

Case study

How Unilever builds and delivers its social performance strategy

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BCTI The Business Commission to Tackle Inequality

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SUMMARY

The Business Commission to Tackle Inequality (BCTI) aims to mobilize the private sector to tackle inequality and generate shared prosperity for all. To realize this, it has published a report in 2023 with a holistic agenda for business, including 10 actions that individual companies can take and that stakeholders expect them to take as part of their efforts to address mounting inequality. Chapter 3 of the report provides guidance for individual companies on how to get started on social performance strategies. The framework for social performance has now been applied to a case study to show practical application and give additional guidance and inspiration to the broader private sector. It can be seen as a practical step-by-step approach for every C-suite member on how to make the “S” in ESG more tangible and actionable.

“The need for social performance is finally catching up with the more tangible actionable agenda on climate. By developing ambitious and material strategies, business can generate new opportunities and mitigate social risks. And with this, create value for humanity to flourish.”

Wendy van Tol,
Partner, Sustainability
Transformation Services, PwC

This case study highlights Unilever’s journey to define and implement a social impact strategy for its own business and wider value chain. It aims to demonstrate how a company has taken the social performance agenda forward from strategy through to execution. This example is presented in the context of the ‘Sustainable Business Transformation Framework’ outlined in Chapter 3 of the Business Commission to Tackle Inequality (BCTI) Report. The framework helps business leaders identify, assess, and address risks and opportunities related to inequality across different scopes of impact and levels of influence. It consists of the following five steps:

Step 1: Baselining and Maturity Assessment

As a starting point, Unilever assessed the existing policies, projects and partnerships it had in place to address inequality issues. This helped Unilever to reflect its business strategies and priorities.

Step 2: Prioritizing Action Areas and Setting Targets

Here, Unilever prioritized action areas based on material interest to the business and where it could have the most optimal impact on people. The company follows a model of action that begins with its own operations and workforce, extends to its value chain, leverages its brands and finally its role in wider society.

Step 3: Strategic Integration and Implementation

Unilever integrated its social impact strategy by embedding the relevant capabilities throughout the business. A simple framework was employed to highlight the business case for sustainability: it can drive growth, reduce costs, mitigate risk, and grow trust.

Step 4: Social performance review

Unilever establishes a clear definition of each target which sets out how the data is collected and the performance measure is calculated, ensuring a consistent approach to reporting. Unilever also uses impact studies to evaluate whether social impact programmes are creating optimal value for workers, business, and the wider economy.

Step 5: Communications on progress

Unilever communicates on progress through various channels. Its Annual Report & Accounts serves as its main sustainability report, containing performance data and case studies. Additional disclosures and sustainability stories are shared on the business’ global website. Unilever participates in corporate sustainability benchmarks and engages with external events and platforms to drive cross-sector collaboration.

How Unilever builds and delivers its social performance strategy

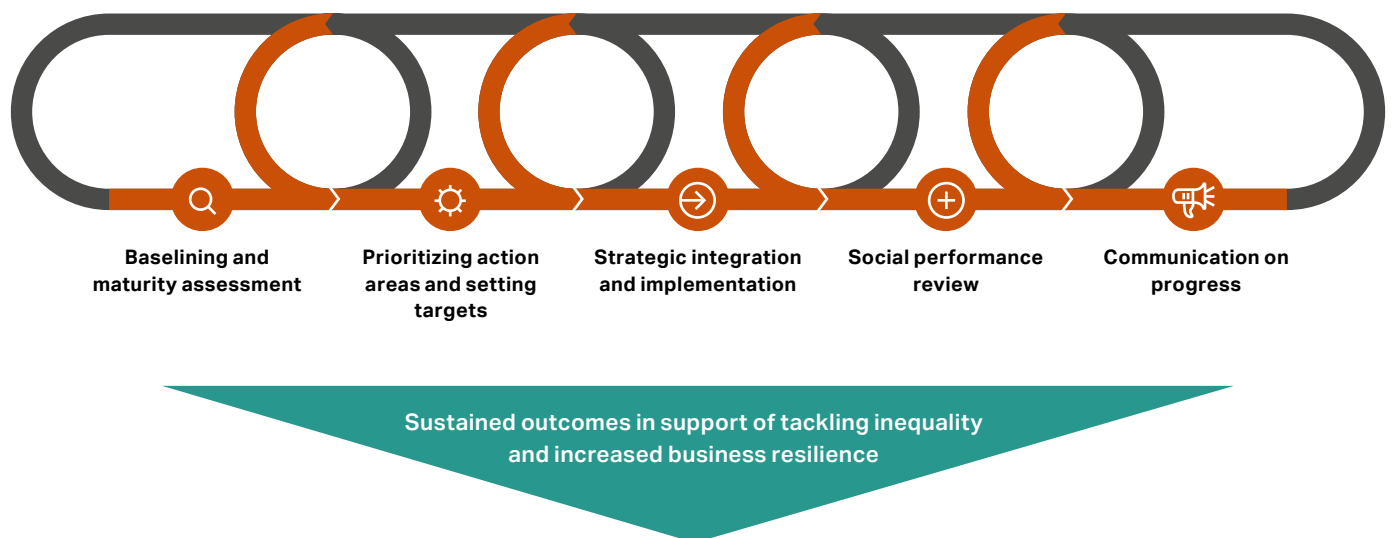
This case study describes Unilever's path towards defining and implementing its social impact strategy for its core business and across the value chain.

