BIODIVERSITY CONSCIOUS SUPPLY CHAIN MANAGEMENT: A CASE STUDY OF UNILEVER

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UNILEVER FACTS FILE

- Over 400 brands
- Operations in 190 countries
- Sale of €51 Billion (2012)
- About 175,000 people
- More than 2 billion consumers use Unilever brands daily

- 2013 catalyst award for women empowerment
- 100% Palm oil procured in 2012 from sustainable sources
- 39% of our tea is sourced from farms certified by rain forests
- The greenhouse gas footprint of our products reduced by 6% from 2010
PRIORITIES & PRINCIPLES

“Committed to support sustainability and providing our consumers with the products they need to Look Good, Feel Good and Get More out of Life”

- A healthier future
  - A better future for children
    - A better future for the planet
      - A better future for farming and farmers
        - A more confident future
RECOGNIZING THE SOCIAL CONCERNS

- Our sustainable growth story started over 100 years back
- Our founders were businessmen with strong sense of social justice

Commercial opportunities in serving unmet social needs:
- 1870 Margarine – healthy choices
- 1880 Lifebuoy – disease prevention with enhanced hygiene
- 1960 Flora – much before the “heart health” became the buzzword
- 1995 Sustainable agriculture initiative
- 2008 Pledge to procure all our palm oil from sustainable sources by 2015

AND NOW WE HAVE EMBARKED UPON “UNILEVER SUSTAINABLE LIVING PLAN (USLP)”
UNILEVER @ RIO + 20

- Unilever CEO, Paul Polman participated
- Stressed on collaboration of business with civil societies to achieve Sustainable Development Goals
- Unilever Rio + 20 Manifesto


Unilever as a case study reported by:
- UNEP
- UNDP
- United Nations Conference on Trade & Development
- Corporate EcoForum
- WWF Brazil
- Green Alliance
50% of our raw materials come from agriculture

Unilever has been working on sustainable agriculture for almost 15 years

We are world leaders in this area

Our share of world volume 2009 (estimate)

- 12% black tea
- 6% tomatoes
- 5% dried onion & garlic
- 3% rapeseed
- 3% palm oil
- 2% sunflower oil
- 1% soy
UNILEVER SUSTAINABLE LIVING PLAN (USLP)

- Initiated in November 2010, a journey of 10 years
- Across value chain – suppliers-factories-consumers
- Over 50 targets
- Annual progress reports

- Member of WBCSD
- Member – Consumer Goods Forum (Co-sponsored Sustainability Pillar)
- Co-founded Marine Stewardship Council with WHO, 1996
- Co-founded the Round Table on Sustainable Palm Oil, 2003
UNILEVER SUSTAINABLE LIVING PLAN (USLP)

Unilever Sustainable Living Plan

- Halve environmental footprint of our products by 2020*
- Source 100% of agricultural raw materials sustainably
- Help 1 billion people improve their health & well-being

* Coincides with Aichi deadline
SUSTAINABILITY, A BUSINESS MODEL

- Consumers are demanding sustainable products
- Customers (retailers) have sustainability plans
- Cost advantage (eventually)
- Out of the box innovations
- New business opportunities
We firmly believe to be “Effectively Sustainable” a balance between Social, Economic and Environmental Impact is a must.
BIODIVERSITY MANAGEMENT – MULTIPLE FACETS

- **Soil Fertility**: Know your soil - take care of it.
- **Nutrients**: Healthy soil = balanced diet.
- **Water**: Optimising the amount of water as well as protecting river flow and wildlife.
- **Biodiversity**: Growing our crops without destroying the natural landscape.
- **Pest Management**: Use only the right amount of chemicals.
- **Energy**: Understanding where the opportunities to reduce energy use on farm are.
- **Local Economy**: We are always looking to make our farmers more profitable, if they are then they can make a bigger contribution to their local economy.

