

This is part of a series of case studies that WBCSD has developed to mark the World Water Day 2021, on the theme of valuing water. The case studies showcase examples from a cross-section of WBCSD's membership on how they value water. The aim is to highlight the various dimensions of valuing water and how businesses integrate it into their strategy, operations and decision making.



CASE STUDY 5

Water valuation to drive efficiency in use and mitigate water-related risks in manufacturing



Unilever is a multinational consumer goods company that manufactures and sells around 400 products in over 190 countries serving 2.5 billion consumers everyday. Unilever's business is structured across 3 continents – Americas, Europe and emerging markets.

Unilever's sustainability commitment is reflected in its vision of making sustainable living commonplace by making it part of its brands, products, standards of behaviour and partnerships that drive transformational change across the company's value chain.

Key driver for valuing water

As a global manufacturing company, Unilever depends on access to water, both in terms of quantity and quality. Water is used in Unilever's operations for a variety of purposes including as an ingredient in their products, for running their heating and cooling systems and for cleaning their facilities. Water is also used by consumers in the use of their products. Unilever recognises water scarcity and climate change as a major risk to its business because of the disruptions that it can cause to its operations such as by raising the input cost for their manufacturing. The key driver for Unilever for valuing water is to improve the efficiency of water use in their operations and reducing the company's risk by reducing its dependence on this critical resource. This is particularly important for the company's operations that are in water-stressed areas of the world.

Valuation to prioritize investments in water-stressed areas

Unilever conducts the water risk assessment for its global operations using the World Resources Institute's (WRI) Aqueduct tool. The results are further substantiated with media reviews and discussions with the site teams to better understand the local situation. 40% of Unilever's sites globally are found to be in areas identified as water stressed. However, the cost of buying water even in water stressed locations is often low and does not reflect its availability or its true value to the business or local communities. So, while from the risk management perspective, it is important for the company to prioritize investments for water-use efficiency at water stressed locations, these locations fail to meet the standard investment criteria set internally if the price of water is used as a sole determinant. To address this issue, Unilever devised a set of unique allocation criteria

for water-savings projects to be considered for funding through their Clean Technology Fund. The Clean Technology Fund is the company's centrally managed sustainability capital expenditure fund which is created through their internal carbon penalty programme. The fund is used to enable investments for environmental sustainability in Unilever's manufacturing operations which deliver its sustainability strategy across carbon, water and waste. The two key allocation criteria devised for consideration of water-savings projects are:



1. The maximum simple payback period of the projects proposed in water-stressed areas is increased from three years to five years. This widens the pool of potential projects which can receive funding through the fund. It also changes the mindset about how and what the business will invest in. That is the first hurdle.
2. As part of the terms of evaluation of projects, a water-stress factor is applied. A value is assigned to the water saved which varies but could be as high as five times for water saved in water-stressed areas relative to areas where water is abundant.

Results and Outcomes

Since the introduction of the Unilever Clean Technology Fund in 2017, over €100 million has been allocated to this fund for energy, waste and water saving projects.

The water savings projects helped cut down on the water abstracted by the factories. In 2020, the water abstraction per ton of production was reduced to 49% relative to the 2008 baseline.

The cumulative costs avoided through direct water savings driven by water-efficiency improvements are over €122 million since 2008.

Next steps and lessons learnt

Unilever's definition of a unique set of allocation criteria for water-savings projects is a move to use the value (and thereby the cost) of water to drive water savings. The company is now standardizing its approach to calculate the true cost of water which can be input to their investment decisions. The true cost of water is being viewed as a lever to move water up in the business agenda and drive action towards water use efficiency.

As a key lesson learnt, water savings also lead to savings in energy, chemical and labour costs that add up to make the true cost of water. While this may sound simple, the benefits/savings on these resources in not considered in the calculation of project payback periods. By following up with the sites to bring to account savings on these additional resources, and including them in payback calculations, Unilever have demonstrated that water saving projects have a payback period of 1.3 years. This makes a very attractive proposition for site-based cost-saving projects and helps prioritize water management projects across the company's operations.

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