



Unilever Basis of Preparation 2019: Annual Report & Accounts

For Unilever Sustainable Living Plan (USLP) and
Environmental and Occupational Safety (EOS)
performance measures selected for independent
assurance in our 2019 Annual Report & Accounts

Contents

Page number

Introduction	3
Scope	3
Unilever Sustainable Living Plan (USLP) performance measures	4
Environmental and Occupational Safety (EOS) performance measures	5
Data sources	6
USLP performance data preparation	6
Nutrition (pillar commitment)	6
Greenhouse Gases (pillar commitment)	6
Water (pillar commitment)	7
Inclusive business: Small-scale retailers	8
Inclusive business: Smallholder farmers	10
EOS performance data preparation	11
Water	11
Energy and greenhouse gas emissions (GHG)	12
Waste	14
Occupational safety	14

1. Introduction

PricewaterhouseCoopers LLP (PwC) has been appointed to provide limited assurance of selected USLP and EOS performance measures. This Basis of Preparation document sets out how these USLP and EOS performance measures, described in Section 2 below, have been prepared and reported, including their reporting periods.

The selection of USLP and EOS performance measures for limited assurance is explained in the "Independent Assurance" section of the online Unilever Sustainable Living Report.

Our USLP and EOS targets and the performance results achieved are described in full in the online Unilever Sustainable Living Report for 2019. A selection of targets and the performance results achieved are also described in the 2019 Annual Report and Accounts.

This document reflects our business objectives and processes and takes into account regulatory requirements applicable to our operations globally, industry codes of practice and voluntary guidance from external bodies. Unlike financial accounting standards, currently there are no industry norms or globally recognised established practices for measuring and evaluating performance data of this type. While these practices are evolving, it is important therefore to understand the approach we have taken with our data. We have established objective measurement techniques, including appropriate estimates and assumptions, for our performance data.

2. Scope

This document summarises the definition, scope and data preparation for the performance measures listed below. The preparation of the USLP and EOS performance measures is detailed in Sections 4 and 5 respectively.

Unless otherwise indicated, the performance data includes newly acquired businesses as soon as the appropriate processes and systems are implemented to enable consistent data collation and Unilever Group level consolidation.

Operations categorised as joint ventures or investments are excluded from the scope of all performance measures, unless otherwise indicated.

The results of disposed businesses are included in the performance measures up to the date of disposal.

We ensure that appropriate procedures are in place to report performance data, in all material respects, as set out in this document. These procedures ensure that:

- the reported information reflects our performance;
- the data is meaningful and is consistent with the stated definitions and scope;
- any specific exclusions are stated clearly and explained;
- any assumptions we make as well as our accounting and calculation methods are clearly described; and
- the level of transparency is sufficient to enable users to have confidence in the integrity of our reporting.

2.1 USLP performance measures

USLP Indicator	Performance measured	2019 reported performance result
Nutrition (pillar commitment): Helping people to achieve healthier diets.	<ul style="list-style-type: none"> The percentage of sales volume of Unilever food and refreshment products meeting the criteria for highest nutritional standards based on globally recognised dietary guidelines from 1 October 2018 to 30 September 2019. 	<ul style="list-style-type: none"> 56% of our portfolio by volume met criteria for highest nutritional standards based on globally recognised dietary guidelines.
Greenhouse Gases (pillar commitment): Halve the greenhouse gas impact of our products across the lifecycle by 2030.	<ul style="list-style-type: none"> The percentage change in the greenhouse gas impact of our products across the lifecycle per consumer use between the period measured from 1 January 2010 to 31 December 2010 ("2010 baseline") and the period measured from 1 July 2018 to 30 June 2019 ("2019 footprint"). 	<ul style="list-style-type: none"> 2% increase in the greenhouse gas impact of our products across the lifecycle.
Water (pillar commitment): Halve the water associated with the consumer use of our products by 2020.	<ul style="list-style-type: none"> The percentage change in the water impact (water in the products and water associated with the consumer use of our products) per consumer use between the period measured from 1 January 2010 to 31 December 2010 ("2010 baseline") and the period measured from 1 July 2018 to 30 June 2019 ("2019 footprint"). 	<ul style="list-style-type: none"> 1% increase in the water associated with the consumer use of our products.
Inclusive Business: Enabling small-scale retailers to access initiatives aiming to improve their income.	<ul style="list-style-type: none"> Number of small-scale retailers in our distribution network we have enabled access to initiatives aiming to improve their incomes for the period 1 October 2015 to 30 September 2019. 	<ul style="list-style-type: none"> Enabled 1,807,968 small-scale retailers to access initiatives aimed at improving their income.
Inclusive Business: Enabling smallholder farmers to access initiatives aiming to improve agricultural practices.	<ul style="list-style-type: none"> Number of smallholder farmers in our supply network who we have enabled access to initiatives aimed at improving their agricultural practices for the period of 1 January 2011 to 30 September 2019. 	<ul style="list-style-type: none"> Enabled 793,735 smallholder farmers to access initiatives aimed at improving their agricultural practices.

