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Strategy

The Net Positive Manifesto

by Paul Polman and Andrew Winston

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The Net Positive Manifesto

Is the world better off because your company is in it?

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STRATEGY

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STRATEGY

SOCIETY'S EXPECTATIONS OF business have changed more in the past two years than in the previous 20. A pandemic, expanding and ever-more-expensive natural disasters, George Floyd's murder, attacks on democracy, and more: All moved us past a tipping point. Both practically and morally, corporate leaders can no longer sit on the sidelines of major societal shifts or treat human and planetary issues as "someone else's problem." For their own good, companies must play an active role in solving our biggest shared challenges. The economy won't thrive unless people and the planet are thriving.

The good news is that addressing those challenges presents the greatest economic opportunity of our time. Multitrillion-dollar markets are in play across all major sectors of the economy, including building technologies, transportation, food and agriculture, and green finance. A two-year study by the Business and Sustainable Development Commission found that meeting the UN's Sustainable Development Goals, which cover everything from eliminating hunger to providing livelihoods and tackling climate change, could unlock trillions in value and create hundreds of millions of jobs this decade. The world can reap those benefits with moderate investment, especially when compared with the cost of global disruptions from climate change (the estimated $22 trillion loss to the global economy from the pandemic shows how costly planetary crises can be). In addition, it's never been easier or more profitable to shift a business to low-carbon operations. The core technologies of a clean economy—renewable energy, batteries, smarter AI, big data, and so on—have become radically cheaper and are being implemented at scale (90% of new energy put into the global grid in 2020 was renewable).

Companies that have embraced action on environmental, social, and governance issues are outpacing their competitors. More than 80% of ESG funds outperformed their benchmarks in 2020. Stock price is not a perfect indicator of business success, but good returns demonstrate that sustainability is not an antibusiness plot to undermine free markets (a long-held and outdated view).

Investors are a new addition to the list of stakeholders pushing for action. Financial regulators are demanding more disclosure and transparency. Business customers are setting nonnegotiable climate and diversity targets for suppliers. And the most powerful stakeholders of all may be employees—especially Millennials and Gen Zers, who seek employers that share their values. They will stage walkouts or speak up to support or criticize employer actions on social issues—as half of U.S. Millennials say they have already done.

Businesses that thrive in this new environment will look different from those of the past. Traditional corporate social responsibility and philanthropy are inadequate for our times. Leaders must rethink what a business is, how it grows and profits, what its purpose is, and how it drives change in the world. In our new book, *Net Positive: How Courageous Companies Thrive by Giving More Than They Take,* we lay out

IDEA IN BRIEF

THE PROBLEM
Current efforts by business to address planetary challenges such as climate change are inadequate.

THE SOLUTION
Corporations should strive to become net positive, improving well-being for everyone they affect—every product, operation, and stakeholder, including future generations and the planet itself.

FIRST STEPS
No company is yet net positive. To get started, firms should think about stakeholders, not just shareholders; take full ownership of all company impacts; embrace partnerships and work with critics; and rethink their approach to lobbying and other forms of advocacy.

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the core dimensions of a business that unlocks lasting value and grows by helping the world prosper. We define a net positive company as one that "improves well-being for everyone it impacts and at all scales—every product, every operation, every region and country, and for every stakeholder, including employees, suppliers, communities, customers, and even future generations and the planet itself."

No company has yet reached this lofty goal. But a growing number have begun the journey. Their leaders are pressuring governments to go faster on climate policy, setting goals to become carbon-positive, making ambitious commitments to racial equity, and speaking out against laws that restrict voting or infringe on the rights of LGBTQ citizens. They're forming broad partnerships with suppliers, customers, peers, NGOs, and governments to tackle systemic issues and shared problems. The concept of "stakeholder capitalism" and the idea that business has a responsibility to society are becoming conventional wisdom in C-suites around the globe.

