



# RESPONDING TO THE CHALLENGE OF PLASTICS

**Worked Example: Unilever**



THE PRINCE OF WALES'S  
CHARITABLE FUND



Unilever



# INTRODUCTION

Every day, 2.5 billion people use Unilever products. With more than 400 brands bought in 190 countries, we have a unique opportunity to work with consumers to make sustainable living commonplace.

Plastic is a material that has a vital place in the economy and in our business. It is crucial for the safe and efficient distribution of our products, and it has a lower carbon footprint than many alternative materials. But it has no place in our oceans, rivers, streets or countryside.

This worked example outlines how we are responding to the challenge of plastic within our value chain and the role that our finance team plays in that response.

## THE ISSUE OF PLASTIC

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Every minute the equivalent of one rubbish truck of plastic leaks into streams and rivers, ultimately ending up in the ocean. An estimated 100 million marine animals die each year due to discarded plastic. And the problem is set to get worse. It is estimated that by 2050 there could be more plastic than fish in the world's oceans.<sup>1</sup>

We need to act urgently on multiple fronts. One area of direct concern for Unilever is that just 14% of the plastic packaging used globally makes its way to recycling plants, and only 9% is recycled. Meanwhile, a third is left in fragile ecosystems, and 40% ends up in landfills.<sup>2</sup>

Cheap, flexible and multipurpose plastic has become the ubiquitous material of today's fast-moving economy. Modern society – and our business – relies on it.

The linear 'take-make-dispose' model of consumption means that products get manufactured, bought, used once or twice and then thrown away. The packaging those products come in rarely gets a second use. As a consumer goods company, we are acutely aware of the causes and consequences of this linear model, and we want to bring about change.

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1 The New Plastics Economy: Rethinking the Future of Plastics, Ellen MacArthur Foundation: [https://www.newplasticseconomy.org/assets/doc/EllenMacArthurFoundation\\_TheNewPlasticsEconomy\\_Pages.pdf](https://www.newplasticseconomy.org/assets/doc/EllenMacArthurFoundation_TheNewPlasticsEconomy_Pages.pdf)

2 Science Daily: <https://www.sciencedaily.com/releases/2017/07/170719140939.htm>.

# OUR VISION AND COMMITMENTS

Our vision is to be the global leader in sustainable business. We want to be a business that delivers value to all stakeholders – socially, environmentally and economically. That means being purpose-led and future-fit and having the ability to drive superior performance.

To get there, we follow our new Compass – a single sustainable business strategy based on three core beliefs.



We will do more of what has worked well and correct what has not. And we will set ourselves even more ambitious and progressive targets.

We are on a journey to make sustainable living commonplace for 8 billion people and prove that growth does not have to come at the expense of people and planet.<sup>3</sup>

Since 2010, we have reduced our total waste footprint per customer use by 31%. However, we need – and want – to go further.

In January 2017, we committed to ensuring that:

**100% of our plastic packaging will be designed to be fully reusable, recyclable or compostable by 2025.**

To help create an end market for this material, we also committed to increase the recycled plastic content in our own packaging to at least 25% by 2025.

In October 2019, we announced two new goals to complement our earlier packaging commitments. By 2025, we aim to:

- Halve the amount of virgin plastic we use in our packaging.
- Help collect and process more plastic packaging than we sell.

To meet these goals, we are moving away from plastic packaging that is made to be used only once. We have adopted a new framework that is shaping our thinking and innovation: less plastic, better plastic and no plastic.

We are among a growing number of brands, retailers and packaging companies to make plastic packaging commitments, but more needs to be done to make reusable, recyclable and compostable plastic the norm. The work begins by making it technically possible for all our plastic packaging to be reused or recycled. We must also show that it is commercially viable for plastic re-processors to recycle the different types of plastic packaging.

<sup>3</sup> Unilever's journey to become the world's most sustainable business: <https://www.unilever.com/sustainable-living/ten-years-on/>.

# WHAT IS THE ROLE OF FINANCE?

Finance plays a role in two key areas of our plastic agenda:

## REPORTING

- **Developing metrics for plastics**
- **Supporting disclosures around the risk of plastic to the business**

## EMBEDDING PLASTIC INTO DECISION MAKING

- **Building the business case**
- **Engaging executives**
- **Engaging finance leadership**



# DEVELOPING METRICS FOR PLASTICS

## WHAT?

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Finance created a metrics working group responsible for reporting sustainability metrics, including metrics on plastic. This group is made up of senior leaders from the finance team, the sustainability reporting team and the data and analytics team. Other functional teams, such as the supply chain team, participate when needed.

