Dear Suppliers

We have had a really great year since the launch of our Sustainable Living Plan and we are delighted to share the highlights of our achievements with you in the 'Sustainable Sourcing Key Facts' section on page 3.

Palm oil, tea, paper & board, cocoa and fruit & vegetables are the materials where we are making good headway, either through certification or self-verification. For our other key agricultural raw materials like rapeseed, sunflower, soy, sugar and dairy, last year was all about working with you to find the best independent standards to work towards or apply our Sustainable Agriculture Code. We have learnt a lot and hope to make good progress on sustainably sourcing these ingredients in 2012.

In February we asked you to participate in a satisfaction survey, which has been a very useful exercise for us. On page 4 Muddy Boots Software introduces you to some of the changes you may have already seen within Quickfire and some of the exciting new developments that will be coming soon.

During the last edition of this magazine we introduced you to Your Control Union and provided you with some information about how this global consultancy and auditing organisation has been helping us. Now, one year into our relationship with Control Union, they will be sharing news of their progress over the last 12 months. More information can be found on page 5.

We have another four case studies in our 'Meet a Supplier' section on pages 6-9. Here you can learn all about other suppliers and their path to being sustainable. Remember, if you’d like to feature in the next edition please let us know (our contact details can be found on the back page).

Magnum is the brand under the spotlight during this issue! On pages 10-11 you can read all about Magnum, from its humble beginnings in 1987 to its ambitious sustainability goals of today.

We once again focus on one of our 11 sustainability indicators on page 12. This time, we’re focusing on Energy and the exciting changes we have made to the Cool Farm Tool.

We end this edition with an article from Boris Rafalski, Unilever’s Procurement Manager for Vegetables. He talks about the importance of sustainable sourcing from a procurement perspective on pages 13 and 14.

I hope you enjoy this magazine.

Kind regards
David

David Pendlington has been with Unilever for 22 years. He spent his first 6 years in agricultural R&D for Unilever’s European frozen veg business and then moved to the international sourcing development group. David led the first Unilever Sustainable agriculture project in 1998.

In David’s current role of Unilever Procurement Operations Manager - Sustainable Sourcing he still works with the Global Sustainable agriculture programme, giving advice and support to the programmes running on the ground amongst Unilever’s commodity crop suppliers.
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SUSTAINABLE SOURCING
KEY FACTS

WE’RE ON TRACK!

We reached 24% sustainable sourcing in 2011 - even better than our 20% target!

OUR GREATEST ACHIEVEMENTS:

Palm Oil
Of the 64% certified sustainable palm oil we purchased, most was in the form of GreenPalm certificates. In parallel, we have made a start on developing segregated streams.

Tea
28% of tea purchased for all brands (57% for Lipton brands) was Rainforest Alliance (RA) certified.

Fruit and Vegetables
25% of veg & herbs was sustainably sourced. Over half our vegetable suppliers are using Quickfire and 80 have successfully completed the self-verification process and meet our SAC requirements.

Paper and Board
An estimated 60% of our paper & board was sustainably sourced in 2011.

Cocoa
21% of all cocoa was sustainably sourced in 2011. We are working with RA in West Africa and after just one year more than 10,000 farmers have achieved RA certification.

Dairy
10% of dairy produce was sustainably sourced by the end of 2011.

Soy
8% of soy oil was sourced sustainably in 2011. 4.5% is through RTRS certificates and 3.5% is certified against the ProTerra Standard.

SCHEME RULES

Click here to download the Scheme Rules & determine whether your volume of raw materials for Unilever can be counted as Sustainably Sourced.

SURVEY RESULTS

- 77% of you have received training in the last 12 months
- 80% thought that the speed of training was good
- 90% said it was clear
- Over 80% felt prepared to use the software
MUDDY BOOTS UPDATE
WHAT WE ARE DOING TO HELP YOU

It has been a year since the Unilever Sustainable Agriculture Code was launched in Quickfire and we have seen a steady monthly increase in the volume of assessments submitted. Your 2011 assessments should all be submitted as Under Review by now and your focus should be on completing 2011 Corrective Actions in Quickfire and preparing for 2012 SAC data collection.