2.2 EOS performance measures

EOS Indicator	Performance measured	2019 reported performance result
Water: Reduce water use in manufacturing.	<ul style="list-style-type: none"> Water abstracted in m³ per tonne of production. Change in the volume of water in m³ abstracted in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. Percentage change in the water abstracted per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. Emissions of chemical oxygen demand (COD) in kg per tonne of production. 	<ul style="list-style-type: none"> 1.58 m³/tonne. 26.5 million fewer m³ of water abstracted in 2019 than in 2008. 47% reduction in water abstracted per tonne of production in 2019 compared to 2008. 0.91 kg/tonne.
Energy and greenhouse gas emissions: Reduce GHG from manufacturing.	<ul style="list-style-type: none"> CO₂ emissions from energy use in tonnes (market-based). CO₂ emissions from energy use in tonnes (location-based). CO₂ emissions from energy use in kg per tonne of production (market-based). Change in the tonnes of CO₂ from energy (market-based) in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. Percentage change in CO₂ from energy use (market-based) per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. Energy use in gigajoules per tonne of production. 	<ul style="list-style-type: none"> 969,498 tonnes (market-based) 1,725,282 tonnes (location-based) 50.76 kg/tonne 1,816,384 fewer tonnes of CO₂ from energy use in 2019 than in 2008 65% reduction in CO₂ from energy use (market-based) per tonne of production in 2019 compared to 2008. 1.25 GJ/tonne
Waste: Reduce waste from manufacturing.	<ul style="list-style-type: none"> Hazardous waste in kg per tonne of production. Non-hazardous waste in kg per tonne of production. Total waste sent for disposal per tonne of production. Change in the tonnes of total waste sent for disposal in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. Percentage change in the total waste sent for disposal per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008)*. 	<ul style="list-style-type: none"> 0.25 kg/tonne. 0.05 kg/tonne. 0.30 kg/tonne. 145,299 fewer tonnes of total waste sent for disposal in 2019 than in 2008. 96% reduction in total waste sent for disposal per tonne of production in 2019 compared to 2008.
Occupational safety: Reduce workplace injuries and accidents	<ul style="list-style-type: none"> Number of fatal accidents in 2019 (1 October 2018 to 30 September 2019). Accident rate: Total Recordable Frequency Rate (TRFR) per 1,000,000 man-hours in 2019 (1 October 2018 to 30 September 2019). 	<ul style="list-style-type: none"> 4 fatalities. 0.76 accidents per 1 million man-hours worked.

* The baseline 12-month reporting period is considered to be comparable to the 12-month reporting period for 2019.

3. Data sources

Our objective is to gather and report reliable and robust data. We are committed to providing transparency on the quality of the data where we consider there are matters which are material to users of the information. The information we report is subject to internal review processes and, where relevant and/or required, peer review. All performance measures in the above tables, 2.1 and 2.2, are subject to external assurance unless specifically noted.

3.1. USLP performance measures

Our data reporting systems for Unilever Sustainable Living Plan targets and performance are evolving and we continue to work to align data recording and reporting methods across the Unilever Group. This includes working with third parties where we rely on their data to provide input and support our performance.

3.2. EOS performance measures

Every year we collect data on key measures of environmental performance. This is collated and analysed using a web-based Environmental Performance Reporting tool (EPR). Since 2008 we have reported our CO₂ emissions with reference to the GHG Protocol**.

For the reporting period 1 October 2018 to 30 September 2019, 261 manufacturing sites in 68 countries reported environmental performance data. In some cases, multiple factories occupy one manufacturing site.

For the two occupational safety performance measures, we collect data from our manufacturing sites and non-manufacturing sites via our Occupational Safety (OS) tool. For the reporting period 1 October 2018 to 30 September 2019, 512 sites reported occupational safety performance measures.

** The Greenhouse Gas Protocol Initiative is a multi-stakeholder partnership of businesses, NGOs, governments and others convened by the World Resources Institute (WRI), US-based environmental NGO, and the World Business Council for Sustainable Development (WBCSD), a Geneva-based coalition of 200 international companies. Launched in 1998, the Initiative's mission is to develop internationally accepted greenhouse gas (GHG) accounting and reporting standards for business and to promote their broad adoption.

4. USLP performance data preparation

Sections 4.1 – 4.5 detail the basis of preparation for each USLP performance measure.

4.1 Nutrition (pillar commitment): Helping people to achieve healthier diets.

Performance measure:

The percentage of sales volume of Unilever food and refreshment products meeting the criteria for highest nutritional standards based on globally recognised dietary guidelines from 1 October 2018 to 30 September 2019.

Definitions:

- Unilever's food and refreshment products portfolio consists of the individual food and refreshment SKUs (stock-keeping units), as well as the products marketed under the joint

ventures of Lipton with Pepsi, Suntory and Morinaga.

- The highest nutrition standards* refer to product levels of salt, saturated fat, trans fats, added sugar and kilocalories that are aligned with international dietary guidelines and are therefore the strictest within Unilever's Nutrition Enhancement Programme. We evaluate the content of these nutrients in our food and beverage products on the basis of the nutritional specifications. These specifications are the basis for nutrient levels disclosure on our product packaging or websites. The nutritional content of ingredients in our specifications is determined in line with globally and/or locally accepted food regulator methodologies.

Scope:

Food and refreshment products are 'in scope' of this performance measure, as well as the products marketed under the joint ventures of Lipton with Pepsi, Suntory and Morinaga. We report on all SKUs to the extent that we have the required nutritional information available. The number of SKUs which lack the required nutritional information represented approximately 5% of sales volume in 2019.

Performance data preparation and assumptions:

The nutritional data for food and refreshment products including food service are taken from Unilever's product specification management systems (PLM). The sales volumes for products in scope are extracted from Unilever's sales system (CoRe).

Portfolio data of products marketed under the joint ventures of Lipton with Pepsi, Suntory and Morinaga is taken from the joint ventures' data management systems.

The nutrient content of individual food and refreshment SKUs is compared to the standards* in order to determine compliance. Each product must meet all the required nutrient standards per product to be determined as compliant.

* The Unilever Highest Nutritional Standards can be found on Unilever.com: https://www.unilever.com/Images/unilever-highest-nutritional-standards_tcm244-510082_1_en.pdf

4.2 Greenhouse Gases (pillar commitment): Halve the greenhouse gas impact of our products across the lifecycle by 2030.

Performance measure:

The percentage change in the greenhouse gas impact of our products across the lifecycle per consumer use between the period measured from 1 January 2010 to 31 December 2010 ("2010 baseline") and the period measured from 1 July 2018 to 30 June 2019 ("2019 footprint").

Definitions:

- The GHG performance measure considers GHG emissions (Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydro fluorocarbons and Perfluorocarbons (F-gases) and Sulphur hexafluoride (SF₆)) resulting from our products.
- The GHG performance measure is expressed on a 'per consumer use' basis. 'Per consumer use' refers to the consumed amount per individual portion, single use or serving of a Unilever product by one person. It is based on the amount

of product sold to the consumer, and either the recommended dose/use or habits data.