Those who miss this seismic shift will face a raft of existential risks. The economics of business as usual will not favor them, society won't accept them, and younger generations won't work for them. We offer a perspective from Unilever, which one of us (Paul) led for a decade. The consumer giant is widely acknowledged as a leader in the shift to net positive: For 11 years straight, sustainability experts have ranked it number one in the world. That success was not at odds with financial performance; in fact, it drove profits and growth. Across Paul's tenure, Unilever's total shareholder return was close to 300%—well above that of its peers.

Unilever is not alone. Virtually all the world's 500 largest companies have set energy or carbon targets, for example, and the rhetoric from leaders is shifting. When the CEO of Walmart talks about becoming a "regenerative company," you know something is up. Rhetoric is not action, of course, and too few companies are shooting high enough, but the work has begun. Many, however, seem to be playing to not lose. This article is about playing to win.

We see four critical paths businesses can take to thrive today and win in the future. They can:

• operate first in service of multiple stakeholders—which *then* benefits investors (as opposed to putting shareholders above all others)

• take full ownership of all company impacts

• embrace deep partnerships, even with critics

• tackle systemic challenges by rethinking advocacy and the relationship with governments

We'll explore the paths one by one.

SERVE STAKEHOLDERS, *THEN* SHAREHOLDERS

The economist Milton Friedman famously wrote that the sole purpose of business is to generate shareholder value. For 50 years that doctrine created tremendous growth in material well-being—but at a severe cost to equality and the planet. We must address those costs or risk all that we have gained.

To move forward to something better, we can draw from the past. Before the era of shareholder obsession, companies were multistakeholder by nature. For example, in 1943 Johnson & Johnson published its Credo, which put patients, doctors, and nurses first, followed by mothers and fathers, business partners, employees, and communities—and only then would the company serve stockholders, whom J&J said should earn a "fair return" (note that it wasn't promising the maximum return possible).

A net positive company rewards investors, but as a *result* of running a business that serves others, not as a primary goal. That shift in focus can create tension with traditional short-term shareholders. At Unilever, Paul's solution was to tell investors—when he had been on the job all of three weeks—that he would no longer provide quarterly reporting or guidance. The company would pursue long-term value while maintaining intense business discipline. If investors didn't like it, they could take their money elsewhere.

We are not saying businesses should create value for everyone else while crossing their fingers and hoping investors do well too. We believe a business that serves the world does better over time. The value it builds compounds, and investors see healthy returns. And if done skillfully, those efforts aren't entirely at the expense of short-term returns.

Early in Paul's tenure at Unilever, to bring purpose and broader thinking to the organization, he launched the Unilever Sustainable Living Plan. That groundbreaking initiative, which has been emulated many times, set aggressive targets to improve a billion people's lives, slash the firm's environmental impact in half, and improve livelihoods for millions of women and smallholders in the supply chain.

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Those were company-level goals; Unilever also made a commitment to drive business results by serving multiple stakeholders at the brand level. The largest of its "purpose-led" brand initiatives is the global handwashing campaign led by the company's Lifebuoy soap. Working closely with UNICEF, Lifebuoy has taught hundreds of millions of children and new mothers about the health benefits of washing hands, helping to avert millions of deaths from easily preventable diseases.

Such efforts may sound like philanthropy, but they're about businesses filling unmet needs. In one of Paul's earliest meetings as CEO, the executive director of UNICEF asked him to donate soap to neonatal kits, to help reduce the rate of death in childbirth. Paul said he was happy to donate bars, but they would be Lifebuoy-branded, not generic. A net positive company can help solve a social problem *and* see brand and sales benefits. The two goals are not at odds.

For years Unilever has made its larger mission an integral part of its brands and messaging. Employees in the Lifebuoy business are not just selling soap; they're helping save lives. Business results have followed. More than a century after its founding, Lifebuoy was not a vibrant business. But in the 2010s, as the handwashing program rapidly expanded, its revenue started growing at a double-digit percentage rate—a torrid pace for soap. It's now one of the company's 13 brands that bring in more than a billion euros annually. Putting purpose at the core of your strategy drives growth. You reap profits *through* purpose.

