiversity Conservation.

## **Conclusion**

It is encouraging to note how India is leading in climate action. The nation ranks first among all G20 members in terms of overall climate performance in the Climate Performance Index. India has already forged a global collaboration "One Sun, One World, One Grid" to promote solar energy. A National Hydrogen Mission has also been launched. India's G20 presidency, with the theme of "One Earth, One Family, One Future" which is extremely relevant in today's context, also provides the nation with a huge opportunity to lead the world in climate action and promote a new height of global progress through collaboration.

Climate Change has emerged as pragmatic risk requiring organized efforts from all stakeholders. Industry needs to speed up its actions towards not only decarbonizing faster but also adapting to the worst impacts of climate change.

ITC as a green company is performing at an alarming rate to achieve these targets and enhance its image as nature friendly business. More and more companies must follow footsteps of ITC and be environmentally responsible if we as a country are accountable to our future generation and aim at providing them with the cleaner and greener India.

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