Scope:

Our GHG performance measure calculates the GHG emissions related to our products:

- In 14 key countries: Brazil, China, France, Germany, India, Indonesia, Italy, Mexico, Netherlands, Russia, South Africa, Turkey, UK, and USA.
- For our 12 categories: Beverages, Deodorants, Dressings, Fabric Sensations, Fabric Solutions, Hair Care, Home & Hygiene, Ice Cream, Oral Care, Savoury, Skin Care, and Skin Cleansing.
- In six phases of the life cycle: raw materials (primary packaging, secondary packaging, ingredients), manufacturing, distribution, retail, consumer use, and disposal.

Products excluded from the GHG performance measure are:

- Those for which the required data is not available with sufficient detail and/or where Unilever does not have direct influence over the footprint of the finished product, namely; products developed and manufactured through our joint venture operations, products distributed to professional markets via Food Solutions, bulk items and export items that are sold to third parties as unfinished products, promotional items and complex packs, and tools and devices (including Pureit).
- Those which have exceptionally high sales volumes expressed in consumer uses and represent a negligible proportion of our absolute impact, thereby having the potential to distort the 'per consumer use' performance measure (namely Q Tips cotton swabs, Annapurna salt, and Vaseline lip balm).

The Spreads business was sold in mid-2018 and has been excluded from the performance measure from 2018 onwards to ensure alignment with the existing business structure. The 2010 GHG baseline has accordingly been restated in 2018 by an increase of 5% to 44.5 g per consumer use.

These exclusions are applied consistently across the GHG, water and waste pillar commitment performance measures.

Performance data preparation and assumptions:

Calculating this performance measure requires a detailed analysis of the GHG impacts of thousands of products spread across 14 key countries. The results are calculated at a corporate level on a per consumer use basis. The GHG impact is calculated for a representative sample of products, based on a clustering of products. The clustering aims to account for at least 80% of our sales volume in the 14 key countries. The representative product assessment is then extrapolated at a category and country level to account for the un-clustered products in each of the 14 key countries.

For each representative product, a number of internal and external data sources are used to describe the various life cycle activities and inputs (e.g. specification of product, energy for site of manufacture, consumer use data). Consumer use (i.e. the consumed amount per individual portion, single use or serving of a Unilever product by one person) is determined based on either consumer habits

studies or on-pack recommendations. In cases where relevant consumer habits studies are unavailable, internal expert opinion is also used where necessary. Consumer use data often varies by country. The data on the GHG emission impact of ingredients and packaging are obtained from external databases (based on industry averages) or internal expert studies. Information on the GHG impact of ingredients, packaging, and consumer use is analysed and combined with the GHG impact of manufacturing and distribution (based on internal data sources) to calculate our GHG performance measure.

4.3 Water (pillar commitment): Halve the water associated with the consumer use of our products by 2020.

Performance measure:

The percentage change in the water impact (water in our products and water associated with the consumer use of our products) per consumer use between the period measured from 1 January 2010 to 31 December 2010 ("2010 baseline") and the period measured from 1 July 2018 to 30 June 2019 ("2019 footprint").

Definitions:

- The water performance measure considers the water in our products (ingredients phase) plus the water used by consumers for our products (consumer-use phase). Agricultural water and water use related to non-renewable materials (raw material phase) are not included as these data are not available at the required quality or accuracy level. The water used in our manufacturing operations is reported separately.
- The water performance measure is expressed on a 'per consumer use' basis. 'Per consumer use' refers to the consumed amount per individual portion, single use or serving of a Unilever product by one person. It is based on the amount of product sold to the consumer and either the recommended dose/use or habits data.
- Our definition of domestic water scarcity based on an assessment in 2008 (updated in 2011) is based on:
 - a) an evaluation of the number of people in each country experiencing physical water scarcity
 - b) the number of people who lack access to an improved water source
 - c) countries which have watersheds with WS11>0.4 and/or where less than 80% of the population has access to sanitation/clean water.

Scope:

Our water performance measure is calculated for our products:

- In seven countries: China, India, Indonesia, Mexico, South Africa, Turkey and the USA. These seven countries were identified as water-scarce countries based on an assessment in 2008 (updated in 2011) of domestic water used with our products in 14 key countries (Brazil, China, France, Germany, India, Indonesia, Italy, Mexico, Netherlands, Russia, South Africa, Turkey, UK, and USA).

- For six categories: Fabric Sensations, Fabric Solutions, Hair Care, Home & Hygiene, Oral Care, and Skin Cleansing. Of Unilever's 12 categories, these six represented 99% of our absolute water impact.
- In two phases in our life cycle: raw materials (ingredients) and consumer use.

Products excluded from the water performance measure are:

- Those for which the required data is not available with sufficient detail and/or where Unilever does not have direct influence over the footprint of the finished product, namely: products developed and manufactured through our joint venture operations, products distributed to professional markets via Food Solutions, bulk items and export items that are sold to third parties as unfinished products, promotional items and complex packs, and tools and devices (including Pureit).
- Those which have exceptionally high sales volumes expressed in consumer uses and represent a negligible proportion of our absolute impact, thereby having the potential to distort the 'per consumer use' performance measure (not applicable to the 2019 footprint for water).

These exclusions are applied consistently across the GHG, water and waste pillar commitment performance measures.

Performance data preparation and assumptions:

Calculating this performance measure requires a detailed analysis of the water impacts of around one thousand products. The results are calculated at a corporate level on a per consumer use basis. The water impact is calculated for a representative sample of products, based on a clustering of products. The clustering aims to account for at least 80% of our sales volume in the 14 key countries, of which seven have been identified as water-scarce. The representative product assessment is then extrapolated at a category and country level to account for the unclustered products in each of the seven water scarce countries.

