

Palm Oil

A sustainable future





Who are we?

Unilever is one of the largest consumer goods businesses in the world. In 2001, we employed around 265,000 people in 80 countries and our turnover was €52 206 million.

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Our focused portfolio of outstanding food and home and personal care brands are on sale in over 150 countries. Flora/Becel spread and Dove soap are among market leaders. Other brands with wide appeal are Knorr, Lipton, Magnum, Lux, Omo and Cif.

Our aim is to meet the everyday needs of people everywhere. This is at the heart of our Corporate Purpose, which embodies the principle of creating value for our stakeholders by meeting consumer needs.

We feel this can only be achieved and maintained in the long term if our actions

are determined by the broader principles of sustainable development: ensuring we meet the needs of today without jeopardising the ability of future generations to meet their needs. This means we must align our economic goals with the social and environmental consequences of our work.

Our consumers trust us to supply them with high-quality goods that are produced in an environmentally and socially responsible way. We therefore have a responsibility to act as agents for our consumers, ensuring their expectations are understood along the supply chain.



Sustainability and Unilever

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Unilever relies heavily on the natural raw materials used in our products, such as vegetable oils, vegetables, tea and fish. As well as being major buyers of these items on world markets, we are also involved in agriculture, both directly, through our own plantations, and indirectly, via contract growers. This gives us some influence on how the materials are produced and considerable social responsibility to use our influence wisely.

Since the mid-1990s, we have worked with other stakeholders in developing long-term programmes for the three key sustainable development areas of fish, water and agriculture.

Sustainable agriculture

Our definition

Sustainable agriculture is productive, competitive and efficient, while at the same time protecting and improving the natural environment and conditions of the local communities.

Agriculture provides more than three-quarters of the raw materials for Unilever's branded products.

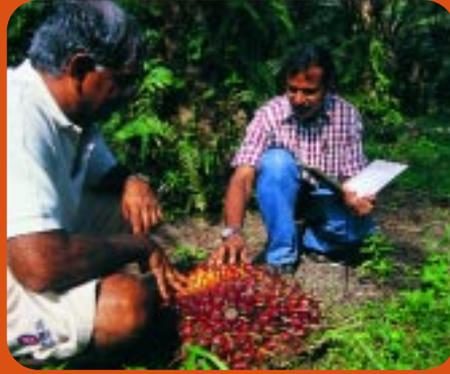
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Increasing environmental and social pressures on agriculture, which challenge our supply chain, and growing consumer concerns about the food chain, which challenge our markets, led us to engage with a broad range of stakeholders in a priority project called the Sustainable Agriculture Initiative. This programme, which began in 1998, aims to develop guidelines for sustainable farming practice that will ensure continued access for Unilever to key agricultural raw materials. In addition, for some crops including palm oil, it is increasingly clear that more sustainable farming practices also generate greater productivity and better quality, leading to benefits throughout the supply chain.

Sustainability principles

Unilever believes that sustainable agriculture should support the following principles:

- It should produce crops with high yield and nutritional quality to meet existing and future needs, while keeping resource input as low as possible.
- It must ensure that any adverse effects on soil fertility, water and air quality and biodiversity from agricultural activities are minimised and positive contributions are made where possible.
- It should optimise the use of renewable resources while minimising the use of non-renewable resources.
- Sustainable agriculture should enable local communities to protect and enhance their well-being and environments.



The importance of palm oil

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Palm oil is an important ingredient for Unilever. We buy over one million tonnes of palm oil, or 6-8% of the total world production, every year, mostly from Malaysia and Indonesia.

Palm oil is an excellent natural ingredient, with characteristics and properties that are particularly suitable for Unilever products, such as margarine and soaps. It has unique functional properties other oils do not have. Palm oil, in combination with other vegetable oils, enables Unilever to provide natural health benefits for margarine, for example by reduced processing.

Yields of palm oil are higher than for any other edible oil crop. Furthermore, world production of palm oil is going to exceed that of any other vegetable oil, and it will contribute more fatty acids and energy to the diet of the growing world population than any other edible oil crop.

Palm oil plantation management and many research programmes initiated and carried out by the palm oil industry have demonstrated that a well-managed oil plantation can be highly sustainable. Palm oil produced by a responsible grower needs fewer inputs, results in less pollution and soil degradation, and creates more rural employment than other vegetable oils.