HAVE YOUR SAY

In March we asked you to participate in a survey which has proved to be a very useful exercise. Questions related to four main areas; Training, Support, the Assessment and The Cool Farm Tool. There are some exciting new developments planned for 2012 and the survey results (many of which can be found in this magazine) have validated the relevance of these plans.

We were very pleased with the number of respondents. We intend to repeat this exercise again in time and really appreciate your feedback, which as you can see, is driving change.

HERE ARE SOME OF THE CHANGES YOU HAVE ALREADY SEEN THIS YEAR...

- Sustainably Sourced Report enhancements
- Updates to the Non-Conformance Report
- New Corrective Action Plan Report
- New Audit Guidance Report
- Changes to contact functionality
- Improved Report Navigation
- New document storage area
- Unilever Sustainable Agriculture Code Assessment changes

...AND HERE’S WHAT TO EXPECT

- New Metrics Report
- A range of other new Supplier focused reports
- New Certification Filters including Red Tractor
- Continuous usability improvements (wizards, navigations, imports)
- Ways to relieve audit fatigue (copy assessment, block responses)
- New look and improved performance
- Group webinars and video tutorials addressing specific areas

TECHNICAL QUESTIONS

For technical questions related to the software and training, please contact support@muddyboots.com

SURVEY RESULTS

You would like extra help with the following areas:

- 57% Reports
- 53% Corrective Action Management

Webinars and video tutorials are coming soon to provide extra training support
FOCUS ON MOROCCO

One hundred workers are busy packing strawberries in the Larache region of Morocco, where they grow strawberries for the European winter. Many farming families have improved their livelihoods since strawberry production started 25 years ago. This has been very positive for the local community but the increase in agriculture has created problems, such as soil disinfection, high pesticide use, open irrigation in a Mediterranean climate and a decrease in wildlife.

Following a three-day consultancy with one farmer and supplier, it became clear that farmers need to improve their practices of pesticide use. Starting this process with a company is a challenge for us, especially as we know implementing sustainable practices will reduce production in the first instance. Once the soil fauna has recovered production will increase again.

In Morocco, the first step involved talking to higher management about sustainability. Then it is the local farmers who really need to implement the project. Maybe it will include the planting of fruit trees along the river for them to eat, or trees to harvest wood during the winter for their fires. Control Union advise suppliers on the best farming methods to introduce on their farms, but ultimately it remains an individual journey and depends how far the supplier is willing to go.

YOUR CONTROL UNION MEETINGS

Control Union is conducting 16 meetings globally in 10 different languages during May and June this year. Participation is voluntary but we highly recommend you take part to get a good understanding of what is required to achieve your sustainable status.

Topics include:
• The Unilever Sustainable Living Plan and the role of suppliers in delivering the sustainability targets
• The Sustainable Agriculture Code (SAC) that builds on 11 key indicators
• Understanding the scheme rules
• Implementation process, roles and responsibilities
• Muddy Boots Software
• Toolbox – where to find help and support materials to assist you to deliver on sustainability
MEET A SUPPLIER
ROYAL FRIESLAND CAMPINA

If you’ve ever had a Mini Milk ice-cream, you’ll know how good milk can taste. FrieslandCampina, one of Unilever’s biggest dairy suppliers, is now working with Unilever to ensure that all of its dairy-based products not only taste great, but are sustainably-sourced too.

Royal FrieslandCampina is committing to fully align its farm practices with Unilever’s rigorous Sustainable Agricultural Code. They already have their own set of 2020 sustainability objectives in place. As with Unilever, FrieslandCampina is committed to moving forward.

The Unilever Sustainable Living Plan commits Unilever to source all of its agricultural raw materials sustainably by 2020. FrieslandCampina is working with Unilever to help them meet this ambitious target on dairy.