For each representative product, a number of internal and external data sources are used to describe the two life cycle activities and inputs (specification of products and consumer use data). Data on the water impact of the ingredients phase is obtained from internal product specification systems. Data on the water impact of the consumer use phase (i.e. the amount of water used with one dose of a Unilever product by one person) is determined based on either consumer habits studies or on-pack recommendations. In cases where relevant consumer habits studies are unavailable, internal expert opinion is also used where necessary. Consumer use data often varies by country.

4.4 Inclusive Business: Enabling small-scale retailers to access initiatives aiming to improve their income.

Performance measure:

Number of small-scale retailers in our distribution network we have enabled access to initiatives aiming to improve their incomes for the period 1 October 2015 to 30 September 2019.

Definitions:

A small-scale retailer is a 'fixed' or 'mobile' small-scale retail outlet selling Unilever products.

A 'fixed' small-scale retail outlet is a micro-retailer enrolled in a relevant programme (e.g. Kabisig Summits initiative in the Philippines) or as defined using Unilever's Customer Development channel definitions. The channels included in this metric are:

- Independent Grocery; or
- Small/Open Market.

Individual salespersons in each country perform the categorisation of the retail outlets based on channel definition guidelines.

A 'mobile' small-scale retail outlet is defined as a mobile individual retailer (e.g. Shakti).

Our distribution network includes any distributor, wholesaler, independent retail outlets, kiosks, small businesses or individuals, of any size, which helps to distribute and sell Unilever products.

The increase in sales of Unilever products to small-scale retailers is taken to be a measure of improving income.

We enable retailers to access initiatives in the following ways:

- **Fixed:**
Through actions that have been undertaken to achieve Perfect Store compliance. For example, through improving the availability and visibility of Unilever products, ensuring outlets offer or stock a more relevant and optimised assortment and optimal placement, promotion and communication of Unilever products.
Through face-to-face group training which deliver instructions on how to maximise sales through ensuring Unilever products are available, optimally placed and promoted (Kabisig Summits).
- **Mobile:**
Through enrolling people in a dedicated small-scale retailers programme (Shakti and Shakti-like initiatives) and supplying them with Unilever products for sale and distribution and supporting them to do so. For small-scale retailers to be included they have to be actively involved in an initiative selling or distributing Unilever products, which means that they must have recorded at least one transaction with Unilever in the previous three months prior to the end of the reporting period.
The Metric Owner at Unilever will apply the following tests to determine that all initiatives are appropriate to be included under the definition of improving incomes of small-scale retailers:
 - the subject matter and duration of the initiative is appropriate and relevant to the specific geography or situation
 - the level of Unilever commitment is appropriate, through a significant commitment of financial/other resource contribution and/or provision of staff/people who direct or implement the initiative.

The Metric Owner at Unilever obtains a list of new initiatives to be included in the performance measure on an annual

basis. Metric owner performs the following checks for each initiative:

- The tests are performed to determine that all initiatives are appropriate to be included under the definition of improving incomes.
- The initiative is aimed at retailers which are small-scale.
- The initiative is aimed at small-scale retailers within Unilever's distribution network.
- The initiative counts a mobile small-scale retailer only if they are actively involved selling or distributing Unilever products.

The initiatives included in this performance measure (and their reporting periods) are:

- Guddi Baji (1st July 2017 to 30th September 2019)
- Perfect Store India (1st October 2015 to 30th September 2016)
- Perfect Store Indonesia (1st October 2015 to 30th September 2016)
- Perfect Store Pakistan (1st October 2015 to 30th September 2016)
- Perfect Store Philippines (1st October 2015 to 30th September 2016)
- Perfect Store Thailand (1st October 2015 to 30th September 2016)
- Perfect Store Turkey (1st October 2015 to 30th September 2016)
- Perfect Store Vietnam (1st October 2015 to 30th September 2016)
- Saubhagya (1st July 2018 to 30th September 2019)
- Shakti (1st July 2017 to 30th September 2019)
- Shakti Middle America (1st July 2018 to 30th September 2019)
- Shakti Nigeria (1st July 2017 to 30th September 2019)
- Kabisig Summits Initiative (1st January 2016 to 30th September 2019).

Scope:

The countries in scope of this performance measure are Colombia, El Salvador, Guatemala, India, Indonesia, Nigeria, Pakistan, Philippines, Sri Lanka, Thailand, Turkey and Vietnam.

An initiative is included in this performance measure when at least 1,000 small-scale retailers have accessed the initiative.

Performance data preparation and assumptions:

There are different processes and reporting periods for preparing data:

- Fixed small-scale retail outlets (Perfect Store)

The result is number of Compliant Perfect Stores categorised as small-scale retailers, by the 30th September 2016.

Each market records details of all retail outlets that are enrolled in Perfect Store and the methodology and results of the compliance process, in their own spreadsheets or systems. Each market sets the requirements for Perfect Store Compliance in line with global Perfect Store guidelines. Markets that are in-

scope for our USLP reporting will then identify the number of stores that have achieved Perfect Store Compliance within the relevant channels (Small/Open Market, and Independent Grocery).

For the majority of the markets, outlets are audited on a sample basis and the results of these audits are used to calculate the compliance rate which is then applied to all stores that are enrolled in the Perfect Store programme in that market (for example, 3% of all enrolled stores are audited and if 50% of audited stores meet 100% of perfect store compliance criteria, the market then applies this compliance percentage to all enrolled stores as they assume statistically that 50% of all stores are achieving 100% compliance).

For each market an increase in sales of Unilever products to small-scale retailers categorised as Perfect Stores is taken to be a measure of improving income.

The initiative result, evidence file and supporting documentation for each Perfect Store market in-scope for reporting is then submitted into the Enhancing Livelihoods Initiative Reporting Tool of the Unilever Electronic Measurement, Analytics and Reporting Solution for USLP Initiatives ("ELMA").