Palm oil: challenges

Palm oil is going to be the oil and fat resource that enables us and other users to respond to the growing global demand for food ingredients and nutritional value.

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In order to cope with increased global demand for food ingredients and nutritional value, two aspects of sustainable palm oil agriculture need to be addressed: the management of existing plantations and the establishment of new ones, including land conversions.

Unilever actively works to be in line with sustainable best practice throughout its palm oil plantations, including improving the productivity of existing plantations. Wherever yields can be improved, this reduces the demand for land conversions. Sustainable best practice also minimises adverse effects and maximises positive contributions to the environment.

When we have considered establishing new plantations, extensive environmental impact studies have been carried out beforehand.

One issue that is raised in the context of palm oil is the need to have a balanced trade-off between agricultural development and the protection of rain forests and natural habitats. This is because many of the industry's palm oil plantations have been established without due consideration being given to rain forests and natural habitats and by using unsustainable clearance techniques.

To address this, in the first instance, the productivity and yield of existing plantations must be increased to reduce the need for new plantations. But as palm oil production grows and when new plantations are needed, a framework for decision-making needs to be established at national level that uses tools to assess environmental, biodiversity and social impacts.

This is particularly important as increased awareness about environmental protection is influencing consumer perception in big markets such as Europe and the US. These are important markets for Unilever and others. The opinions, which cannot be ignored, affect the whole palm oil business and are best addressed at industry level.

As global commodity markets, supply chains and bulk transportation become more complex, quality assurance can also become an issue. Unilever believes this is a priority for the entire supply chain, not just isolated parts where we are directly involved. Better quality assurance will, we believe, allow the selection of suppliers against environmental sustainability criteria. This, in turn, will enable suppliers of palm oil that are producing in this way to market their product better.



What are we doing?

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In 1998, Unilever established sustainable agriculture pilot projects for five of its strategically important crops: palm oil; tomatoes; peas; spinach; and tea. We are also doing comparable desk studies on rapeseed and sunflower.

Working with other stakeholders, we established a set of indicators (see table opposite) for sustainable agriculture that covers the three aspects of sustainable development: environmental protection; economic progress; and social development.

Since 1998, we have been measuring data against these indicators on our own plantations and using the findings to benchmark and improve sustainable agriculture best practice for palm oil and other crops.

Pamol, Unilever's palm oil plantation company in Malaysia, follows accepted best practices for management of its operations and is striving to improve sustainability still further. Liquid effluent from its two mills is used as a water feed and fertiliser for trees, reducing the amount of synthetic nutrients needed. Leguminous ground cover is grown to prevent soil loss, fix nitrogen and encourage beneficial insects that are natural predators of tree pests. Owls are encouraged to control rats, and empty bunches from the mills and palm fronds are left to decompose naturally under the trees, providing nutrients and helping to curb weed growth. Steep hillsides are left as natural forest, which provides a wildlife refuge, and hunting is not permitted.

In addition, Unilever has formed a small taskforce to develop a more transparent sourcing system and standards for palm oil, including contracts, specifications, quality assurance – tracking and tracing – and best practice criteria for plantations. This taskforce aims to work more closely with suppliers who are able and committed to deliver these criteria and who we also hope share our enthusiasm to see progress in the industry on quality assurance and sustainability.



1 Soil fertility/health

Soil is an absolute fundamental to agricultural systems. A rich soil ecosystem improves the performance of crops and livestock. Sustainable agriculture practices can improve the quality of the soil's ecosystem.

Typical measurement parameters include: the number of beneficial organisms and soil organic carbon.

2 Soil loss

Erosion by wind and water can lead to soil losing its structure and organic matter, which reduces the main asset of the agricultural system. Sustainable agriculture practices work to reduce soil erosion.

Typical parameters include: soil cover index (percentage of time the soil is covered by crop), soil erosion.

3 Nutrients

Both crops and livestock need a broad balance of nutrients. Some of these, such as nitrogen, can be created locally but others have to be brought in from other sources. Nutrients are lost through activities such as cropping, erosion and emissions to air. Sustainable agriculture practices can enhance locally produced nutrients and reduce losses.