Andrea Toth, Procurement Operations Sustainable Sourcing Manager, Unilever, spells out: “We are always looking for ways of working with our suppliers to drive sustainability in our supply chain. As dairy is one of our top ten raw materials we are pleased to work together with FrieslandCampina on sustainable dairy.”

As part of an initial pilot, Control Union was asked to carry out assessments at twelve of FrieslandCampina’s member farms last year. Based on its findings, Control Union then passed on a series of recommendations and improvement plans to them. These are designed to help their member farmers fully embed the Code.

“All the recommendations will be implemented by the end of 2012,” says Roelof Joosten, Chief Operating Officer Ingredients, member of the Executive Board of Royal FrieslandCampina. “To guarantee continuous improvement, the assessed farms will carry out a self-evaluation process every year. We are glad that at FrieslandCampina we are already able to fulfil the Unilever criteria on sustainability. This is an opportunity to reduce the total eco-footprint in the entire production chain”, Joosten states.

“A lot of good work is already being done. For instance, around 130 of FrieslandCampina’s member farmers are already producing milk organically or biodynamically. By adhering to the Unilever Sustainable Agriculture Code, we expect to see many more such examples between now and 2020.”

Andrea Toth, Procurement Operations Sustainable Sourcing Manager, Unilever
Growing 40,000 hectares of vegetable crops, spread across 4,000 growers in eight different European countries, Ardo is an important producer of frozen vegetables and a major supplier to Knorr.

Committed to a path of continuous improvement in sustainable agricultural production, Ardo has embarked on an ambitious plan to reduce inputs whilst maintaining, or even improving, yields and product quality. Having chosen a holistic approach that considers every element; Ardo is reviewing all aspects of crop production and is challenging tried and tested techniques with cutting edge research and field trials.

On the 6 & 7th of February 2012, Ardo invited 25 of its Agricultural Managers to Belgium to participate in a two day internal conference on sustainability, where participants were asked to present the findings of their on-farm research. The event was inspirational in demonstrating concrete opportunities to reduce seed rates and to improve the efficacy of fertiliser, crop protection products and irrigation water.

In December of 2011 Ardo filled a new position in its Agricultural Department, with Eva Dekeyser (pictured above) taking on the role of Project Manager for Sustainable Agriculture.

One of Eva’s key responsibilities will be managing a project to reduce pesticide applications and the level of detectable residues on crops grown for Knorr. The project, which will run over several years, is supported by the Knorr Partnership Fund and Ardo’s progress will be reported in future issues of the Unilever Sustainable Source magazine.

“Ardo has been ‘preserving the precious gifts of nature’ – the company motto – for more than 40 years. However, the recent progress that we have made in sustainable crop production is very exciting and has established a market for other areas of the business.”

Bernard Haspeslagh, Chief Operations Officer, Ardo
Steinicke is one of Germany’s leading producers of herbs and dried vegetables, as well as a main supplier and strategic partner to major brands in Europe and across the world.

Steinicke farmers provide Unilever with chives, parsley, carrots, celeriac and leeks. The company has been working hard to help Unilever on its path to sustainability. Most recently, Steinicke has been encouraging the migration of mammals, in particular endangered species that have started to appear from Poland.

As one of the least populated regions in Germany, the area of Wendland where Steinicke and its farmers are located offers ideal migration routes and habitats for endangered species such as otter, beaver, white-tailed eagle, common crane and the common wolf which has started to appear, as a result of the fallen border fences versus the East in 1989.

The farms include many forest areas which are extensively used for forestry and farmers are being encouraged to build nesting boxes and bird hides in their fields. What’s more, Steinicke organises local school groups to monitor flower stripes on unproductive areas to research the fauna and flora.

Crossing Steinicke’s farm lands are a big-bird habitat, wild forest and a UNESCO Biosphere Reserve. In order to protect these, farmers have adapted their cultivation accordingly by mowing meadows only once a year, not cropping on the wetlands of rivers and planting hedges. Steinicke is also supporting a local bat conservation project.