- Fixed small-scale retail outlets (Kabisig Summits)

An outsourced third-party training agency delivers trainings and records the details of people attending this training in an excel spreadsheet which is stored in the USLP Enhancing Livelihoods Measurement Tool of ELMA. The local Customer Development team reviews and approves these results in ELMA. The records of unique small-scale retail outlets with an owner attending at least one training session since the start of the initiative is then extracted in a consolidated data file and the number and evidence file is submitted with supporting documentation into the Enhancing Livelihoods Initiative Reporting Tool of ELMA.

An increase in sales to SUPER!stores (which distribute Unilever products to Kabisigs) in the period after a summit is run compared to the period before a summit is run is assumed to relate to an increase in the sales of the participating small-scale retail outlets (Kabisigs) which is taken to be a measure of improving income.

- Mobile small-scale retail outlets (Shakti, Guddi Baji, Saubhagya)

By enrolling in the initiative and supplying them with Unilever products for sale and distribution and supporting them to do so, mobile small-scale retailers improve their incomes through improved business/retailing practices. Their details are recorded in the Distributor Management System (or other sales management system). For the retailer to be included they have to be actively involved in the initiative, which means that they must have recorded at least one transaction with Unilever in the previous three months prior to the end of the reporting period. Each year any new retailers active in the initiative will be aggregated to the previous year's total and checks made by the initiative team to ensure that they have not been counted in the initiative result previously. This result, along with supporting documentation, is uploaded into Enhancing Livelihoods Initiative Reporting Tool of ELMA by the relevant Customer Development team.

All initiative results and evidence files are reviewed by the Metric Owner and when finalised are signed-off. The results of the initiatives are then aggregated into a total number of small-scale retailers in our distribution network which have been enabled to access initiatives aiming to improve their incomes and reported in the metric result.

The risk of double counting exists where i) small-scale retailers can access more than one initiative because the initiatives are run in the same country or are targeted at the same group of women or ii) small-scale retailers can access the same initiative more than once in one year or over a number of years. The Metric Owner performs an assessment of this risk during the reporting period by checking for any instances where different initiatives have been run in the same locations and by checking if any repeated initiatives have been run in the same location since the start of the reporting period of the initiative. Any risk is then mitigated through outlets having unique codes and checks being performed to ensure that no outlet is counted twice.

4.5 Inclusive Business: Enabling smallholder farmers to access initiatives aiming to improve agricultural practices.

Performance measure:

Number of smallholder farmers in our supply network who we have enabled access to initiatives, aimed at improving their agricultural practices for the period 1 January 2011 to 30 September 2019.

Definitions:

A smallholder farmer is a person which farms a plot of land to support their 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 where we have the initiatives.

For this performance measure, our supply network is defined as those smallholder farmers who we engage directly or indirectly through our suppliers.

Improving agricultural practices is defined as improving the methods and activities used by smallholder farmers to farm effectively. These practices are improved by developing the capabilities of smallholder farmers, for example, through improving their skills and understanding of sustainable agriculture to enable more effective irrigation, promote crop diversification and rotation and increase crop yields.

This can be achieved through training which meets one of the following three criteria:

1. training curricula that is formally accredited with a recognized body or organization;
2. training and skills courses delivered by qualified individuals or a recognized body or organization;
3. training curricula which has been peer reviewed.

The initiatives included in this performance measure (and their reporting periods) are:

- Barry Callebaut RA Initiative (4th January 2016 to 30th September 2019)
- Black Soy for Bango Initiative (31st December 2016 to 30th September 2019)
- Cargill Cocoa Promise (31st August 2015 to 30th September 2018)

- Chicory India Initiative (1st October 2017 to 30th September 2019)
- China Smallholder Farmers Initiative (1st January 2018 to 30th September 2019)
- KTDA Sustainable Agriculture Initiative (1st January 2014 to 30th September 2016)
- Marcatus Smallholder Farmers Initiative (1st June 2015 to 30th September 2018)
- Palm Oil Smallholder Certification Initiative (15th May 2018 to 30th September 2019)
- Palm Oil Smallholder Training Initiative (1st January 2018 to 30th September 2019)
- Rainforest Alliance Tea Turkey Initiative (1st January 2011 to 30th September 2017)
- Sustainable Tea Vietnam Phase II Initiative (30th September 2016 to 30th September 2019)
- Tea Sri Lanka Initiative (1st January 2015 to 30th September 2019)
- Tea Turkey Suppliers Initiative (1st January 2014 to 30th September 2018)
- Tea Vietnam Initiative (1st December 2013 to 30th September 2016)
- Tea Tanzania Initiative (31st December 2016 to 30th September 2017)
- Tomatoes India Initiative (1st January 2017 to 30th September 2018)
- Trustea Smallholder Farmers Initiative (28th November 2013 to 30th September 2019)
- Upscaling Vanilla Madagascar Initiative (1st November 2016 to 30th September 2019)
- Vanilla Madagascar Initiative (1st January 2014 to 30th September 2016)

We enable smallholder farmers to access initiatives in the following ways:

- Face to face programmes or training courses OR
- Through being a member of a farm household which has achieved certification through sustainable farming certification made possible by Unilever OR
- Provision of access to improved technology such as drip-irrigation or improved planting varieties.

For a smallholder farmer to be included they have to have attended at least one face to face training session, have been provided with access to improved technology or be a member of a farm that has achieved certification.

The Unilever Procurement Team applies the following tests to determine that initiatives are aimed at improving livelihoods:

- the subject matter and duration of the initiative is appropriate and relevant to the specific geography or situation.
- the level of Unilever commitment is appropriate, through a significant commitment of financial/other resource contribution and/or provision of staff/people who direct or implement the initiative.

The Metric Owner at Unilever obtains a list of new initiatives to be included in the performance measure on an annual basis. Metric owner performs the following checks for each initiative:

- The training and development meets one of the three criteria outlined above (i.e. accredited organisation, or qualified individual or peer reviewed).
- The tests are performed to determine that all initiatives are appropriate to be included under the definition of improving agricultural practices. (i.e. duration of the course and level of commitment).
- The initiative counts a smallholder farmer only if they have attended at least one face to face training session, has been provided with access to improved technology or is a member of a farm household that has achieved certification.
- There are at least 1,000 smallholder farmers who have accessed the initiative.