In Kenya for our tea producers this means their kids get educated.
NON-NEGOTIABLE POLICIES & STANDARDS

- Code of Business Practices
- Environment Policy
- Specific Standards (e.g. use of plant and animal produce)
- Wild harvest manual
- ABS principles
- Sustainable Agriculture Code
UL SUSTAINABLE AGRICULTURE CODE (SAC)

- What we define as sustainable
- Ten main indicators
- Focus on continuous improvement
- Focus on People, Planet and Profit
- Mandatories, Musts and Shoulds
- Reporting is mandatory
- Endorsed by many KOFs
SAC: BIODIVERSITY INDICATOR

5. Biodiversity

5.1 Records

<table>
<thead>
<tr>
<th>Records</th>
<th>Unless specified elsewhere in the text, all records must be accessible and kept for at least 2 years. Records to be kept in this section include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.1</td>
<td>Checklist of records related to this section</td>
</tr>
<tr>
<td>5.1.2</td>
<td>1. Strategic commitment to at least one biodiversity initiative</td>
</tr>
<tr>
<td>5.1.3</td>
<td>2. Biodiversity Action Plan</td>
</tr>
<tr>
<td>5.1.4</td>
<td>3. Records of progress against such a plan/improvements made</td>
</tr>
<tr>
<td>5.1.5</td>
<td>4. Any environmental impact assessment or evaluation made before changes in land use</td>
</tr>
<tr>
<td>5.1.6</td>
<td>5. Training records for suppliers, farmers, and farm workers</td>
</tr>
</tbody>
</table>

5.2 Continuous Improvement

<table>
<thead>
<tr>
<th>Continuous improvement</th>
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<tbody>
<tr>
<td>Continuous improvement in this section includes:</td>
</tr>
<tr>
<td>5.2.1</td>
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<tr>
<td>5.2.2</td>
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<tr>
<td>5.2.3</td>
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</tbody>
</table>

5.3 Biodiversity Protection and Enhancement

5.3.1 Introduction

<table>
<thead>
<tr>
<th>Why this is important</th>
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<tbody>
<tr>
<td>Natural farmland has biodiversity value as well as agricultural value, especially in parts of the world where farming has played an important part in the landscape for many years or where the land is near to areas of high conservation value. The role for the farming operators who supply Unilever materials to consult locally on the most appropriate actions to take and to engage in programmes that link their farming activities with benefits to biodiversity.</td>
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</tbody>
</table>

5.3.2 Mandatory requirements

<table>
<thead>
<tr>
<th>Measuring progress</th>
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<tbody>
<tr>
<td>Unilever wants to help increase the area managed for biodiversity and habitat conservation. Our Sustainable Agriculture Metric “Protect and Improve Habitats for Biodiversity” provides a measure of that. Our suppliers must provide the necessary data for calculating this metric. Data requirements for the metrics are outlined in Appendix 3.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal compliance</th>
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</thead>
<tbody>
<tr>
<td>Unilever suppliers must be aware of and demonstrate compliance with national legal obligations with respect to biodiversity.</td>
</tr>
</tbody>
</table>

5.3.3 Recommended components of a Biodiversity Action Plan (BP)

<table>
<thead>
<tr>
<th>BP requirement</th>
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<tbody>
<tr>
<td>In addition, the Biodiversity Action Plan should include the following:</td>
</tr>
<tr>
<td>5.3.3.1</td>
</tr>
<tr>
<td>5.3.3.2</td>
</tr>
</tbody>
</table>

5.3.4 Prohibitions

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Unilever suppliers must ensure that farms are aware of national legal obligations as above.</td>
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</tbody>
</table>

5.3.5.1 | Prohibitions on harvest |
| 5.3.5.2 | Hunting, fishing, and gathering |

5.3.6 Purchasing of raw materials

<table>
<thead>
<tr>
<th>Raw materials</th>
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</thead>
<tbody>
<tr>
<td>The farm must ensure that natural products it purchases or uses (including fuel wood, compost, nursery substrates, and nurse) have been collected or extracted legally and provide evidence of purchase from vendors. This includes national products produced on farm.</td>
</tr>
</tbody>
</table>

5.3.7 Rare and endangered species or habitats

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<tr>
<td>Where rare and endangered species are found on farm land, the Biodiversity Action Plan to protect these species or habitats must be developed and implemented as a priority.</td>
</tr>
</tbody>
</table>

5.3.8 If asked, farmers and farm workers and any hunters, fishermen or gatherers allowed to operate on the farm should be aware of the location of important habitats for rare and endangered species on the farm and of any relevant action that are necessary for their maintenance. |
SAC: BIODIVERSITY INDICATOR

Mandatories
Comply with the law
Provide metrics data
no destroying important habitats
no hunting, poisoning or collecting rare or endangered species