Unilever's journey is presented here with reference to the 'Sustainable Business Transformation Framework' detailed in Chapter 3 of the Business Commission to Tackle Inequality (BCTI) Report. The Framework was created to help business leaders identify, assess and deal with the risks and opportunities related to business practices relevant to inequality, ranging across the company's different scopes of impact and its levels of influence.

Unilever's approach is brought to life throughout the case study through its ambitious work on living wage.

"Every company has its own unique business model, activities, value chain relationships and operating environments, and therefore its own unique capacity to make practical contributions to tackling inequality. Companies must work to identify, assess and strategically integrate steps to address inequality-related risks and opportunities, while also leveraging key enablers for business action."

Figure 1: A sustainable business transformation framework for tackling inequality



Source: WBCSD & PwC

(NB: The list of activities above is non-exhaustive and provides a general view on the activities that a business may go through during their transformation journey.)

Step 1: Baselining and maturity assessment - What was Unilever's starting point?

Unilever key insights

- Identify where you already have a foothold and start there

Unilever is one of the world's largest consumer goods companies, operating in over 190 countries and with 3.4 billion people using its products every day. Established over 100 years ago, Unilever has a long and proud history of driving social change starting with the vision of the original Lever Brothers' founder William Lever, who set out to 'make cleanliness commonplace' through the company's products and improve conditions for workers.

The sustainability journey of the modern-day business began in 2010 with the launch of the groundbreaking Unilever Sustainable Living Plan (USLP). The USLP set out an updated ambition for the 21st century to 'make sustainable living commonplace', in the context of a significant transformation of the company triggered by growing environmental pressures.

While the USLP was initially mainly focused on environment and health, the business also realised the responsibility it had towards people in its wider value chain and the business benefits of operating in thriving communities. As such, the USLP went on to include a commitment on enhancing livelihoods, both upstream for smallholder farmers and downstream for small-scale retailers. This was further built out in 2015 with an increased focus on opportunities for women, as well as fairness in the workplace in terms of human and labour rights.

BCTI key questions to consider:

- Which action areas are relevant to the business and what activity is already taking place?
- What existing policies, processes, systems, activities, skills and/or controls are in place to address inequality issues and what impact are they having?
- Who is the company collaborating with to drive impact?



Step 2: Prioritising action areas and setting targets: how does Unilever prioritise its subsequent actions?

Unilever key insights

- Focus efforts on those areas of material importance for your business, and where optimal impact on people can be achieved
- Start with own operations, where a business has most control and can establish credibility
- Engage with and listen to internal and external stakeholders

As the USLP's 2020 end date drew nearer, the business began the process of drawing up its next sustainability strategy building on its achievements and lessons, which would become the Compass. One early step in this process was to conduct a thorough listening exercise to understand what action areas various internal and external stakeholders considered important for the business to now prioritise. Findings included: integrating Unilever's sustainability plan directly into business strategy; taking on a regenerative, net positive environmental vision; and creating shared value across the value chain in a more distinct way.

Key to the development of the Compass was identifying those areas of material interest to the business where it could make the most difference. A sustainability issue is considered material to Unilever if it meets two conditions. Firstly, if it is considered a principal risk or an element of a principal risk, which could impact business or performance. And secondly, if it is deemed to be important to key stakeholders, including consumers, customers (including retailers), suppliers and business partners, planet and society (including citizens, NGOs, governments), and employees.

The context of an external landscape dominated by social movements including Black Lives Matter and #MeToo further influenced the company's strategy. The USLP's focus in terms of Equity, Diversity and Inclusion had been on gender and this was now expanded to focus on a diversity of communities.

Overall, Unilever follows a clear model of action as a means of structuring its sustainability programmes, starting first with own operations and workforce where it has the most control to implement change. From there, looking at the extended value chain to work with customers and suppliers to create positive impact for the millions of people depending on Unilever for their livelihoods. Then through to the power of its brands, products and marketing. Globally, Unilever serves 3.4 billion people a day and is one of the world's largest advertisers, and as such works to harness how its brands communicate and activate for good. Finally, leveraging the company's huge footprint to help build a more equitable and inclusive society through partnerships and advocacy with stakeholders.