“The demand for sustainably manufactured products increases all of the time. The quality of food is also becoming increasingly important and people are beginning to demand good quality, sustainable products. Since we began in 1921, we have always considered our environment and our cultivation philosophy and the way we manufacture our products reflects this.”

Sibylle Lettenbichler, General Manager, Steinicke

SURVEY RESULTS

Training in German (25%) & Spanish (33%) are in highest demand. Consultants on the new Control Union helpdesk are working with Muddy Boots to address this.
Morning Star owns and operates three tomato processing facilities: two near Los Banos (in the San Joaquin Valley) and the other in Williams (in the Sacramento Valley). With advances such as a gravity-fed flume unloading system and replacing the traditional cooling tower with a cooling pond, the Company is staying on the forefront of food processing technology. These innovations allow them to process more tomatoes in less time using fewer resources.

The Morning Star Packing Company has been involved in sustainable and environmentally sensitive agriculture for 20 years. The most recent initiative is the Sustainable Agriculture Programme, which applies environmental guidelines for growers to follow in order to be a grower-supplier to the Morning Star enterprise. These guidelines are all aimed at ensuring that any use of fertilisers and pesticides to grow the tomato crop is utilised effectively, minimising the quantity used and helping to maintain biodiversity in the area.

Morning Star strongly encourages each grower to follow additional guidelines, such as avoiding production in ecologically sensitive areas, limiting erosion of nearby land, having backup plans in case of chemical spills and closely monitoring the nearby area for agrochemical exposure. Morning Star is currently in the process of collecting the monitoring data from each grower in order to track trends and patterns.

The Knorr Partnership Fund has, in conjunction with Morning Star’s farming affiliate Lucero Farms, agreed to jointly fund and develop a 35 acre sustainable demonstration farm with the help and cooperation of the Sycamore Family Trust, the University of California at Davis and the Audubon Society California.

The long term goals of this partnership are to further habitat restoration and to provide a conservation tillage demonstration farm. This will be accomplished through the installation of drip irrigation systems and by installing owl and other bird nesting boxes, as well as bee boxes. Cover crops will also be planted to reduce runoff.

“Moving forward, we are setting very ambitious goals for ourselves and our growers in our agricultural sustainability effort to ensure that the largest possible crop is produced using minimal resources and limiting damage to the environment. Unilever is a major partner in driving this development.”

Karolina Splinter Young, International Sales Manager, The Morning Star Packing Company
Magnum was launched in the UK in 1987 and in Ireland in 1990, making it the first widely available hand held indulgence ice cream in both countries. Since then, Magnum lovers have been treated to an array of delicious flavours such as Double Chocolate (1996), Double Caramel (2000), Yoghurt Fresh and Magnum Intense (2002).

Now into 2011, Magnum introduces the deliciously decadent Magnum Ecuador Cocoa and Magnum Ghana Cocoa made with specially selected cocoa bean from Rainforest Alliance Certified™ farms.

Best practice in the industry

Magnum believes fostering sustainable cocoa is the best option for securing its high quality cocoa needs in the long-term. It isn’t possible to change the industry on their own, but as a significant buyer, they are able to apply pressure, bringing about improvements for farmers, communities and ultimately the customer. Magnum is proud of their work in progressing towards sustainability certification, which places them in the forefront of the global ice cream industry.

Rainforest Alliance & Magnum - working together

Food security is under threat from rising populations, changing weather patterns, water scarcity and unsustainable farming practices. As half of Unilever’s raw materials, such as cocoa, come from farms and forests, Unilever will focus efforts first on those ingredients which come from agriculture.

Magnum is all about pleasure and for years has offered tempting, delicious and luxurious ice cream moments. In 2011, Magnum added another layer of pleasure to their ice cream experience by teaming up with the Rainforest Alliance.

By joining forces, Magnum and the Rainforest Alliance are taking great tasting ice cream beyond pleasure today and on to pleasure tomorrow.

