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GUIDELINES

People & Nature **Policy**



Unilever



GUIDELINES EDITION & ACCOUNTABILITY

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Guidelines to support the People & Nature Policy

IMPLEMENTATION OF THE PEOPLE & NATURE POLICY

In the Policy, references to the implementation of requirements and expectations for

- » *Third-party manufacturers*
- » *Direct Suppliers corporate group operations and third -party supply chain*

should be read in the context that the implementation of this Policy's requirements and expectations will be carried out and verified in stages. Unilever will regularly track and update its progress and share updates through written communications or targets issued by Unilever.

For Unilever's own manufacturing facilities, the implementation of the Policy is immediate, subject to these Policy Guidelines. For later corporate acquisitions or controlling interests, a timeframe for implementation will be set with the acquired company.

TARGETS

Targets associated with the Policy are, and will be, published as part of our Compass Commitments. Our zero-deforestation target is part of our [Compass Commitments on Climate and Nature](#).

Policy scope

Geographic scope: Global.

In-Scope Materials: The Policy covers: (1) cocoa; (2) palm oil (3) wood-fibre derived pulp & paper packaging; (4) soybean oil and soy proteins; and (5) leaf tea and tea powders (*Camelia sinensis var*), each as described in further detail in the table below as either a Primary *In-Scope Material* or a Secondary *In-Scope Material*. We also purchase other commodities which may, in the future, be associated with a risk of *conversion of natural ecosystems* and we may later choose to expand the scope of the Policy, based on our risk assessment. Unilever continues to review our exposure to, and strategy with respect to the cattle, coconut, and other supply chains.

	Primary <i>In-Scope Materials</i>	Secondary <i>In-Scope Materials</i>
Cocoa	Cocoa butter; Cocoa powder; Cocoa liquor	Cocoa as an ingredient: for example, in cookies
Palm Oil	Crude palm oil (CPO); Palm Kernel Oil (PKO); PFAD; fatty alcohols	Palm oil as an ingredient: for example, in cookies; garlic fried in palm oil. Derivatives and fractions including betaines, glycerine
Pulp & Paper	Wood-fibre-derived paper and board packaging: folding cartons, customer packaging, aseptics, and ice cream sticks	Flexibles, labels and tea bags; Packaging derived from fibres other than wood
Soy	Soybean oil; soy protein	Soybean products that are not derived from soybean oil (e.g. lecithin); Embedded soy (soy in animal feeds)
Tea (<i>Camelia sinensis var.</i>)	Leaf tea for leaf tea applications; Tea to produce tea powders; Tea powders	None

Legal recognition: Where there are discrepancies between voluntary commitments, applicable law, and instruments related to internationally recognised human rights, the highest standard is the reference point for determining compliance with the Policy.

Exceptions to principle 1: Limited exceptions to principle 1 of the Policy may be granted by Unilever in certain circumstances, as follows:

- » *natural ecosystems in areas or jurisdictions governed by a sustainable land use plan that has been developed and agreed through a multi-stakeholder process; and/or*
- » *legacy cases approved by the High Carbon Stock Approach; and/or*
- » *conversion involving smallholders which is being monitored and where programmes are in place to prevent further deforestation and conversion.*

Cut-off dates

We apply a cut-off date for our commitment to no *deforestation* or *conversion of natural ecosystems* related to our own supply chain as being no later than 31 December 2015. In specific cases where we apply certification standards, we may apply cut-off dates set by the relevant scheme rules. These cut-off dates are used to determine the date after which *deforestation* or *conversion* are considered unacceptable under the Policy.

Definitions

Agricultural supply area: The source of agricultural raw materials associated with primary production facilities that supply directly or indirectly to *Unilever Group* or *third-party manufacturers*.