Musts
must commit to at least one biodiversity programme or initiative linked to the farming system, documented and implemented using a Biodiversity Action Plan including an assessment of local issues and a practical plan to make progress
Natural products purchased must not come from illegal harvesting in protected areas if there are rare or endangered species present on farms they must be supported
Environmental Impact Assessment before land conversion if there is local financial support for biodiversity work, suppliers must facilitate access for farmers
prohibitions on hunting and work on biodiversity protection must be communicated to farm workers and other people who visit the farm.
SUSTAINABLE SOURCING : OUR WAY OF WORKING

- Map supply base
- Identify Key Business partners
- Engage on raw material sustainability
- Propose & agree on plan
- Benchmark their standard vs SAC or agree certification
- Monitor & report progress
BEHIND OUR SUSTAINABLE CODE

External agencies we are engaged with on sustainability
CERTIFICATION AND VERIFICATION

Certification – where there is a brand fit or industry standard in place

- CERTIFICATION
  - Lipton
  - Ben & Jerry’s
  - SCC & DRE
  - Rainforest Alliance
  - Fairtrade (EU) / FSC (US)
  - RSPO

Over 50% of consumers globally agree the best way to certify a brand’s ethical claim is through 3rd party certification
Globescan 2009

- Verification against our code (where no standard in place)
- SAC requires compliance against all mandatory indicators
- High level compliance for musts
- Software tool to check and record verification
A DEDICATED PORTAL FOR SUSTAINABLE AGRICULTURE

http://www.growingforthefuture.com/
GOOD BIODIVERSITY PRACTICES

- What biodiversity means to them and do something positive towards “ecosystem services”
- Most appropriate local action
- Engage them in programs that link farming activities to benefits of biodiversity
- Engage them pro-actively with farmers

Some success stories

- Innocent ‘s– irrigation water for growing strawberries
- Homer Worth’s model of Owls managing the rodents in tomato fields
- Daregal’s efforts to restore basil and mint varieties in collaboration with CNPMAI
- Lipton farm and Tanzanian’s forest conservation group protecting a biodiversity hotspots
- Agraz’s with SEO Birdlife co-creating environment in farming systems which favors birds and bats
SUSTAINABILITY ASSURANCE FOR USING NATURALS

- Are the herbs sustainable?
- How will the UL use change the demand dynamics?
- Are farmers ready to expand the cultivation?
- Will UL demand impact the supplies to traditional healers?

100 odd herbs identified → 17 found promising → 5 herbs found sustainable
OUR VISION FOR TEA SUSTAINABILITY

• Lead change in the tea industry
• Improve the lives of up to two million people
• Show how Rainforest Alliance certification means that every cup of our tea is a step towards a better life for tea farmers, their families and the environment
• Reinforce the bond between consumers and our brands
Sustainable Agriculture in action

Sustainable Tea In Kenya

- 3 year Lipton/KTDA project in rural Kenya
- 720 farmers in 24 Farmer Field Schools
- Sustainable farming practices – plucking times, farm management,
- Yield improved 5-15%
- 6,000 farms audited in Dec 08 for RA certification

Benefits:
- Increased income
- Education
- Improved social interaction
- Secure supply, improved quality
- Brand proposition
TEA SUSTAINABILITY
THE STANDARDS COMPRIS THE FOLLOWING 10 BROAD PRINCIPLES:

2. Ecosystem Conservation.
5. Fair Treatment and Good Working Conditions for Workers.
7. Community Relations.
8. Integrated Crop Management.
10. Integrated Waste Management.

- Every Principle is broken down into a number of criteria, ca 200 in total.
FEELS GOOD TO SEE PEOPLE RECOGNIZING OUR EFFORTS
SUMMARY

- Sustainability is in core of our business
- Collaboration with Governments, partners, suppliers, NGOs, and society at large
- KPIs in concurrence with global KOFs
- Wherever befitting, external certifications obligatory
- Regular dipstick and report back mechanisms
- USLP as part of everyone's objectives
- Creating new business opportunities through sustainability
- Recognitions to teams, individuals leading on USLP mission
Earth provides enough to satisfy every man's need, but not every man's greed.

Mahatma Gandhi
Indian Political Leader
(1869-1948)
THANKS