TAKE OWNERSHIP OF ALL COMPANY IMPACTS

Many companies have long operated with little regard for the social and environmental consequences of their actions, especially those they see as beyond their control. They have outsourced not only their supply chains, logistics, and investments but also their sense of responsibility. The focus has been on externalizing costs and internalizing profits.

Every sector has unintended consequences and ripples, and business leaders either choose to face them or willfully ignore them. For example, tech companies connect billions of people and bring all human knowledge to our fingertips; new technologies will play a leading role in solving our biggest challenges. But those benefits have come at great cost. Misinformation has spread through social media like wildfire, undermining truth, science, and human bonds. It has slowed the fights against the pandemic and climate change. Easily spread lies on Facebook and other platforms have subverted democracy in the United States and elsewhere and have mainstreamed extremist views and radical content. Tech giants are unimaginably profitable in part because their products create divisiveness. Research shows that their algorithms purposely put inflammatory stories in front of people to enrage them, which makes them more inclined to click.

Tech isn't the only offender. For instance, every sector relies on cheap fossil fuels, but nobody has paid for the climate-destabilizing impacts of their carbon emissions. Similarly, businesses in many sectors draw on cheap labor—even slave labor—in supply chains around the world.

Taking full ownership of all your impacts is a revolutionary act; after all, aggressively *not* taking ownership helped drive short-term profits over the past century. But an expanded view of ownership has been building for years. After high-profile incidents of child labor in supply chains, for example, many sectors implemented codes of conduct that partly address the issue. Serious problems remain, but the days of pretending they don't exist are over.

Clearly, companies must think more broadly about how they affect the world. New tools can help. The Greenhouse Gas Protocol provides standards for taking responsibility for carbon output in three "scopes" of emissions: (1) those from fossil fuels burned on-site, (2) those from the generation of electricity purchased from the grid, and (3) those from the operations of value chain partners (suppliers, logistics, and customers). A fast-growing number of companies are including scope 3 emissions in their measurements and goals, sometimes in response to the demands of activist investors.

The scopes are just the beginning. Environmental and social impacts extend far beyond what traditional accounting methods can measure. Stakeholders increasingly expect companies to understand *all* the ways they affect people and the planet. If your firm has aggressive carbon-reduction goals but you lobby against policies to reduce emissions, what's your real impact on climate? It's not net positive, no matter how well you manage your own footprint.

At the largest scale of impact, the marketing efforts of many companies, including Unilever, have helped create a consumption-based society that overuses resources and reinforces damaging stereotypes. Businesses influence how carbon-intensive our lives are by shaping how we eat, get around, communicate, use shared resources, and more—and those impacts are increasingly being laid at their feet.

Some big brands are holding themselves to account for their wider impacts and acting to reduce them. IKEA makes more energy from renewables than it needs and sells some

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When companies partner with peers on low-risk efforts that make everyone more efficient and sustainable, they create space for tackling harder, more systemic problems.

back to the grid—more than zeroing out its own footprint. Apple helped fund a technology joint venture with the mining giants Rio Tinto and Alcoa to manufacture aluminum in a way that slashes energy use, produces no carbon, and, at scale, should be cheaper than conventional methods. The new process not only cuts Apple's supply chain emissions but also creates an option others can take advantage of; for example, Audi is now using that low-carbon aluminum in a new electric vehicle. Those are net positive ripples.

The idea of taking full responsibility makes many business leaders uncomfortable. Are energy and auto executives personally driving climate change? Should apparel and food leaders be on the hook for child labor in the supply chain? Should the heads of social media outlets be held accountable for attempted coups and loss of faith in the voting process?