If all above are met, the Metric Owner confirms which initiatives can be included and sets up the data collection, data aggregation and approvals processes with the initiative owner.

Scope:

The countries in scope of this performance measure are China, Côte d'Ivoire, India, Indonesia, Kenya, Madagascar, Rwanda, Sri Lanka, Tanzania, Turkey and Vietnam.

An initiative is included in this performance measure when at least 1,000 smallholder farmers have accessed the initiative.

Performance data preparation and assumptions

The reporting period for each of the initiatives are noted above.

The number of smallholder farmers and certified farms who have been enabled to access initiatives aimed at improving their agricultural practices are recorded by the third party running the initiative. A reasonable assumption is made that there is one smallholder farmer on each certified farm.

This data is input by the third party into Unilever's Electronic Measurement and Analytics Solution ("ELMA") and reviewed by the Unilever Procurement Team. When the data for each initiative has been approved by the Procurement Team, the data is aggregated into a final list of smallholder farmers who we have enabled to access initiatives. The supporting documentation and calculation is uploaded into ELMA for review and approval by the Metric Owner.

The risk of double counting exists where i) smallholder farmers can access more than one initiative because the initiatives are run in the same country or are targeted at the same group of smallholder farmers or ii) smallholder farmers can access the same initiative more than once in one year or over a number of years. The Metric Owner performs an assessment of this risk during the reporting period and ensures that a smallholder farmer isn't counted twice in the performance measure.

5. Environmental and Occupational Safety performance data preparation

Sections 5.1 – 5.6 detail the basis of preparation for each EOS performance measure.

5.1 Water: Quantity of water abstracted by manufacturing sites

Performance measures:

- Water abstracted in m³ per tonne of production.
- Change in the volume of water in cubic meters (m³) abstracted in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).
- Percentage change in the volume of water abstracted per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).

Definitions:

Each factory records water abstracted for use in manufacturing from various sources. These sources are classified as; municipal/piped sources, groundwater (direct abstraction by site), surface water (direct abstraction from river or lake), brackish/saline sources (direct abstraction from estuary or sea), water delivered to site by tanker, non-contact cooling water (any source).

Total water abstracted is the sum of these sources, measured in cubic metres.

We calculate water abstracted per tonne of production, based on total water abstracted in cubic metres divided by the sum of production volume in tonnes reported by each manufacturing site.

Scope:

Manufacturing sites included in the performance measures are those which meet all the following criteria:

- The site is owned or leased by Unilever.
- Unilever personnel are running/controlling the site.
- The site manufactures or packs Unilever products or materials used in Unilever products.
- Production lines on new sites are only included once fully commissioned, which occurs once there has been sign-off by technology providers and R&D sign-off.

A manufacturing site may have one or more factories. Reporting will be performed for individual factories on a manufacturing site when the above conditions are met for one or more of the factories on the site.

Manufacturing sites excluded from the performance measures are those that meet the following criteria:

- Sites which are owned by Unilever but are run by third party companies.
- Sites owned by third parties that produce (pack or make) our products.

- Sites that are under commissioning. Indicators for when a site is still under commissioning, includes:
 - Site not been released for normal production for more than 72 consecutive hours.
 - No quality norms being achieved over a similar time period while running at rated throughput.
 - Not all sections / modules within the plant being able to perform to rated parameters.
 - Site not yet being depreciated.
 - Technology guarantee checks not yet performed.
 - Sites where decommissioning has started.

Non-manufacturing sites are offices, research laboratories and marketing/sales organisations.

Water used at our manufacturing sites from the following sources are excluded from total water abstracted:

- Rainwater captured and treated on the manufacturing site; and
- Embedded water or water contained in raw materials.

Performance data preparation and assumptions:

Water abstraction data is taken from meter reads/invoices and captured by each manufacturing site in the EPR system. All data is recorded in cubic metres. The EPR system summarises and aggregates the data into standard reports by manufacturing site and at regional and global levels.

5.2 Water: Emissions of chemical oxygen demand (COD) by manufacturing sites

Performance measure:

Chemical oxygen demand (COD) in kg per tonne of production in 2019 (this covers the period 1 October 2018 to 30 September 2019).

Definitions:

COD represents the ingredients and product lost from our manufacturing processes in process wastewaters. It arises mainly during cleaning operations.

COD is widely used by regulatory bodies to control industrial wastewaters and to calculate the correct level of charges for downstream municipal wastewater treatment, which is designed to remove most of the COD before the wastewater is discharged to the environment.

Scope:

Manufacturing sites included in the performance measures are those which meet all the following criteria:

- The site is owned or leased by Unilever.
- Unilever personnel are running/controlling the site.
- The site manufactures or packs Unilever products or materials used in Unilever products.
- Production lines on new sites are only included once fully commissioned, which occurs once there has been sign-off by technology providers and R&D sign-off.

A manufacturing site may have one or more factories. Reporting will be performed for individual factories on a manufacturing site when the above conditions are met for one or more of the factories on the site.

Manufacturing sites excluded from the performance measures are those that meet the following criteria:

- Sites which are owned by Unilever but are run by third party companies.
- Sites owned by third parties that produce (pack or make) our products.
- Sites that are under commissioning. Indicators for when a site is still under commissioning, includes:
 - Site not been released for normal production for more than 72 consecutive hours.
 - No quality norms being achieved over a similar time period while running at rated throughput.
 - Not all sections / modules within the plant being able to perform to rated parameters.
 - Site not yet being depreciated.
 - Technology guarantee checks not yet performed.
 - Sites where decommissioning has started.

Non-manufacturing sites are offices, research laboratories and marketing/sales organisations.

The Unilever COD data represents the effluent load discharged from the boundary of the manufacturing site. It is typically calculated from a representative concentration of COD in the wastewater and volumetric flow of the wastewater.