In 2021, Unilever launched the Compass strategy, fully integrating sustainability throughout the business and its extended value chain. For instance, a living wage had already been achieved for everyone directly employed by Unilever by 2020, which laid the foundation to now expand this ambition to help those in Unilever's value chain earn a decent livelihood, including a living wage.

The strategy continues to evolve and work is currently ongoing to create some refined, shorter-term targets starting in 2024 to accelerate impact in the priority sustainability areas of climate, plastic, nature and livelihoods.

Unilever's Compass Strategy priority action areas and commitments



BCTI key questions to consider:

- What are the most impactful opportunities for the company to take action to tackle inequality?
- What does the impact pathway (the route from input to impact) look like for each action area?
- What is the probability of this action delivering a positive impact based on available facts and an impact-based decision framework?



Step 3: Strategic integration and implementation: how has Unilever chosen to integrate and implement its social performance within the company?

Unilever key insights

- Important to embed sustainability capability within the business
- Value of breaking down ambitions into step-by-step approach

The Compass' long-term ambition require a clear roadmap, with sustainability capabilities in relevant business groups, markets and functions. Unilever's corporate sustainability team sets strategy and supports the agenda centrally, business partnering the business leads who lead day-to-day implementation of the sustainability agenda.

To carry this out, it has proved important to distil the ways in which sustainability drives business value. A simple framework is employed here: sustainability can drive growth (e.g. purposeful brands are preferred by consumers), lower costs (e.g. cutting energy bills), mitigate risks (reputational, resource, regulatory) and grow trust (with consumers, investors, employees).

In terms of implementation, some goals require complex collaboration, both cross-business and with external stakeholders throughout the business ecosystem. For example on living wage:

- HR/reward ensure continued living-wage compliance with own employees
- Procurement leads day-to-day implementation and direct engagement with Unilever's suppliers.

- The global sustainability team drives an advocacy agenda to accelerate other companies' living wage commitments and create a 'level playing field'
- Corporate affairs work with governments to drive enabling public policy
- Business integrity support on auditing of living wage compliance
- Business groups help bring the ambition to life through the brands, for instance with Ben & Jerry's Living Income Accelerator

BCTI key questions to consider:

- What are the ambitions of the business when it comes to efforts to tackle inequality?
- Who are the key groups of affected stakeholders?
- Who are the different actors in the business ecosystem that need to work together to help address inequality?
- How will the business collaborate with them?



Step 4: Social performance review: how does Unilever measure its desired outcomes?

Unilever key insights

- Establish a clear definition and method of measurement for each target
- Focus beyond output to impact and build in moments from the outset to evaluate impact

Unlike environmental targets, which typically have established metrics (e.g. cubic metres of water consumed, or tonnes of waste to landfill), social indicators are less standardised and often less quantifiable. In addition, data legislation is constantly evolving to become more stringent, presenting further challenges with the collection and reporting of impact metrics.

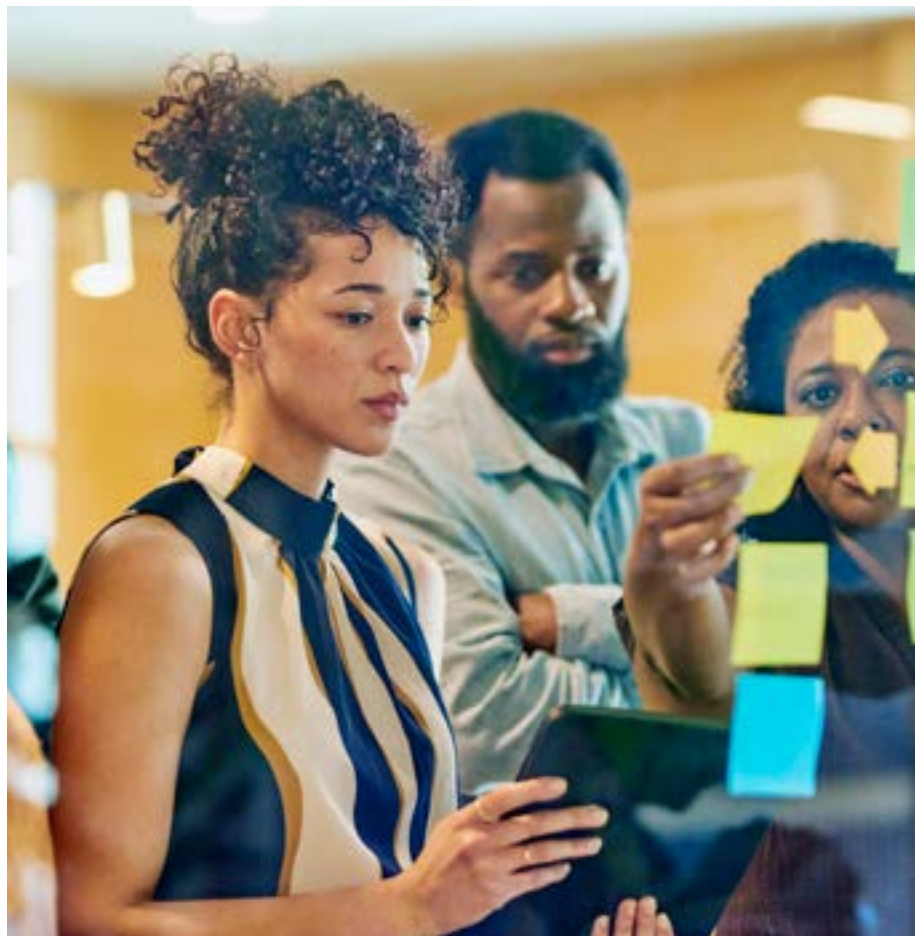
Unilever has found that it can apply some rigour to the measurement of outcomes however by establishing a clear definition of each target which sets out how the data is collected and the performance measure is calculated, and any assumptions made, to ensure a consistent approach to reporting the target year-on-year.