Yes and no. No organization, no matter how large or powerful, completely owns those problems or could possibly solve them alone. But it's absurd to abdicate all accountability. As the scholar Rabbi Tarfon wrote nearly 2,000 years ago, "It is not your responsibility to finish the work [of perfecting the world], but you are not free to desist from it either."

EMBRACE PARTNERSHIPS AND WORK WITH YOUR CRITICS

The Consumer Goods Forum brings together over 400 of the world's largest consumer goods retailers and manufacturers to collaborate on issues such as reducing food waste, tackling human rights abuses in supply chains, developing sustainable packaging, and avoiding deforestation. The group, and a predecessor organization with similar members, has worked to standardize the sizes of shipping pallets. An operational change like that may sound minor, but with more pallets than people in the world, and with billions of shipments coming in and out of factories, distribution centers, and stores, efficiencies add up. With standard sizes, companies can pack trucks more than 50% more tightly, saving money and fuel and reducing carbon emissions.

When companies partner with peers on low-risk efforts that make everyone more efficient and sustainable, they create space for tackling harder, more systemic problems. Successful partnerships lessen the perceived risk of taking bold action. And because they improve the economics for all, such collaborations help counter the first-mover disadvantage, which often stops individual companies from doing the right but harder thing. For instance, in 2019 the apparel sector launched the Fashion Pact. It was aided by Paul's company, Imagine, which facilitates industrywide cooperation on the burning issues of climate change, environmental degradation, and inequality. The pact drives members to set science-based carbon goals, seek 100% renewable energy by 2030, get out of single-use plastics, and develop biodiversity plans to increase the use of regenerative agriculture, which sequesters carbon rather than releasing it. Managing those issues together improves the resilience of the fashion industry as a whole and lowers everyone's risk; collective, courageous action pays off. Of course, pacts are not acts, and there is a long way to go, but it's impossible to envision companies moving as far, or as quickly, in piecemeal fashion.

Industry partnerships often need civil society's help, which means doing something companies find uncomfortable: working with critics. NGOs can make life difficult; for example, Greenpeace is known for climbing corporate buildings to protest environmental wrongdoing. But pressure groups closely follow technical issues, such as alternatives to plastics, and often have deep knowledge. It's important to distinguish between productive critics and cynics who just want to undermine business. The latter don't trust business to do anything right, let alone serve the world. But helpful skeptics bring good ideas to the table, serve as an early warning system for new problems, and can make your business better—if you don't get defensive.

Under Paul's leadership, Unilever opened up its Vietnamese business to an audit of human rights issues by Oxfam. The company invited the nonprofit into its facilities with no restrictions and allowed it to issue a stand-alone report on its findings. It knew that attending to human rights is more than a matter of doing the moral thing; a focus on people and their well-being also guards against potentially costly reputational and operational risks. Executives at Unilever found it unnerving to be transparent about such a sensitive issue with a skeptical NGO. But the report helped them identify ways to improve the company's human rights performance that they hadn't thought of on their own.

Solving tough issues together builds trust and fosters partnership. And isn't it wiser to have critics in the room,

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working productively, than outside the building, holding demonstrations and hanging banners in protest?

CHANGE SYSTEMS WITH NET POSITIVE ADVOCACY

The partnerships we've discussed so far generally solve problems within the current system. But to tackle humanity's biggest challenges and unlock greater business and societal value, we need to change the system itself—to work *on* the forest, as it were, not *in* the forest. For that effort, all three legs of the societal stool—the for-profit sector, civil society (such as consumers, nonprofits, and other advocacy groups), and government—will need to be in the room.

The traditional relationships among those groups must evolve. Companies have long viewed "government relations" as a way to resist regulation or fight for tax breaks and other special treatment. We propose, instead, that businesses approach governments openly and transparently, to improve the rules, help policy makers reach *their* goals, and solve larger problems for the benefit of all. We call this approach *net positive advocacy.*

For example, Unilever has maintained a consistent presence in Brussels in order to stay involved in EU policy making. It has offered its deep knowledge on a range of issues important to the Continent, including climate change, food security, hygiene and sanitation, and the empowerment of women. Policy makers have said that whereas most companies come in only reactively, to complain or ask for a handout, Unilever meets with them proactively, trying to help Europe thrive. Working for the benefit of all builds trust and earns a seat at the table.

