



## Sustainability Reporting and Process

### Unilever Stakeholder Consultation Feedback 2009

#### New York, USA

On 5 February 2009 Unilever invited stakeholders<sup>1</sup> from a selection of academia, NGOs, consumer organizations and industry analysts to a dialogue, facilitated by Business for Social Responsibility (BSR), to gain feedback and insight into:

- Unilever's current approach to sustainability reporting
- The company business processes to align sustainability goals
- Areas of interest or concern regarding sustainability in the United States.

This dialogue is part of Unilever's ongoing commitment to seek feedback and perspectives from stakeholders around the world. Specifically, the conversation in the US, which included both large and small group discussions, focused on:

- **Sustainability Reporting:** Unilever 2007 Sustainability Report (Printed Overview and online Report)
- **Sustainability Business Processes:**
  - **Brand Imprint:** A proprietary planning tool developed to fuel brand innovation by integrating social, economic and environmental considerations.
  - **Unilever Vitality Framework:** A business alignment tool to drive more personal vitality (health and hygiene), more social value and less environmental impact across brands and business operations.
  - **Sustainability Metrics:** Business key performance indicators.

The findings from this stakeholder engagement session, along with others, will be considered by Unilever and incorporated as appropriate into its sustainability actions moving forward.

### Executive Summary

Overall, stakeholders view Unilever as a leader in sustainability and recognize the company for excellent performance in progressively addressing sustainability issues through individual brands and business operations.

**Sustainability Report:** Unilever's Sustainability Report was viewed as comprehensive in its scope and well-organized. Specific areas of strength were cited in terms of important issues that Unilever addressed such as climate change, nutrition and health. Key Performance Indicators (KPIs) were seen as solid and addressing its most material impacts. Both the printed and on-line versions of the Report were considered valuable.

Recommendations to strengthen the report included:

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<sup>1</sup> Please refer to the Appendix for a list of attendees.





- **Clarify the 'Big Picture':** Articulate more clearly the company's long-term strategic approach to sustainability, including: goals, the actions being taken to achieve them, and why this is relevant to Unilever's business.
- **Add Content:** Expand the Report to include: chemical impacts on health and environment; water impact and management; transparency around Board governance; information on stakeholder engagement; and more detail on how results were achieved.
- **Contextualize Performance and Metrics:** Enhance KPIs by providing both absolute and relative metrics, translate technical detail into understandable context and provide result trends; and enhance illustrations of how overall business performance links to positive impacts on sustainability (not only discrete issues and actions).
- **Expand Communications:** Consider ways to broaden awareness of the company's sustainability initiatives beyond the existing reporting formats - modify communications based on individual stakeholder groups' interests.

**Sustainability Business Processes:** Stakeholders responded favorably to the *Brand Imprint* process and the *Unilever Vitality Framework*, considering both to be leadership innovations in managing business sustainability strategy. In addition, the concept of specific sustainability platforms to aggregate and integrate individual brand contributions was seen as a way to strengthen Unilever's sustainability agenda.

Stakeholders suggested Unilever consider the following enhancements to the *Vitality Framework*:

- Create a common set of minimum standards and metrics to be applied across all product categories and brands.
- Expand environmental metrics.
- Develop social metrics.
- Create metrics to define positive impacts (not only metrics to demonstrate reduction in negative impacts).

**Sustainability Advice:** Stakeholders offered specific advice to the company regarding areas of future consideration to shape its forward agenda and reinforce its leadership in sustainability, including:

- Leverage brand communications to engage consumers in sustainability and influence consumer sustainability behavior.
- Consider combining the annual *Sustainability Report* and *Shareholder Report* into a single company business report to demonstrate integration of sustainability into the business and to link sustainability actions with financial performance.
- Become more engaged in leading public policy on sustainability issues.
- Consider the global economic climate in the context of consumer concerns about sustainability issues and product purchase costs.





## Detailed Findings

### A. Sustainability Reporting

Stakeholders were invited to review and comment on Unilever's sustainability reporting for the year 2007: its online *Sustainable Development Report 2007* and its printed *Sustainable Development Overview 2007*, published in spring 2008.