Typical parameters: amount of inorganic nitrogen/phosphate/ potassium applied, balance of nitrogen/phosphate/potassium over crop rotations.

4 Pest management

A small but significant proportion of pesticides used on crops and livestock can escape to the environment, harming wildlife and accumulating in foods. Sustainable agriculture practices can substitute natural controls for some pesticides, so reducing dependence on externally introduced substances.

Typical parameters: amount and type of pesticides (active ingredient) applied.

5 Biodiversity

Agriculture has shaped many ecosystems in the world, and the diversity of biological systems (biodiversity) can be improved or reduced by agricultural practices. Sustainable agricultural practices can help improve biodiversity. It can do this by "greening the middle" of the fields as well as "greening the edge".

Typical parameters include: level of biodiversity on site, habitat for natural predators, cross-boundary effects.

6 Product value

This is the measure of the desired outputs of an agricultural system. Sustainable agriculture

practices should be able to maintain or improve the value of the product and reduce wastage between the field and processing.

Typical parameters include: total value of the produce per ha, nutritional value (including minerals), ratio of solid waste re-used/recycled to solid waste disposed to landfill.

7 Energy

Energy in the form of sunlight is absolutely essential to plants and animals, but agriculture also uses energy from non-renewable sources, such as tractors for ploughing and the energy needed to make agrichemicals. Sustainable agriculture can improve the balance of energy inputs and outputs, and ensure that the process produces more energy than it uses.

Typical parameters include: total energy input/total energy output, ratio of renewable to non-renewable energy inputs.

8 Water

Some farming techniques require irrigation and other practices can lead to the pollution of ground and surface waters. Sustainable agriculture practices ensure that water is conserved and possible pollutants are carefully controlled to reduce the risks of pollution.

Typical parameters are: amount of water used, leaching and run-off of nutrients to surface waters.

9 Social/human capital

Collective action, the sharing of knowledge and the intensity of local social networks help ensure that natural resources are conserved for future use. Some conventional farming techniques have undermined local networks and located knowledge outside the farming communities. Sustainable agriculture works to improve both social and human capital. The prime responsibility for their livelihoods should remain with the local community.

Typical parameters: group dynamics/organisational density of rural community, rate of innovation.

10 Local economy

Sourcing agricultural inputs (such as goods, labour and services) locally helps to sustain local businesses and livelihoods. Sustainable agriculture practices make the best use of local resources and help to improve the efficiency of the local economy.

Typical parameters: amount of money/profit spent locally, employment level in the local community.



Looking forward

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Quality assurance of palm oil and Unilever's related environmental sustainability project is a supply chain issue. We aim to act as a catalyst for change by leading this initiative, but much change has to occur with third parties. All stakeholders have a role to play in this.

As a major palm oil buyer, we aim to establish a quality assurance system across the supply chain, which will provide the industry with the opportunity to establish good controls and enable the selection of raw material suppliers against agreed sustainability criteria.

An industry-led Code of Practice needs to be introduced. This should address the issue of rain forest conservation for plantation establishment and all other aspects of sustainable plantation management. In order for a Code of Practice to be credible, it is vital that it is supported by the whole palm oil community.

We believe that regulations and enforcement, and stricter requirements both from financiers and governments, are also essential in helping to curb unnecessary rain forest destruction.

Unilever will actively work with others to increase yields on existing palm oil plantations and to further improve sustainability best practice. We will share our learnings from our palm oil sustainable agriculture programme with all interested parties, including other palm oil buyers.

The local producers, plantations, and those involved in processing, can all enjoy the benefits of sustainable palm oil agriculture. When these parties are able to deliver against mutually agreed standards, they will be creating value-added products that can be sold at attractive prices, under long-term arrangements with major buyers. The expected efficiency gains will mean that the additional costs of setting up this initiative will be recouped.

Many local and international voluntary non-governmental organisations (NGOs) have an interest in palm oil from an environmental and social perspective, especially regarding habitat and biodiversity impacts. We hope some of these NGOs will be willing to engage with us in this initiative for a more sustainable future for palm oil: their critique and their support are essential to help deliver the necessary changes.

Palm oil offers an outstanding opportunity to provide a sustainable source of food ingredients and nutrition for much of the world's population. We believe that a significant effort on quality assurance and sustainability is now essential to enable this opportunity to be fully realised for the future.

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