And consider the actions of Unilever Russia. After building its own recycling infrastructure to increase the availability of recycled plastics for use in packaging, the company wanted to scale the effort up and improve its economics. But Russia's regulations weren't helping. The country charged manufacturers for each ton of plastic used, no matter the source. So the Unilever Russia team worked with academics to propose a policy that would incentivize the use of better materials: basing fees not on weight but on the *type* of plastic used, with lower fees for recycled or sustainable materials. In a traditional lobbying approach, Unilever would have asked for tax breaks or write-downs to pay for its investments in recycling infrastructure—measures that would help the immediate bottom line and provide a short-term competitive advantage but would not solve the systemic problems of the cost and availability of recycled materials. Net positive advocacy is not selfless; Unilever benefits from a larger recycling system with lower costs. So does every other firm in the country—a scale often needed to achieve systemic change.

Sometimes large firms can foster systemic change through the audacity of their actions alone. For instance, Microsoft has pledged to be carbon-negative by 2030, meaning that it will remove at least as much carbon from the atmosphere as it emits. The company will also, by 2050, remove sufficient carbon to compensate for all its emissions since its founding, in 1975. Its retroactive carbon-neutrality pledge—the first we're aware of—has spurred it to invest in carbon sequestration projects, such as technology that buries the element in geologic formations far underground. Carbon capture is a nascent industry, but it has the potential to be a game changer for efforts to meet climate targets—and the software giant is driving systemic change by helping new technologies get to scale.

Google is attacking the problem from a different angle, having set an unusual "24/7" goal. By 2030 it wants to be operating carbon-free every hour—not offsetting emissions by building renewables in a different part of the grid, as lots of companies do, but operating truly carbon-free. That means using only renewables and energy storage on-site; if the company plugs into a grid at all, that grid will have to be clean. Rather than "just" being 100% renewable—a commitment hundreds of companies have now made—Google is seeking systemic change. It has said that its 24/7 goal "encourages full-scale transformation of electric grids."

Achieving ambitious goals like these demands broad cooperation. Transforming energy systems requires bringing together policy makers, utility commissions, NGOs, communities, and big energy buyers. Companies will need to advocate for policies that accelerate investment in clean energy, storage, and the grid itself, which will expand everyone's options. Net positive companies propose solutions rather than wait for (or complain about) regulations that tell them what to do. They advocate for broad answers to shared problems, reaping the benefits along with everyone else. The system is healthier and stronger for their efforts.