Finance was instrumental in creating this governance structure for the metrics. It defines the roles and responsibilities of the staff involved in metric reporting.

All of our sustainability pillars, targets and metrics are documented in the [Unilever Sustainable Living Plan](#), and the metrics working group operates in line with this plan.

## WHY?

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Finance's involvement helps to ensure the clarity, appropriateness and rigour of our sustainability metrics. In turn this helps us to:

- Report our performance to internal and external audiences in a fair, balanced and understandable way.
- Track our progress against targets accurately.
- Ensure year on year consistency, comparability and robustness of metrics.
- Meet external assurance requirements from the Audit Committee, which enhances the integrity of our external reporting.
- Improve our internal processes and improve efficiency.



# DEVELOPING METRICS FOR PLASTICS

## HOW?

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The Financial Group Controller chairs the metrics working group, and the Sustainability Reporting Director maintains a list of the metrics and records any updates.

Every metric must have a metric owner who is an expert in the subject. Finance trains the metric owners to help them to understand their responsibilities.

Metric owners are responsible for:

- Understanding the underlying activity and the outcome that is desired.
- Proposing the metric that will be used as the KPI.
- Defining the chosen metric and how it will be calculated, including preparing the **basis of preparation** document.
- Identifying the supporting evidence that must be gathered and retained for the purpose of validation and assurance.

The metrics working group is responsible for:

- Communicating the governance structure for sustainability metrics.
- Maintaining a register of all sustainability pillars, targets and metrics.
- Approving new and amended sustainability targets and metrics.
- Defining metric principles to ensure consistency across all of our sustainability pillars, including principles for extrapolating data and for engaging with third parties.
- Reinforcing data privacy and security procedures.
- Setting internal validation requirements.
- Overseeing the external assurance process.

### **Validate the numbers**

Validation is a reasonableness check. During the check we ask the question, “Would the average person reading the metric correctly interpret the words, and is there evidence which supports the number or information being presented?”

The following steps are followed, and questions asked, to validate the reported numbers:

**Step 1:** Does the definition of the metric make sense and is it clear? The validator confirms the meaning of anything that is ambiguous or unclear with the metric owner.

**Step 2:** Does the basis of preparation document align with the definition of the metric?

**Step 3:** Does the basis of preparation document make sense and is it clear? Is the nature of the data being collected clear? Are the calculations needed to arrive at the metric clear and appropriate?



# DEVELOPING METRICS FOR PLASTICS

**Step 4:** Has the data collection process and calculation been performed in line with the basis of preparation document? The data and analytics team can provide evidence that this is the case and answer any questions.

**Step 5:** Has the information presented been assessed for reasonableness?

**Step 6:** Is there sufficient evidence to give users confidence that the reported information accurately reflects the definition, calculations and assumptions underlying the metrics?

## Oversee the assurance process

In overseeing the assurance process, finance:

- Proposes the assurance plan which documents the metrics to be assured each year and is approved by the Audit Committee.
- Sets the timetable, ensuring assurance is completed in time for the Board to approve the Annual Report and Accounts.
- Acts as the primary contact with our assurance provider, managing the progress and addressing any issues, such as delays, issues with underlying data, calculations or assumptions.

To carry out these responsibilities, finance staff must be able to:

- Connect and collaborate with metric owners who do not necessarily have a financial background.
- Gain good knowledge and understanding of the subject matter and the metric quickly, at the right level of detail.
- Document and explain complex and technical issues in ways that the intended audience can understand.
- Challenge and question definitions and calculations of the metrics, especially assumptions, estimates and technically complex areas that need to be made clear.
- Train metric owners to engage business leaders and subject matter experts in an area that is not within their core skillset.

# SUPPORTING DISCLOSURES AROUND THE RISK OF PLASTIC TO THE BUSINESS

## WHAT?

As part of our work to identify risks to the business, we assess the financial risk that plastic poses. The assessment feeds into our Annual Report disclosures.

## WHY?

The financial risk posed by plastic is significant, so it is important that we have a robust process to assess that risk and manage the financial implications appropriately. The results of the assessment are shared across the business to support decision making. We are also required to report principal risks in our Annual Report.

## HOW?

Our assessment is based on financial modelling, which considers the level of financial risk relating to plastic. Finance plays a role in collecting data and other information that is used in the models. The models allow us to make estimates, such as the incremental cost of plastic alternatives, or the impact on turnover if action is not taken to address key issues. We use this information to make better commercial decisions.