Unilever has been publishing environmental reports since 1996 and published its first social report in 2000. In 2006, Unilever combined these into its first sustainable development report. It continues to use the Global Reporting Initiative's Reporting Guidelines to inform reporting.

Since then, Unilever has condensed its reporting into a short printed Overview focusing on its most material issues (nutrition, hygiene, sustainable sourcing, climate change, water, packaging) and published the full detail of its programs in its extensive online Report. The Overview provides a summary of the company's aims, while the Report provides tiered levels of detail for general and specialist audiences.

The group was asked to discuss the strengths and weaknesses of Unilever's 2007 reporting.

#### **Content**

Stakeholders considered Unilever a leader in sustainability and reported that it is effective at identifying and addressing important societal issues, such as climate change, nutrition, and health. Overall, the report is comprehensive in scope and well presented. They highlighted the following areas for improvement:

- **Clearer articulation of the 'big picture' context**  
While stakeholders thought the printed Overview could be more concise, they suggested Unilever articulate more clearly its long-term strategic approach to sustainability, including: goals, the actions it is taking to achieve them, and why those goals and actions are relevant to Unilever's business.
- **Reporting on achievements, challenges and dilemmas**  
Some stakeholders recommended more consistency in the reporting of social and environmental metrics, specifically in terms of more clearly articulating the goals for the year and whether or not they were achieved.

Stakeholders also requested more information about a) how Unilever defines sustainability priorities and sets goals; b) the challenges and dilemmas it encounters in doing this; and c) how the priorities and goals relate to Unilever's business performance.

- **Concise and visual presentation of data**  
Stakeholders considered some key points were lost by being embedded in the text of the Overview. They could be presented in a more impactful way, eg by providing call-out boxes and using other visual design techniques to highlight key facts or elements of performance.





- **Discuss parameters of accountability**  
Include commentary on how Unilever perceives accountability for sustainability issues and performance beyond its own operations, both in terms of its supply chain and consumers. Stakeholder opinions differed on this point: eg, in terms of greenhouse gas emissions, some believed Unilever should focus only on addressing emissions from its own manufacturing, whereas others endorsed Unilever's view that it should seek to influence those areas of least direct control but most impact, such as consumers' use of energy through product design and awareness raising of product usage.
- **Topics suggested for inclusion in future reports:**<sup>2</sup>
  - Chemical impacts on health and environment
  - Board governance, structure and role
  - Stakeholder relations and engagement processes

#### *Style*

The online Report is complemented by the printed Overview. The tone of both is direct and clear. The information presented is comprehensive and well organized and demonstrates a completeness of approach.

Stakeholders highlighted the following areas for improvement:

- **Seek more concise coverage in the printed Overview**  
The Overview should highlight the most important information only with clear navigation toward supporting online content. Conversely, some stakeholders believed the Overview should contain more detail.
- **Stronger representation of specific brand initiatives**  
Provide adequate space and format for brand sustainability initiatives. For instance, Dove's self-esteem efforts are admired, but it was felt they were under-represented in the Overview.
- **Explain how results were achieved**  
Results would have more impact if Unilever explained how they were achieved. For example, stakeholders suggested Unilever highlight what was involved in its Lipton & PG Tips tea suppliers achieving Rainforest Alliance certification. This is more insightful than simply stating that certification was achieved.
- **Demonstrate leadership through actions and results**  
Demonstrating leadership through actions taken and results achieved is more credible than simply claiming leadership of a particular topic. For example, stating "Unilever is

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<sup>2</sup> These topics are covered in Unilever's online Report:

<http://www.unilever.com/sustainability/people/consumers/safety/>

<http://www.unilever.com/sustainability/approach/values-strategy/governance/>

<http://www.unilever.com/sustainability/approach/stakeholders/>





the largest buyer of palm oil...and the first to commit to certified palm” tells a compelling story that speaks for itself.

- **Illustrate linkage across issues and performance**  
Unilever addresses discrete topics – such as nutrition, sourcing – in its reporting to aid clarity and focus. However, it could demonstrate the interconnectedness of issues in its presentation of information, for example, by discussing the role of nutrition/health in wealth creation in developing countries.

