



GREENING ISN'T ENOUGH — CORPORATES MUST LEAD ON SUSTAINABILITY

Effectively solving major environmental problems requires proactive corporate leadership, given how quickly sustainability challenges are predicted to grow.

Last year, a Pew Charitable Trusts report found that under the current scenario, mismanaged plastic waste will grow from 91 million metric tons in 2016 to 239 million metric tons by 2040, driven by population growth, rising use, shifts to non-recyclable materials and growing consumption in regions with low rates of waste collection. This plastic has a devastating impact on our ecosystems, endangering the marine life of our oceans and contributing to the leaching of toxic chemicals into the food we eat and water we consume. With the decomposition rate of plastic ranging from 50 to 600 years, the threat these plastics pose is long-lasting.

The collection problem highlights a broader issue present in many regions: Infrastructure to process waste is not developing as quickly as society demands. Companies may find this a frustrating roadblock to reaching environmental goals, but this disconnect creates opportunities for corporations to lead the way. Not only do large corporations frequently shoulder the costs of becoming more sustainable, such as collecting cardboard, plastic and polyethylene and sending them off for recycling, but the private sector can develop and share policies that support global sustainable development.

At X5, we have made a strategic choice to focus on ESG because we understand our responsibility to our 339,000-plus employees and to the roughly 15 million customers that visit our shops every day. This scale of operations means that our company plays an important social role in Russia. Thus, sustainability is an important part of our overall strategy. As Russia's largest retailer, our duty to use our resources to lead the way for other companies to improve their sustainability metrics too.

For instance, X5 published comprehensive sustainable packaging recommendations on 13 product categories, developed in consultation with manufacturers, suppliers and industry associations. Previously, there were no clear and comprehensible definitions of what makes packaging sustainable, and how to define packaging sustainability for specific products.

By sharing the information, we enabled other retailers to integrate this valuable knowledge into their own packaging production and management. While the guidelines are a significant achievement for the advancement of Russian retail as a global leader in sustainability, they originated as a relatively modest initiative to make X5's own private label product packaging more environmentally-friendly. In the midst of this process, we made the decision to expand our efforts to develop general environmental, social, governance (ESG) guidelines for our own supply chain, as well as to develop broader sustainable packaging recommendations that could help boost sustainability across the industry as a whole.

Our mission to make X5's private label packaging more environmentally friendly blossomed into a landmark set of standards that will boost the sustainability of the entire country's retail industry, but it's not the only instance where X5 embraced a broader opportunity to lead on ESG. When we launched online sustainable development training for all current and new employees, we realised our customers could also benefit from the opportunity to learn more about responsible consumption. This inspired an interactive course developed jointly with the United Nations Institute for Training and Research – customers who complete the course receive a discount on in-store purchases.

Leading the way on sustainability isn't just about expanding programs to reach outside the walls of a workplace. Sometimes, corporations have an opportunity to make a big difference by adapting ongoing initiatives to respond to immediate community needs. For example, when the pandemic emerged in 2020, it created an immediate opportunity for X5 to focus on the "social" aspect of ESG. We launched an unscheduled food drive to help elderly people shielding at home, supplied free-of-charge meals to medical staff treating coronavirus patients in hospitals in Moscow, and delivered food to hospitals for the medical personnel working with COVID-19 patients. 79 hospitals in 17 regions and a total of over 70,000 doctors received 75.9 tonnes of food. We also offered temporary employment to 40,000 people who had lost their jobs as a result of the pandemic, and X5 paid additional bonuses to our in-store employees who worked incredibly hard to ensure that customers could continue visiting our stores safely.

Although sustainability is increasingly a global priority, the pace of ESG development is inconsistent, with industries and regions working through various and divergent stages of progress. For organisations trying to quickly progress their sustainable development, it can be discouraging waiting for infrastructure to match pace with good intentions. Ultimately, we consider it the



responsibility of corporations to bridge this gap by proactively seeking and embracing opportunities to expand and adapt sustainability across industries, sectors and around the globe.

By **Igor Schekhterman**, Chief Executive Officer, Chairman and Member of the Management Board of X5 Group

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