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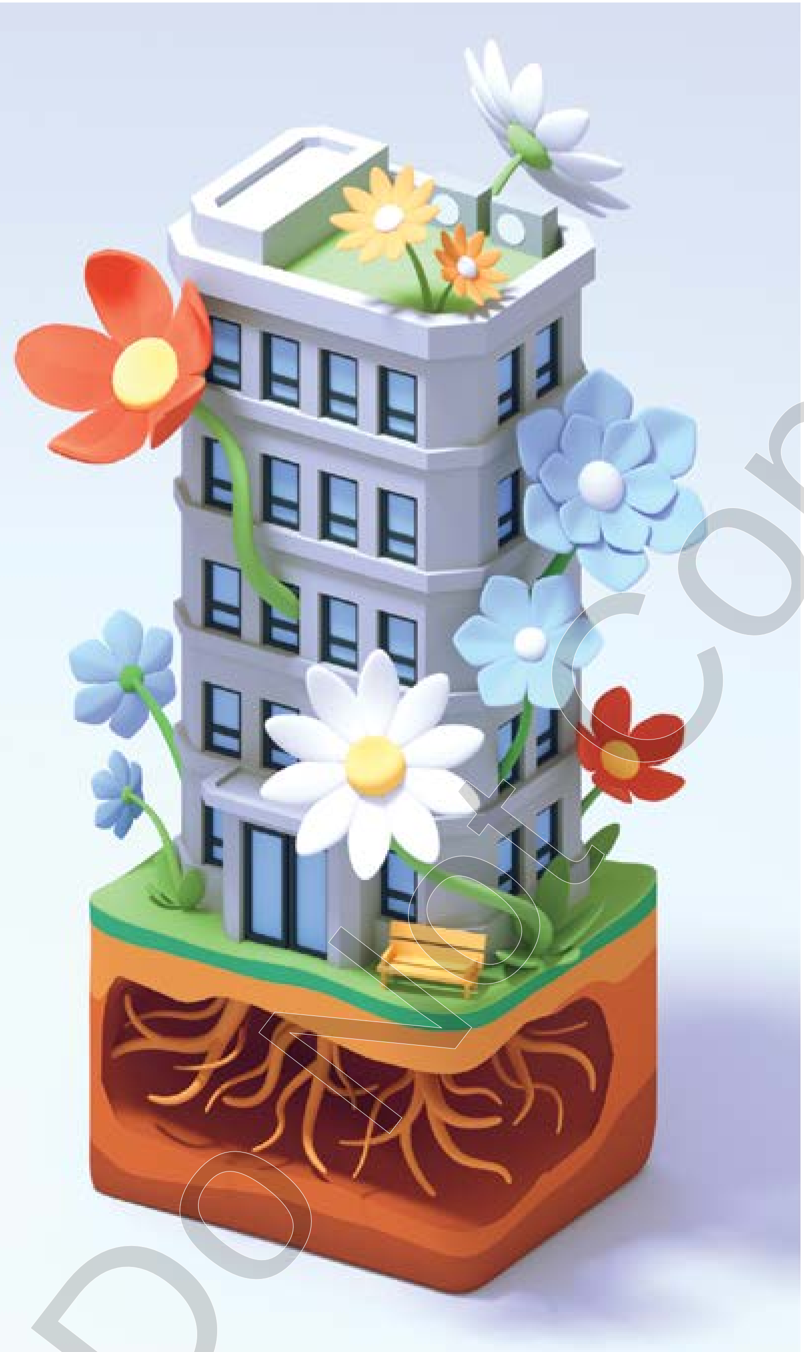

NET POSITIVE PURPOSE

All this may sound like tough work—and it is. One thing makes it easier: purpose. When you know why your business exists and when that purpose reflects your values, becoming net positive is a natural step—even an inevitable one.

Unilever's first mission statement, from the 1890s, was "to make cleanliness commonplace and to lessen work for women." The Unilever Sustainable Living Plan, launched 120 years later, vowed "to make sustainable living commonplace"—an expanded purpose that's grounded solidly in the original vision of serving people. Not every company can draw a clear line from founding to the present, but all have a reason for being. Unearthing that reason can inspire you.

Heading toward net positive does not mean being perfect or doing everything at once. There will be short-term trade-offs in service of larger goals. A company might build a facility to expand the business and serve a community by providing jobs and enhancing livelihoods. But the region might have limited renewable energy capacity, requiring the company to take a short-term step back from its net-zero carbon goal. That's OK, as long as the work continues—almost always with partners—to move all dimensions of the business toward positive outcomes. (In this case, that would mean helping design policies to add renewables to the grid.)

The world's challenges are great, and they cannot be solved without unleashing the vast human, financial, and innovative resources of business. We need the willpower to change how business is conducted and to proactively choose to improve well-being for all. The net positive model allows companies to thrive because of their efforts to serve the world. Business leaders today face an essential question: Is the world better off because we're in it?

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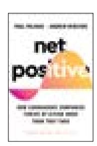

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