#### ***Key Performance Indicators***

Unilever has solid key performance indicators and metrics that address its most material impacts. Areas of improvement were identified as:

- **Providing both absolute and relative results in key areas** such as CO<sub>2</sub> emissions.
- **Illustrate and discuss trends in greater detail**  
Show trends over time in graph form, and explain the trends in an easy-to-understand manner.
- **Provide easy-to-understand equivalents for technical details**  
Use everyday language and comparisons to explain technical detail. For example, CO<sub>2</sub> reductions could be compared to the equivalent number of cars taken off the road.

#### ***Communication Strategy***

- **Connect with consumers on sustainability issues**  
Stakeholders believed Unilever, as a consumer-focused company, has a unique ability and opportunity to influence consumer awareness and behavior through its advertising and packaging. Unilever can connect with consumers to explain the sustainability impacts of their purchasing choices and use of products (eg, reducing waste and energy use).
- **Target communications to specific audiences**  
Though the group did not fully agree that distinct sustainability communications were necessary by target audience, it was agreed that the company needs to find the right balance in presenting information that will appeal to the varying degrees of knowledge and interest of its different stakeholders.
- **Maintain print and online reporting**  
Stakeholders agreed that audiences exist for both printed and online versions of the sustainability report.

#### **B. Brand Imprint and Vitality Framework**

Stakeholders were asked to comment on the *Brand Imprint* process as well as on the new *Unilever Vitality Framework* and supporting *Sustainability Metrics*.





### ***Brand Imprint***

The *Brand Imprint* process is a proprietary tool developed by Unilever to fuel brand innovation by integrating social, economic and environmental considerations. Brand teams conduct detailed assessments of the direct and indirect impacts of products as well as analyzing external perspectives that will influence future brand growth (out-side in analysis of trends). This process resulted in the creation of the *Unilever Vitality Framework* in order to hard-wire the integration of social, economic and environmental considerations into product category and brand business processes, such as metrics, key performance indicators, etc.

Stakeholders responded favorably to these processes and their outcomes.

In addition, Unilever shared with stakeholders its concept of overarching sustainability platforms where the company will focus moving forward. Stakeholders indicated the logic of integrating and aggregating individual brand contributions would strengthen, clarify and add to Unilever's sustainability commitment and agenda.

### ***Unilever Vitality Framework & Metrics***

The *Unilever Vitality Framework* was finalized in 2008 to help the company deliver its Vitality Mission ("to add Vitality to life") in a systematic and measurable way. It helps the company identify how brands can generate more personal vitality, more social value and less environmental impact.

The Framework is supported by a set of *Sustainability Metrics* to assess the environmental impact element of the framework. These focus on Unilever's priorities to provide a "per consumer use" measure for:

- Greenhouse gas emissions (GHG)
- Water
- Waste
- Sustainable sourcing.

The metrics are being piloted across the business and will help shape future brand development.

Stakeholders suggested the following enhancements:

- **Establish and communicate cross-brand baselines/minimum standards of performance**  
Stakeholders acknowledged that some brands have very high performance in different Vitality areas, but suggested a common set of minimum standards/metrics be applied to all brands.
- **Consider expansion of environmental metrics**
  - Include consideration of waste in the GHG metric as emissions generated from waste contribute to climate change.
  - Consider measurement of consumer-only reductions. This would enable specific assessment of the consumer end of the value chain, while maintaining the integrity of the overall value chain analysis.





- Some stakeholders considered that “per brand use” metrics provide only limited insight into total impacts.

- **Social metrics need to be developed**  
Stakeholders acknowledged that such metrics are difficult to develop. However, Unilever could focus on broad characteristics (eg, living wage) and practices (certain farming methods) that demonstrate sustainability or lead to sustainable sourcing. These would be an alternative to certified standards, as such standards exist for only a limited number of crops or practices. Certification should not be confused with outcomes – it is merely an input to achieving the desired outcomes.
- **Incorporate chemical use/impacts**  
Certain stakeholders viewed chemical impacts as important and suggested they be incorporated into the metrics.
- **Incorporate measurement of positive impacts**  
The current environmental metrics are focused on ‘reducing negatives’ (eg reduce water, waste and CO<sub>2</sub>) versus ‘promoting positives’ (eg, protecting watersheds, reforestation or carbon sequestration).
- **Clarify the audience for Vitality Metrics**  
Greater clarity is needed on how the metrics are to be used - internally for management purposes or externally in explicit brand communication? If they are to be used externally, the metrics will need to be simplified to make them easier to understand.