Certified material: Unilever accepts materials as certified when the following three criteria are met:

- » *the certification standards are benchmarked against the Unilever Sustainable Agricultural Code and found to be compliant with the principles and practices of sustainable agriculture (included in Annex 1 of the scheme rules);*
- » *materials are delivered in accordance with the relevant commodity chain of custody standards; and*
- » *purchase orders, invoices and delivery notes or other shipping documents carry required information about certification.*

Certification standards: Unilever accepts certification standards when

- » *certification standards are benchmarked against the Unilever Sustainable Agricultural Code and found to be compliant with the principles and practices of sustainable agriculture (included in Annex 1 of the scheme rules); and,*
- » *certifications standards that benchmark against the Policy Principles are used as a means of verification (For In-Scope Materials)*

Conversion: A change of a *natural ecosystem* to another land use or profound change in a *natural ecosystem's* species composition, structure, or function.

- » *deforestation is one form of conversion (conversion of natural forests).*
- » *conversion includes severe degradation and the introduction of management practices that result in substantial and sustained change in the ecosystem's former species composition, structure, or function. Severe degradation may be considered conversion if it: (a) is large-scale and progressive or enduring; (b) alters ecosystem composition, structure and function to the extent that regeneration to a previous state is unlikely; or (c) leads to a change in land use (e.g. to agriculture or other use that is not a natural forest or other natural ecosystem).*
- » *a change to natural ecosystems that meets this definition of conversion is considered to be conversion, regardless of whether or not it is legal in nature.*

Corporate group: The totality of legal entities to which the supplier company is (i) affiliated in a relationship in which either party controls the actions or performance of the other, or is (ii) a part of a broader corporate group, where such relationship is capable of verification by Unilever following reasonable due diligence using publicly available sources of information. Affiliated in this context means the control of a company, whether direct or indirect, by another company by means of ownership or control of voting rights, and other factors that are used to determine whether a supplier company is part of a broader corporate group including if:

- » there is a publicly declared link or links between the supplier company and the corporate group, or between the supplier company and a company affiliated to the corporate group and such link has been declared by the supplier company and/or by the corporate group or affiliated company; or
- » there is formal ownership of the supplier company and a company within the corporate group, or vice versa, including but not limited to an investment holding structure; or
- » there are contractual or other financial arrangements between supplier company and companies in the group that indicate one party controls the performance of another; or
- » management control: There is extensive overlap in officials between supplier company and corporate group companies that indicates management control at a group level; or
- » operational control: The supplier company has operational control over company or companies within the corporate group or vice versa, e.g. operational control of landholdings within a group; or
- » beneficial ownership: The beneficial or ultimate owner of the supplier company is a company within the corporate group or a company or individual affiliated with the corporate group, or vice versa; or
- » beneficial owners are entities or individuals who:
 - » own shares of more than 50% on a limited liability company as stated in the articles of association; or
 - » have voting rights of more than 50% on limited liability company as stated in the articles of association; or
 - » have the authority to appoint, replace, or dismiss members of the board of directors and the board of commissioners; or
 - » have the authority or power to influence or control a limited liability company without requirement to acquire prior approval from any party; or
 - » are the ultimate owners of share ownership in a limited liability company.

Deforestation: Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained *degradation*.

Degradation: Changes within a *natural ecosystem* that significantly and negatively affect its species composition, structure and/or function, and reduce the ecosystem's capacity to supply products, support biodiversity and/or deliver ecosystem services.

Direct supply chain: Supplier or suppliers that directly supply *In-Scope Materials* to Unilever, its *third-party manufacturer* or a supplier company, for use in Unilever's supply chain.

Direct Suppliers: Suppliers paid by a *Unilever Group* company to supply *In-Scope Materials* to Unilever, or that make Unilever-directed sales of *In-Scope Materials* to Unilever's third party manufacturers or that are *third-party manufacturers* of products supplied to Unilever containing *In-Scope Materials*.

Grievance mechanism or grievance process: A formal, legal or non-legal (or 'judicial/non-judicial') complaint process that can be used by individuals, workers, communities and/or civil society organisations that are negatively affected by certain business activities and operations.

Human Rights Due Diligence: An ongoing risk management process that a company needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: Assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating how impacts are addressed.

Independent Verification: Assessment and validation of compliance, performance, and/or actions relative to a stated commitment, standard, or target. Verification signifies that information is validated by persons other than those involved in the operation or entity being assessed. Independent Verification (also called third-party verification) is conducted by an independent entity that does not provide other services to the company.