Nature of risk	Management of risk
<p><b>Plastic packaging</b></p> <p>We use a significant amount of plastic to package our products. A reduction in the amount of virgin plastic we use, the use of recycled plastic and an increase in the recyclability of our packaging are critical to our future success.</p> <p>Both consumer and customer responses to the environmental impact of plastic waste and emerging regulation by governments to tax or ban the use of certain plastics requires us to find solutions to reduce the amount of plastic we use; increase recycling post-consumer use; and to source recycled plastic for use in our packaging. We are also dependent on the work of our industry partners to create and improve recycling infrastructures throughout the world.</p> <p>Not only is there a risk around finding appropriate replacement materials, due to high demand the cost of recycled plastic or other alternative packaging materials could significantly increase in the foreseeable future and this could impact our business performance. We could also be exposed to higher costs as a result of taxes or fines if we are unable to comply with plastic regulations which would again impact our profitability and reputation.</p> <p><b>Risk change since last year:</b> Increase</p>	<p>We are committed to reducing the amount of post-consumer plastic packaging waste going to landfill. We have committed to ensuring 100% of our plastic packaging is reusable, recyclable or compostable by 2025.</p> <p>We aim to halve our use of virgin plastic by both reducing usage and accelerating use of recycled plastic. This requires us to redesign products by considering modular packaging, design for disassembly and reassembly, wider use of refills, recycling and using post-consumer recycled materials in innovative ways. We are working on innovative solutions through new business models.</p> <p>We aim to collect and process more plastic packaging than we sell, enabled through driving systematic change in circular thinking at an industry level working with partners such as the Ellen MacArthur Foundation. We are also working with governments, industry partners, suppliers and consumers to raise awareness and find solutions to improve the recycling infrastructure for plastics. We are helping consumers to understand disposal methods and supporting collection schemes and facilities.</p>

Extract taken from page 36 Unilever Annual Report and Accounts 2019



# BUILDING THE BUSINESS CASE

## WHAT?

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Across our portfolio of products, we want to understand whether we can reduce or remove plastic, or if we can use lower-impact plastic, such as postconsumer resin (PCR). To support this, the finance team is changing our business case and capital proposal processes for developing products. Specifically, finance is responsible for tasks such as sensitivity analysis for including PCR in our products and costing redesigns of products. Overall, the decision-making process is enhanced.

## WHY?

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There are several reasons the finance team wants to develop these business cases. These are to:

- Align with our strategy and purpose.
- Future-proof the business against significant environmental risk associated with plastic.
- Identify opportunities for the business to grow and to generate value through using plastic responsibly.
- Identify cost-saving opportunities related to plastic.
- Ensure we make decisions that address environmental issues and build consumer trust.

## HOW?

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Finance worked with IT, data and analytics and divisional business teams to create a methodology and a tool – the “Eco-design tool” – that divisions can use to analyse the waste footprint of new products, new product designs or product formulations. The tool uses underlying data, such as packaging specifications, to calculate either a “same”, “better” or “worse” waste impact of the new product or product design. This enables the business to make decisions based on the environmental impact.

Finance also worked with external consultants to develop “sustainability business cases” with our product category teams. This showed the category teams the difference between a business case which does not incorporate sustainability and one which does, eg longer timeframes or different objectives. The consultants also helped to build a framework for finance to use, called the value wheel. The wheel ensures that revenue growth, cost reduction, enhanced trust and reduced risk are all identified as desired outcomes in the business case. Category teams have also been trained to use this approach.

# ENGAGING EXECUTIVES

In early 2018, R&D and our internal sustainable packaging experts had a session with the Unilever executive team on sustainable packaging, with a focus on plastic. They looked at Unilever's progress against existing sustainability packaging targets. This session highlighted that plastic is fast becoming a key issue.

To analyse specific areas and brands where Unilever was making progress, the R&D team drilled down into the data used to calculate the waste pillar metric. This analysis was made possible by having a reliable data set which had been internally validated by the finance team and externally assured over a number of years.

While we had made good progress on tackling waste and had a good agenda in place, the executive team agreed that we needed to step up our work in this area. We updated our strategy for plastic to “less plastic, better plastic, no plastic”, with a clear focus on tackling the plastic issue. The finance leaders across the divisions were tasked to help advance the agenda on plastic.





# ENGAGING FINANCE LEADERSHIP

The finance leadership in our beauty and personal care division took responsibility for moving forward our work on plastic. It created a finance community to examine how finance can help to tackle the plastic problem.

The first step was to ensure that this finance community had proper training; members of the community needed to understand our sustainability targets and issues relating to plastic. The finance sustainability team had been training the wider finance teams on sustainability for the previous five years. This meant that they could bring the community up to speed quickly, making them aware of all existing tools and materials. Sustainable packaging experts were also brought in to explain the plastic issue in detail, including the scale of issue and the risks to our business.