Reuse of COD on-site, for example through irrigation of land on the Unilever site, is excluded from reported COD.

Performance data preparation and assumptions:

The COD load is typically calculated using COD concentration data measured in on site laboratories or those of wastewater treatment companies and volumetric flow data from effluent flow meters on site.

Where direct measurement of COD is not carried out, estimation methodologies are applied by applying a standard conversion factor to COD measurement with reference to BOD (Biological Oxygen Demand) measurements and COD:BOD ratios for sites with similar product output or by using an average COD concentration per tonne of production based on similar manufacturing sites or those obtained during production trials.

The data does not make any allowance for the fact that based on individual site data we estimate that around a further 90% of this material is removed in municipal wastewater treatment plants. Consequently the COD load which actually reaches the environment is much lower.

5.3 GHG: Greenhouse gas emissions and energy use by manufacturing sites

Performance measures:

- CO₂ emissions from energy use (market and location based) in tonnes in 2019 (this covers the period 1 October 2018 to 30 September 2019).
- CO₂ emissions from energy use in kg per tonne of production (market-based) in 2019 (this covers the period 1 October 2018 to 30 September 2019)

- Change in the tonnes of CO₂ emissions from energy use (market-based) in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).
- Percentage change in CO₂ from energy use (market-based) per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).
- Total energy use in GJ per tonne of production.

Goal setting and tracking is performed using market-based CO₂ emissions.

Definitions:

Each factory records energy used in manufacturing under various energy sources e.g. gas, oil (Scope 1 sources), purchased electricity and steam (Scope 2 sources) etc. Each energy use is converted to gigajoules (GJ), using standard conversion factors and calorific values.

CO₂ emissions from energy used in manufacturing sites is calculated from energy use in GJ multiplied by the carbon emission factor for each energy type (in kg CO₂ per GJ).

The carbon emission factors for scope 2 emissions are applied in terms of the two methods provided by the GHG Protocol:

1. Location-based: All electricity purchased is converted into CO₂ emissions using the average grid emissions factor for electricity in the country in which it is purchased. Renewable Energy Certificates ("RECs") are not applied to the total scope 2 emissions.
2. Market-based: All electricity purchased is converted to CO₂ using emissions factors from contractual instruments which Unilever has purchased or entered into.

The total amount of CO₂ emissions is the sum of CO₂ emissions for each energy source. This is measured in tonnes.

CO₂ emissions per tonne of production is the total amount of CO₂ emissions divided by the sum of production volume in tonnes reported by each manufacturing site. This is measured in kg per tonnes of production.

Energy from diesel/LPG used in forklifts, fire trucks and testing power generators on our manufacturing sites is excluded. CO₂ emissions from use of biogenic fuels (biomass, wood pellets, etc.) is also excluded.

Scope:

Manufacturing sites included in the performance measures are those which meet all the following criteria:

- The site is owned or leased by Unilever.
- Unilever personnel are running/controlling the site.
- The site manufactures or packs Unilever products or materials used in Unilever products.
- Production lines on new sites are only included once fully commissioned, which occurs once there has been sign-off by technology providers and R&D sign-off.

A manufacturing site may have one or more factories. Reporting will be performed for individual factories on a manufacturing site when the above conditions are met for one or more of the factories on the site.

Manufacturing sites excluded from the performance measures are those that meet the following criteria:

- Sites which are owned by Unilever but are run by third party companies.
- Sites owned by third parties that produce (pack or make) our products.
- Sites that are under commissioning. Indicators for when a site is still under commissioning, includes:
 - Site not been released for normal production for more than 72 consecutive hours.
 - No quality norms being achieved over a similar time period while running at rated throughput.
 - Not all sections / modules within the plant being able to perform to rated parameters.
 - Site not yet being depreciated.
 - Technology guarantee checks not yet performed.
 - Sites where decommissioning has started.

Non-manufacturing sites are offices, research laboratories and marketing/sales organisations.

We measure the reduction in CO₂ which is one of the four main GHGs. We do not measure the three other main GHGs because our emissions are negligible. These are: nitrous oxide (produced mainly in nitric oxide manufacture), perfluorocarbons (mainly associated with aluminium and magnesium production) and sulphur hexafluoride (used in some electrical equipment). GHG emissions associated with fugitive losses of HFC refrigerants are not included within the scope of CO₂ emissions from energy used in manufacturing. These are not material compared to emissions from energy used.

Performance data preparation and assumptions:

Energy use data is taken from meter reads/invoices and captured for each manufacturing site in the EPR (Environmental Performance Reporting) system. The EPR system contains factors to convert common units of energy (e.g. cubic metres of gas or tonnes of oil) to a standard unit of energy (GJ). The EPR system summarises and aggregates the energy data into standard reports by manufacturing site and at regional and global levels. The total GJ of all energy used is calculated as the sum of all energy used.

Carbon emission factors are used to convert energy used in manufacturing to CO₂ emissions. Carbon emission factors for scope 1 energy sources such as fuels are provided by the Intergovernmental Panel on Climate Change ("IPCC"). Carbon emission factors for scope 2 energy sources such as grid electricity, applied according to the location-based method, reflect the country where each manufacturing site is located and are provided by the International Energy Agency (IEA). Carbon emission factors for grid electricity calculated according to the 'market-based method' are determined by contractual instruments which Unilever has purchased or entered into such as RECs, guarantees of origin, power purchasing agreements and utility contracts. Where supplier-specific emissions factors are not available a location-based factor is used.

The most recent IEA/EPA data set, which usually has a 3-year time lag, is applied to each reporting year e.g. national grid electricity emissions factors used in the calculation of 2019 emissions comes from 2014 IEA data. There are no annual changes to the IPCC factors.

Total production volume is obtained from the EPR system.