In-Scope Materials: Defined above in these Policy Guidelines. All references to "materials" and "raw materials" in this Policy shall refer to the *In-Scope Materials*.

Jurisdiction: An area defined by administrative boundaries at sub-national levels or national level.

Jurisdictional Approaches: A range of programme types operating within the administrative boundaries at sub-national or national levels, usually with emphasis on improving the role(s) of government in public policy, land-use planning and natural resource management. These usually involve collaborative action by a group of stakeholders working with sub-national governments.

Landscape: An area defined by features other than administrative boundaries, for example it may be defined by natural (a biome or physiographic region) or social features, or a supplier sourcing area.

Landscapes approaches: Projects or programmes that involve the collaboration of stakeholders in a *landscape* to reconcile competing social, economic, and environmental objectives; usually involving the implementation of 'integrated *landscape* management'. A *landscape* approach may be defined by features other than administrative boundaries, such as natural or social features, a company sourcing area.

Management system: A set of policies, processes, procedures and resources used by an organisation to ensure it can fulfil the tasks required to achieve its objectives.

Natural ecosystems:

- » *largely pristine natural ecosystems that have not been subject to major human impact in recent history.*
- » *regenerated natural ecosystems that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained species composition, structure and ecological function similar to prior or other contemporary natural ecosystems that did not suffer such a major impact.*
- » *High Carbon Stock forests (HCS) as defined by the High Carbon Stock Approach;*
- » *High Conservation Value (HCV) areas as defined by the HCVRN;*
- » *Intact Forest Landscapes (IFLs) as defined by the IFL Mapping Team;*
- » *ecosystems on peat soils; and*
- » *other ecologically sensitive landscapes identified through credible multi-stakeholder processes, including the Deforestation-free and Conversion-free (DCF) Regional Guidance applicable in the Brazilian Amazon and Cerrado and the Gran Chaco of Argentina and Paraguay.*

Peat soils: Histosols (organic soils) are soils with cumulative organic layer(s) where more than half of the upper 80cm or 100cm of the soil surface contains 35% or more of organic matter (35% or more Loss on Ignition) or 18% or more organic carbon (FAO 1998, 2006/7; USDA 2014; IUSS 1930). This definition was adopted by RSPO Peatlands Working Group 2 (PLWG-2) effective November 2018.

Protection: Means that no *conversion of natural ecosystems* is occurring.

Smallholder farmer or smallerholder: A person who farms a plot of land to support his or her own household. A plot of land is a smallholding up to 25 acres (10.12 hectares) of land or is defined to be a smallholder farm by the national government or partnership organisation in the country from which Unilever sources *In-Scope Materials*.

Supply chain mapping: The process of identifying the actors in a company's supply chain and the relationships among them. Supply chain mapping can include, *inter alia*, attribute information about suppliers that is useful to assess risk and compliance, such as the supplier's location, workforce characteristics, certifications held, dates and results of audits and the status of improvement plans.

Third-party manufacturer (3PM): A manufacturer of intermediate and/or finished goods for a *Unilever Group* company appointed by a *Unilever Group* company. Manufacturers of intermediate goods include tollers and converters of *In-Scope Material* where the converted product is supplied to a *Unilever Group* company or a supplier for production of finished goods for Unilever.

Third-party supply chain: Supplier or suppliers that do not directly supply *In-Scope Materials* to Unilever, its *third-party manufacturer* or a supplier company, but which do indirectly supply *In-Scope Materials* to Unilever, its *third-party manufacturer* or a supplier company for use in Unilever's supply chain for *In-Scope Materials*.

Traceability: The ability to follow a material or product or its components through each of the stages of the supply chain (e.g. production, processing, manufacturing, and distribution).

Unilever Group: Unilever NV, Unilever PLC and any company or partnership in which either or both together directly, or indirectly:

- » *owns or controls the voting rights attached to no less than 50% of the issued share capital;*
- » *controls directly or indirectly the appointment of a majority of the board of management;*
- » *references to a member of the Unilever Group, or a Unilever Group company, or UGC will be construed accordingly.*



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