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UNILEVER'S INDIVIDUAL COMMITMENTS IN *act4nature*

At Unilever, we rely on nature for many of the ingredients and raw materials that make up our products. We are working in partnership with others to explore how natural capital can be better integrated into business decision-making.

Approaches to managing natural capital

Natural capital is another term for the stock of renewable and non-renewable resources (eg plants, air, water, soils, and minerals) that combine to yield a flow of benefits to people. The benefits provided by natural capital include clean air, food, water, energy, shelter, medicine, and the raw materials we use in the creation of our products.

It also provides less obvious benefits such as flood defence, the regulation of the climate and pollination of crops.

Studies have shown that as a global population we are depleting natural resources faster than the earth can replenish them, and at an accelerating rate. As a society, we have effectively grown financial capital in large part through the use, exploitation, and degradation of natural capital.

Measuring natural capital impacts

Like many businesses, our first step towards considering our relationship with natural capital has been to consider our principal environmental impacts. We defined these as greenhouse gases (GHG), water and waste – three "pillars" of the Unilever Sustainable Living Plan (USLP).

What sets the USLP apart is that it takes a value-chain approach, seeking to identify these impacts not only within our own operations but also within our supply chain and in consumer use. We developed methodologies for measuring our footprint in each of these areas and set time bound targets for reducing them. Find out more about our greenhouse gas, waste and water footprint approaches.

Beyond these three pillars, Unilever also considers broader natural capital issues in a variety of specific contexts related to the USLP.

Natural capital & deforestation

Our efforts to eliminate deforestation from commodity supply chains are driven in part by the GHG impacts of tropical deforestation, but also through a recognition of the rich natural capital and biodiversity at risk in areas of high conservation value.

Natural capital & sustainable agriculture

Unilever's Sustainable Agriculture Code (PDF | 2MB), includes 11 social, economic and environmental indicators. Many of these relate to natural capital, including soil health, soil loss, nutrients, pest management, and biodiversity.

In our tea supply chain we actively manage the relationship between our tea plantations and the ecosystems that support them, including the Mau Forest in Kenya which borders our plantations and is integral in ensuring a water supply to our site.

Natural capital & water

We routinely consider dependencies on natural capital such as water when considering the location or relocation of manufacturing plants, recognising that without these supplies we may be unable to operate competitively. Additionally, we place extra focus on water efficiency in water-scarce locations.

We are also actively considering our consumers' dependencies on water as a critical driver of our own innovation, helping to improve access to clean water through innovations such as our patented SmartFoam technology in Sunlight 2-in-1 Handwashing Laundry Powder and RIN detergent bars – both of which use up to half the water needed for rinsing, making the washing process easier and less water-intensive for consumers in water-scarce regions.

Developing tools to integrate natural capital in decision-making

Many of our raw materials come from agriculture. They are the fundamental ingredients for our food and refreshment products, as well as our beauty & personal care and home care products such as detergents and soaps.

The interest in bio-based materials for these product categories is likely to increase in the future, a phenomenon which is not unique to Unilever. Global food production is expected to increase by 70% by 2050 and demand for non-food agricultural products, including biofuels, wood products, and textiles, is also expected to increase, heightening competition for land and water. We believe that it will be increasingly important to manage the demands of competing uses for these resources and their impacts on the environment.

For these reasons, Unilever's Safety and Environmental Assurance Centre contributed to a partnership with Stanford University and the University of Minnesota called the Natural Capital Project. Consumer goods companies often rely on life cycle assessments (LCA) to establish the potential consequences of design and sourcing decisions. This kind of assessment, while sophisticated, often lacks detail about how the products impact natural resources such as land, water and biodiversity.

The project resulted in a new kind of assessment to integrate these impacts in a more detailed way. Called "Land Use Change Improved Life Cycle Assessment" (LUCI-LCA), the approach can help researchers and companies more accurately predict impacts of new designs and sourcing approaches and is especially helpful for Unilever in the context of our zero net deforestation commitment. We continue to work on developing approaches to predict land use change and plan to publish our research in 2018.

Working with others to advance best practice in natural capital management

Since the USLP was launched, there has been a wide ranging global conversation on how natural capital approaches can be improved and strengthened. Many now recognise the need to move beyond managing impacts on natural capital, and consider more holistically the management of stocks of natural capital, flows of natural capital within systems, and dependencies of organisations on natural capital.

We are working with others to understand more about how to do this. One of the principal developments has been the establishment of the Natural Capital Coalition, of which Unilever is a member. The Coalition is made up of organisations in many sectors including science, academia, business, finance and government. These organisations have united under a common vision of a world where business conserves and enhances natural capital.

One of the key outputs of the coalition has been the Natural Capital Protocol, launched in July 2016, which aims to guide businesses in the identification, measurement and management of natural capital impacts and dependencies. The development of the Protocol was led by the World Business Council for Sustainable Development as part of its "Redefining Value" Programme.

Unilever provided technical comments on the draft Protocol and has shared outputs of the Natural Capital Project with this group to encourage wider uptake of the methodology developed.

In 2017 we gave feedback on the Natural Capital Protocol toolkit, amongst other things incorporating our research on Land Use Change Improved Life Cycle Assessment.

Taking it further - valuation

We recognise that the world is in the early days of understanding and measuring natural capital in ways that can be systematically integrated into business decision making. Current approaches focus predominantly on impacts, and more can be done to understand flows, states and dependencies.

There are important questions about whether the valuation of natural capital will assist in the integration of natural capital decision-making, or whether it is preferable to understand the value of these resources independent of a monetary value being applied.

We have implemented an internal price on carbon for internal investment decisions in anticipation of future external costs of carbon being levied; find out more about how we have applied a €40 internal carbon price to fund investments in, for example, renewable energy generation. Other natural capital impacts within our value chain are significantly more complex and the regulatory conversation less advanced.

We have conducted an internal study to assess the feasibility and benefit of applying monetary values to impacts for a case study on bioplastics.

We found that while monetisation can be useful to show the magnitude of impacts on natural capital, the availability of suitable data is not yet sufficient for decision making between options, owing to the uncertainties involved. There is a risk that summing to one monetary value may hide trade-offs between environmental impacts, that are highlighted by our Land Use Change Improved Life Cycle Assessment approach.

We remain committed to working with others through the Natural Capital Coalition and with its members to continually evolve our approach to conserving and enhancing natural capital as part of our approach to building a more sustainable business.