### C. Additional Feedback

- **Include commentary on strategy to address depletion of natural resources**  
Unilever could consider how conflicts related to issues such as food security, water scarcity and poverty will affect future marketing strategies.
- **Engage at national/regional/global policy level**  
Stakeholders considered Unilever had gained a lot of knowledge and experience through addressing sustainability issues. The company was therefore in a good position to advocate for progressive policy at appropriate levels. They considered that by doing so, the company could usefully extend the impacts of its own direct actions.
- **Set relevant targets**  
Unilever’s global targets should be aligned with the context and scope of the issue and the size and potential influence of Unilever business. For example, feeding 80,000 children through the World Food Programme partnership, ‘*Together for Child Vitality*’, compared to the potential impact Unilever’s products and marketing programs can potentially make in countering malnutrition and raising awareness of hunger.
- **Ensure sustainability initiatives are aligned across the organization**





Sustainability initiatives should be aligned with initiatives in other areas of the business to prevent any potential conflict. For example, if the business is addressing initiatives to reduce its CO<sub>2</sub> footprint, it should ensure that its public/government affairs activities are aligned.

- **Incorporate sustainability objectives into individual performance management**  
Some stakeholders recommended that employees should be evaluated on their individual contribution to helping the company in achieving its goals.<sup>3</sup>

#### D. Concluding Discussion

In an effort to help identify future trends for consideration, stakeholders were asked “What are the key sustainability issues and trends in the next 18-24 months?” Their feedback is highlighted below.

- Greater interest on the part of the investment community to link sustainability practices to financial performance.
- Engaging consumers in sustainability topics and building consumer voice into brand equity - so that consumer views will become a more important and influential factor in the success of brands.
- The need for greater substantiation behind claims.
- Companies’ role in utilizing their business to shape future public policy.
- Balancing consumers’ growing interest in the impact of their purchases with the threshold for what they are willing to pay for a product in times of economic downturn.
- Growth in multi-stakeholder initiatives and the need for active participation by companies.



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<sup>3</sup> Individual performance targets may include specific sustainability-related targets, depending on the role.



## Appendix

### Attendees

- **Oxfam**  
Deputy Director, Private Sector Department - Liam Brody
- **World Food Programme**  
Advisor, Corporate Development for Friends of the World Food Programme - Karen D'Attore
- **Conservation International**  
Manager, Business Practices, Agriculture, Forestry & Fisheries -  
The Center for Environmental Leadership in Business - Chris Dragisic
- **Transparency International/USA**  
Director of Private Sector Initiatives - Michael Fine
- **Environmental Defense**  
Project Manager, Corporate Partnerships - Michelle Mauthe Harvey
- **The Climate Group**  
Corporate Engagement Manager - Peter Holzaepfel
- **Innovest Strategic Value Advisors**  
Food Analyst - Allison Hornstein
- **Pew Center on Global Climate Change**  
Senior Fellow and Manager of BELC Relations - Timothy Juliani
- **American Dietetic Association**  
Former President - Susan Laramee
- **Boston College Center for Corporate Citizenship**  
Senior Fellow - Phil Mirvis
- **The Nature Conservancy**  
Corporate Partnerships - Rich Rosengren
- **National Recycling Coalition**  
Acting Executive Director - Ed Skernolis
- **Rainforest Alliance**  
Deputy Director and Director of Development - Anna Paula Tavares
- **Food Research and Action Council (FRAC)**  
President - James D. Weill

### Unilever

- Rose Fenn, Corporate Responsibility Manager
- Santiago Gowland, Vice President, Unilever Brand Development & Corporate Responsibility Strategy
- David Lustig, Vice President, External Affairs
- Eric Ostern, Senior Manager, Americas Corporate Responsibility & Community Relations
- Andrew Shakalis, Associate General Counsel, Environmental & Safety

### BSR

- Stacey Smith, Managing Director & Advisory Services; Meeting Facilitator
- Adrienne Cademenos, Associate, Advisory Services