Impact studies meanwhile are used to demonstrate how social impact programmes are creating value for workers, business and wider economy, beyond simply counting the numbers reached. These studies, run with independent expert organisations such as [60 Decibels](#) or [Oxfam](#), provide actionable insights on the programmes themselves, to understand ultimately how to improve and strengthen these interventions.

Unilever is still working to find answers for some of its measurement dilemmas. External benchmarks and globally aligned social disclosure metrics will help to improve measurement and reporting. The business is also considering the use of Artificial Intelligence to assess the impact of its programmes. As the data on its social programmes improves, so will Unilever's ability to enhance the areas where its impact is high and to modify those areas where they are less so.

BCTI key questions to consider:

- What are the measurable desired outcomes and corresponding business actions?
- What milestones and indicators can be used to measure progress on tackling inequality?
- How often will the company review performance and how will relevant data be collected?



Step 5: Communications on progress: how does Unilever communicate on progress?

Unilever key insights

- Ensure communication on progress is accessible to a variety of audiences
- Focus advocacy efforts on those areas where cross-sector collaboration and wider systems change is required

Unilever's Annual Report & Accounts is its principal external sustainability report and includes performance data for its most material issues, as well as case studies to further illustrate impact. Additional disclosures and sustainability stories are provided on its global website. The company also voluntarily participates in a number of corporate sustainability benchmarks, from specialist ratings agencies, NGOs, investment analysts, and academics, such as Dow Jones Sustainability World Index and Share Action's Workforce Disclosure Initiative.

Strong governance is vital for Unilever to deliver on its ambitions, and it has built robust governance mechanisms at all levels to ensure it holds itself accountable. The Unilever Leadership Executive reviews progress towards sustainability targets on a quarterly basis while the Board's Audit Committee oversees the independent assurance programme for selected sustainability metrics as part of its remit to review risk management. The Board's Corporate Responsibility Committee (CRC) also tracks progress on sustainability, regularly deep diving into key topics.

External events and platforms are another way in which Unilever communicates and drives cross-sector collaboration. In many cases, tackling inequality requires working closely with other stakeholders: governments, NGOs, peer companies, suppliers etc. These efforts are focused where a commitment's achievement is dependent on the external enabling environment.

To again take the living wage example, the business is coordinating a robust advocacy program to lobby for widespread adoption of living wage commitments amongst all stakeholders. Unilever leverages global moments and platforms such as the UN Global Compact, the World Economic Forum, and the World Business Council for Sustainable Development to bring others onboard to the agenda, understand and address barriers, and increase momentum. Meanwhile at a local level in key markets, it is working to bring the topic up business and political agendas.

BCTI key questions to consider:

- Will progress be communicated internally, externally or both?
- How will the company ensure that it doesn't create a "say-do" gap?
- What stories can the company leverage to encourage peers and the broader business community to step up their efforts to tackle inequality?



This case study is co-created by Unilever and PwC as members of BCTI to provide an example to support businesses in taking action on the social agenda.

Acknowledgments

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About WBCSD

The World Business Council for Sustainable Development (WBCSD) is a global community of over 225 of the world's leading businesses driving systems transformation for a better world in which 9+ billion people can live well, within planetary boundaries, by mid-century. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature and tackle inequality.

We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships, and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

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About BCTI

The Business Commission to Tackle Inequality (BCTI) is a cross-sector, multi-stakeholder coalition of organizations and their leaders with the mission of mobilizing the private sector to tackle inequality and generate shared prosperity for all. The BCTI is coordinated and powered by the World Business Council for Sustainable Development (WBCSD).

Visit us at www.tacklinginequality.org.

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