For more information visit www.facebook.com/Magnum
Last year, Mangum launched two new variants made with some of the highest quality cocoa beans, specially selected to enhance the Magnum chocolate ice cream pleasure experience.

These specially selected cocoa beans are carefully sourced from Rainforest Alliance Certified™ farms in Ecuador and Ghana, where forests and wildlife are conserved and farm workers are treated with respect.

Magnum Ghana, made from 36% pure cocoa from Ghana, and Magnum Ecuador, made from 62% cocoa from Ecuador, delivers ultimate chocolate pleasure from bean to bite, with 100% of the beans sustainably sourced.

By the end of 2012, 60% of the cocoa Magnum use across their ice cream range will come from such sustainable sources – such a commitment means that from 2015 Magnum will be buying around 35,000 tonnes of cocoa from certified farms a year.

This will help thousands of farmers in Ghana, Ecuador, Côte d’Ivoire and other countries in West Africa to:

- Produce more and better cocoa
- Raise their income
- Deliver social benefits such as improved access to education for their children
- Produce lasting environmental benefits which will help wildlife, and protect the soil and water upon which they depend

Rainforest Alliance collaboration adds another layer of pleasure to the Magnum ice-cream experience
SUSTAINABILITY INDICATORS

ENERGY

Improving energy efficiency and using renewable energy resources are both important for improving profitability and reducing pollution. Improved energy efficiency by our suppliers and farmers will reduce the rate of depletion of fossil fuels, and often at the same time minimise the emissions of greenhouse gases and other polluting gases.

THE COOL FARM TOOL

The Cool Farm Tool is a new greenhouse gas calculator for farming, which was developed by the University of Aberdeen in partnership with Unilever.

It calculates the greenhouse gas balance of farming, including emissions from fields, inputs, livestock, land use, land use change and primary processing. It also offers users the chance to see the things that farmers can change to reduce their carbon footprint.

The tool is being used by a number of different companies with their suppliers in 18 countries. For more on this network please see: www.sustainablefood.org/gacahome.

CHANGES ARE COMING IN 2013...

We realise that the Cool Farm Tool requires a lot of data. Since 2011 was the first year we used it, we started by asking suppliers to fill in the data for one farm that they considered representative of their group of farmers. However, from January 2013 Question 6.3.2.1 will become a farmer question.

This means that each farmer who completes a Quickfire assessment will need to work out their own carbon footprint using the Cool Farm Tool. This will help us get a better picture of what is happening across the farmer base, and help us work with you to reduce your carbon footprint.

HELP IS AT HAND

Our recent survey showed that many of you found the Cool Farm Tool difficult to complete. Please remember that there is a user guide online and also a factsheet available with some top tips for easy completion. You can view our Cool Farm Tool factsheet in the Quickfire Help Area and by clicking here.

CUSTOMER COLLABORATION SUPPORTS SUSTAINABLE AGRICULTURE

Givaudan supplies sweet corn powder to Unilever for use in our Knorr brand of sauces, soups and bouillons. They are now in their fourth growing season of reporting environmental and social data to us as part of the Sustainable Agriculture Code.

Using the Cool Farm Tool, Givaudan has been able to estimate farm-level greenhouse gas emissions for sweet corn production.

The Tool revealed that the most CO₂ intensive part of sweet corn production is the application of fertiliser. Working in partnership with Unilever, Givaudan therefore jointly funded an Oregon State University research project to understand how fertiliser application might be optimised for the particular variety of sweet corn they supply.

The funding has been used to establish trial grower plots and gather baseline data. The work is still in progress but early results indicate that soil testing prior to nitrogen application can deliver both cost and environmental savings.

Vanessa King, Sustainable Sourcing Development Manager from Unilever comments: “The project with Givaudan shows the power of the Cool Farm Tool in identifying the area of most impact, and helping farmers reduce their emissions. As our biggest environmental impacts are in the sourcing of agricultural raw materials, working closely with suppliers like Givaudan, who share our values and want to grow sustainable businesses with us, is vital.”
1. WHAT ARE THE BENEFITS OF SUSTAINABLE PROCUREMENT?