5.4 Waste: Total waste (hazardous and non-hazardous) disposed by manufacturing sites

Performance measure:

- The amount of total waste (hazardous and non-hazardous) sent for disposal in kg per tonne of production in 2019 (this covers the period 1 October 2018 to 30 September 2019).
- Change in the tonnes of total waste sent for disposal in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).
- Percentage change in total waste sent for disposal per tonne of production in 2019 (1 October 2018 to 30 September 2019) compared to 2008 (1 January 2008 to 31 December 2008).

Definitions:

Waste is defined as hazardous or non-hazardous as classified under local legislation where the manufacturing site is located.

Disposal of waste refers to solid or liquid wastes that are exported by vehicle from a Unilever manufacturing site to landfill or to incineration without energy recovery.

We calculate kg disposed waste per tonne of production, based on total tonnes of disposed waste divided by the sum of production volume in tonnes reported by each manufacturing site.

Scope:

Manufacturing sites included in the performance measures are those which meet all the following criteria:

- The site is owned or leased by Unilever.
- Unilever personnel are running/controlling the site.
- The site manufactures or packs Unilever products or materials used in Unilever products.
- Production lines on new sites are only included once fully commissioned, which occurs once there has been sign-off by technology providers and R&D sign-off.

A manufacturing site may have one or more factories. Reporting will be performed for individual factories on a manufacturing site when the above conditions are met for one or more of the factories on the site.

Manufacturing sites excluded from the performance measures are those that meet the following criteria:

- Sites which are owned by Unilever but are run by third party companies.
- Sites owned by third parties that produce (pack or make) our products.
- Sites that are under commissioning. Indicators for when a site is still under commissioning, includes:
 - Site not been released for normal production for more than 72 consecutive hours.
 - No quality norms being achieved over a similar time period while running at rated throughput.

- Not all sections / modules within the plant being able to perform to rated parameters.
- Site not yet being depreciated.
- Technology guarantee checks not yet performed.
- Sites where decommissioning has started.

Non-manufacturing sites are offices, research laboratories and marketing/sales organisations.

The metric does not include:

- Waste from building/demolition projects that are not directly related to production.
- Waste that is kept permanently on-site through recycling, for example, wastes that are mixed with concrete and used as building materials.
- Waste temporarily held on site until an economic batch quantity is available for transportation off-site.
- Waste from innovation and product trials carried out at manufacturing sites.
- Medical, sanitary or clinical waste.

Performance data preparation and assumptions:

Sites have access to primary waste data. This is typically from weighbridge tickets and invoices from waste providers and is captured by each manufacturing site in the EPR system.

This metric is measured in the same way for all manufacturing sites. The EPR system summarises and aggregates the data into standard reports by manufacturing site and at regional and global levels.

5.5 Occupational safety: Reduce workplace injuries and accidents (fatalities)

Performance measure:

The number of occupational injury or work-related ill-health (WRIH) events which results from exposure to an occupational health and safety hazard(s), in the course of employment which results in death in 2019 (this covers the period 1 October 2018 to 30 September 2019).

Definitions and scope:

The following are referred to as Class A fatalities and are included in the scope of this performance measure:

- Fatal occupational injuries and/or fatal work-related ill-health (WRIH) cases which occur on, or across the immediate external perimeter, of a Unilever site to a Unilever employee, while he/she is on duty, a contractor while he/she is working for Unilever (including on-site third-party operations) or a person visiting the Unilever site.
- Fatal occupational injuries or work-related ill-health (WRIH) which occur while a Unilever employee is away from a Unilever site but on company business (i.e. while on duty).

We record any of the following types of fatality, categorised as Class B and C separate to those described above. They are not included in the scope of the fatal accident performance measure but are reported separately internally:

- All fatal accidents involving members of the public which are associated with Unilever's own operations and/or associated with a Unilever employee while they are on duty. This does not include outsourced activities undertaken for us by third parties other than any fatal accidents at contract manufacturers/packers which occur while their employees are engaged in work for Unilever.
- In 2013, we introduced the recording of deaths from natural causes and suicides of anyone within a Unilever site. These incidents are only reportable internally.

Occupational safety metrics are recorded for all Unilever manufacturing and non-manufacturing sites (offices, research laboratories and marketing/sales organisation).

Performance data preparation and assumptions:

We collect data and report on three categories of fatal accidents: employee on-site, employee off-site and contractor on-site.

In addition to this fatality data, where such accidents may be deemed to be associated with our operations, Unilever also requires its individual organisations/units to report fatal accidents involving members of the public and those which occur at third-party contract manufacturers where they are producing goods and services for us. In common with other companies in our industrial sector, these incidents are only reportable internally.

5.6 Occupational safety: Reduce workplace injuries and accidents (Accident rate: Total Recordable Frequency Rate)

Performance measure:

The number of occupational accidents per one million hours worked (this covers the period 1 October 2018 to 30 September 2019).

Definitions and scope:

- Accidents are measured as a Total Recordable Frequency Rate (TRFR) per 1,000,000 (one million) man-hours. TRFR is defined as all workplace accidents, excluding only those that require simple first-aid treatment.
- The TRFR calculation is the sum of all lost-time accidents (LTA) plus restricted work cases (RWC) plus medical treatment cases (MTC) expressed as a rate per one million hours worked.
- TRFR is the preferred reporting performance measure for accidents at work.
- In line with industry best practice, we include in our definition of an 'employee', temporary staff and contractors who work under our direct supervision.

Occupational safety metrics are recorded for all Unilever manufacturing and non-manufacturing sites (offices, research laboratories and marketing/sales organisation).

Performance data preparation and assumptions:

Recordable accidents include recordable occupational injuries occurring to Unilever employees and lost-time accidents occurring to contractors working on behalf of, but directly supervised by, Unilever. Injuries which occur while travelling on business must be included in the organisation's (site's) safety statistics, unless the injured

person is travelling between their home and their normal place of work.

Man-hours worked includes the total number of paid hours worked by all Unilever site employees. Information on man-hours worked is obtained directly from personnel in our Human Resources (HR) function or estimated via employee numbers, average number of hours worked, absences and overtime information provided by HR if actual data is not readily available.