The second step was to create workstreams within the finance community. We grouped the community into teams to investigate the areas where finance could have a role to play.

The areas identified were:

- Funding and business cases for big projects (such as [CreaSolv®](#), a pilot plant for an innovative recycling process), and identifying potential funding options while reviewing the viability of business cases.
- Funding and business cases for PCR pilots and partnerships with strategic suppliers.
- Innovation business cases:
  - Creating a comprehensive training module to cascade to the wider finance teams, ensuring they are aware of all tools and resources available to them.
  - Collecting case studies and research, such as consumer research studies looking at consumer intent.
  - Creating a framework to guide work on business cases that involve sustainability decisions.
  - Using business models in progress as pilots for building PCR into sensitivity analysis and modelling.
  - Evaluating the feasibility of putting in place a central fund that will be dynamically allocated to deserving projects.

# ENGAGING FINANCE LEADERSHIP

Innovation business cases needed a specific focus because of the increasing external and internal pressures to drive forward the “less plastic, better plastic, no plastic” framework. The finance community responded by:

- Making sure the framework and priorities were clear to all finance divisional teams.
- Identifying and unblocking barriers and supporting decision making to help us progress at speed.
- Ensuring the relevant governance bodies, such as steering teams, were regularly updated.
- Using our partnerships with external partners and suppliers to bring outside knowledge and expertise into the business.
- Using existing business case models to perform sensitivity analyses for including PCR at various levels, eg 50%, 75% and 100%. This would reflect the impact on gross margin, for which the finance team used their existing skills to look at relief options or pricing and mix options. A “business case simulator” was created and made available to all finance teams.

This work has significantly contributed to the speed and quality of decision making about plastic in our business. It has also helped to make sure that steps are being taken across the business to align on this agenda and look at solutions for “less plastic, better plastic, no plastic”.

The work by finance is ongoing and is evaluated continuously as progress is made and as the industry evolves.

Worked Example: Unilever

Examples of business cases where finance has evaluated options to reduce or remove plastic or use better plastic:



**Dove:** We worked out how and when to enter the market with reusable, refillable stainless-steel deodorant sticks called **minim™**, to manage risk and investment.

We supported the move to 100% recycled plastic in all bottles in Europe and North America by the end of 2019.



**Simple:** We found supply chain savings to offset the higher cost of PCR.



**Hellmann's and Signal:** We supported the switch to 100% PCR.



**Omo, Drive and Rinso:** We supported the switch to 100% recyclable polyethylene.

## PROGRESS MADE

One year on since we became the first major consumer goods company to commit to an absolute plastic reduction across our portfolio, we have:

- Stepped up our use of PCR to around 75,000 tonnes\*, which is over 10% of Unilever's plastic footprint. This is a significant increase from 2019 and we expect the use of PCR to double in the next 12 months.
- Launched new innovations to reduce our absolute use of plastic, such as recyclable paper-based ice cream tubs which will save about 4,500 tonnes of plastic.
- Continued to 'test, learn and refine' new business models linked to reusable and refillable packaging, and now has dedicated teams to scale work in this space. We have also shared our [learnings on refill and reuse models](#).
- Developed country-specific roadmaps to achieve our goal to help collect and process more plastic packaging than we sell.



\*For the period 1 July 2019 to 30 June 2020.



# TOP TIPS FOR FINANCE TEAMS

## USE YOUR EXISTING SKILL SET

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None of the activities that finance were involved in were new to us, whether this was reporting, managing risks or developing and validating metrics. We used our existing skill set and applied it to a challenge that the business was facing.

## USE EXTERNAL EXPERTISE

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We made use of the external support available. For our work on plastic, we worked with the Ellen MacArthur Foundation (EMF), which provided subject matter expertise. We relied on the many resources that EMF and others have developed and made available to respond to the challenge of plastic.

## WORK WITH EXTERNAL ASSURANCE PROVIDERS

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Assurance providers are specialized in testing whether underlying data and controls are robust. When working with complex supply chains and new subject matter, we find it valuable to bring in independent assurance providers to interrogate our assumptions and justifications. This helps us to make our processes as strong as possible.

## CAPITALIZE ON ENTHUSIASM

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In every organization there will be those who are more interested in specific topics. Find the people who are enthusiastic about reducing the negative impacts of plastic and get them involved. These people may be in the finance team or elsewhere.

## GET IN TOUCH OR FIND OUT MORE



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[The Prince's Accounting for Sustainability Project \(A4S\)](#)



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