For suppliers it is a unique opportunity to differentiate their products. In addition, it can help improve yields and reduce costs. This incentivises suppliers to help improve farm practices. I think that many of our suppliers have been working for many years to develop sustainable practices and I feel encouraged that a big customer like Unilever puts sustainability at the centre of its sourcing strategy.

It's important that a company like Unilever takes responsibility for the environmental impact it has on the planet. In terms of competitive advantage I believe it will become one of the key success factors to make a difference in the market place. Sustainable procurement provides an opportunity to increase market share and strengthen brand image. It limits external risks that could damage the company image through 'inheriting' bad practices of suppliers. Plus it's a driver for innovation and raising production and process standards.

2. WHAT ARE THE MAIN CHALLENGES?

It does require buyers and suppliers to acquire an in depth knowledge in sustainability, for suppliers too it requires commitment and investment.

Sustainability is often seen in the short term as a cost. It must be seen as long term value creation for a company and its customers. And I truly believe investments in sustainability will pay off in the long term, because it will be more about quality, availability and reliability in the future not just about price.

One of our key challenges is that we don’t buy directly from farmers or smallholders. We buy mostly through processors. So we need to influence suppliers through the value chain to ultimately benefit farmers. That’s both a challenge and an opportunity: we’re not just focused on the requirements of Unilever but how we can move the industry forward.

We source from over one million smallholders. As part of our Unilever Sustainable Living Plan commitment on enhancing livelihoods, we want to meaningfully engage with at least 500,000 smallholders in our supply network. This means we will help them to improve agricultural practices and enable them to become more competitive while improving the quality of their livelihoods.

A key challenge for buyers is to become an expert in understanding the business case for sustainability - it’s no longer all about managing the bottom line. Buyers also need to get a good understanding on the requirements of our Sustainable Agriculture Code and how suppliers and farmers need to apply these standards in the field.

SURVEY RESULTS

Time taken to complete one farmer SAC assessment ranges from 1 - 2 hours (15%), to 5 hours plus (38%).

This range is to be expected as it is the first year of completion and should reduce in future years.
3. SO HOW IS UNILEVER’S APPROACH CHANGING?

We’re developing longer term relationships with suppliers to understand the origination of raw materials and move towards more transparent supply chains. By understanding who is growing our inputs we can help ensure these farmers get the training and support they need to become more sustainable. And this can only be done through long term supplier partnerships.

4. HOW ARE SUPPLIERS REACTING TO THE NEW APPROACH?

Some suppliers have well established sustainability agendas whilst others may be at the start of the journey, but overall the response is very positive. I am overwhelmed at the commitment and investment suppliers are ready to make to join us on this journey.

5. WHAT HAPPENS IF YOU GET TO A POINT WHERE YOU CAN’T MAKE ANY PROGRESS WITH A SUPPLIER?

We are committed to 100% sustainable sourcing, so all our suppliers need to be on board. The focus for next 3 years is to get past 50/60% - we’re at 24% today. That’s where the hard work will come: how do we engage the remaining suppliers?

We will be looking to consolidate our supplier base and working with those suppliers who share our goals and are committed to join us on our sustainability journey. So our supply base will reduce over time but those suppliers who work with us will grow their supply to us.

6. ON A PERSONAL LEVEL HOW DO YOU FEEL ABOUT THE SUSTAINABLE PROCUREMENT AGENDA?

I find it very exciting and see it as a very positive change. I grew up in the countryside, studied agriculture at university and before Unilever I worked with a farmer co-operative, so it’s a subject that is close to my heart. More than that though I see this is the right thing to do. We have to find more sustainable ways of living to secure resources for future generations. I am proud of our contribution as a company and hope that we can make a real difference to the farmers we work with.