SUPPLY CHAIN OVERVIEW & STRATEGY
SUPPLY CHAIN OVERVIEW

Total spend: €34 billion

Figure 1: Number of suppliers sites per spend category

- Logistics & Operations: 44%
- Packaging: 6%
- Raw Materials: 10%
- Third Party Manufacturing: 6%
- Marketing & Business Services: 34%

Figure 2: Supplier spend by region (€)

- Africa: 4%
- Middle East, Russia, Ukraine & Belarus: 7%
- Americas: 27%
- Europe: 30%
- Asia: 32%

Data as at end of 2017

Supplier sites currently registered in USQS
Data as at end of 2017
Our strategy is our compass to help us navigate towards our purpose - ‘United to Build a Brighter Future’. We have 6 pillars to help us propel forward with clarity:

**Operating with Purpose:** We believe it is critical to drive profit and growth while using our scale to create positive change. Supply chain plays a vital role in delivering the Unilever Sustainable Living Plan (USLP).

**Digital Supply Chain:** We leverage technology across the supply chain to ensure we are digitally enabled for the connected world and to help drive the transformation of our business with speed.

**Agility for a Changing Market:** We build capabilities to become more responsive to the changing needs of our customers and consumers.

**Partnerships for the future:** Strong relationships with partners that share our sustainable growth ambitions are critical to continued success – we partner to innovate, drive efficiencies and adopt new technologies and business models.

**Reshaping the Asset and Cost Base** – driving margins, cash and return on assets with specific programmes for each element of the cost base.

**Talent & Capabilities:** We enable a world class supply chain by investing in our people and capabilities. We support a culture where we thrive as a motivated, engaged and future-ready supply chain community.
SUPPLY CHAIN SPEND ANALYSIS
SUPPLIERS BY GEOGRAPHY
TOTAL NUMBER OF SUPPLIER SITES

Supplier sites currently registered in USQS
All data as at May 2018
SUPPLIERS BY GEOGRAPHY
MARKETING & BUSINESS SERVICES SUPPLIERS

Supplier sites currently registered in USQS
All data as at May 2018
SUPPLIERS BY GEOGRAPHY
THIRD PARTY MANUFACTURERS

Supplier sites currently registered in USQS
All data as at May 2018
SUPPLIERS BY GEOGRAPHY

RAW MATERIALS SUPPLIERS

Supplier sites currently registered in USQS
All data as at May 2018
SUPPLIERS BY GEOGRAPHY

PACKAGING SUPPLIERS

Supplier sites currently registered in USQS
All data as at May 2018
CRITICAL SUPPLIERS
Unilever identifies **Strategic Suppliers** as those that represent a significant proportion of our spend or volume.

**Critical Suppliers** are identified in two categories:
- Those that represent a **RISK**: see slide 14 for critical supplier identification
- Those that represent an **OPPORTUNITY**: see slide 15 for Partner to Win

Neither type of supplier is mutually exclusive i.e. a supplier can be both a critical supplier (risk) and critical supplier (opportunity).
**DEFINITION OF CRITICAL SUPPLIERS:**
Suppliers with spend over a defined threshold value, where there is a unique dependency, where the supplier cannot be easily replaced and they represent a high risk on external indices.

**CRITICAL SUPPLIER RISK MANAGEMENT PROCESS:**

**STEP 1:**
- All Production Item Suppliers analysed annually

**STEP 2:**
- Suppliers with spend > Unilever Risk Threshold Value
- Unique dependency = Default of supplier would result in a capacity constraint for Unilever
- Supplier difficult to replace

**STEP 3:**
- Euler Hermes Risk Rating = High

**QUANTITATIVE CRITERION**

**QUALITATIVE CRITERIA**

**3rd PARTY CRITERIA**

**SUPPLIER RISK RATING**
by external data provider:

- If high risk

**BUSINESS CONTINUITY PLAN**
- if applicable

**SUPPLIER SUPPORT MEASURES**
CRITICAL SUPPLIERS - OPPORTUNITY
PARTNER TO WIN

Partner to Win is our approach to building long-term relationships with selected key strategic supplier partners in order to achieve mutual growth, both for our suppliers and Unilever.

Launched in 2011, Partner to Win is designed to drive closer collaboration with our most strategic suppliers, focusing on five core areas:

QUALITY AND SERVICE
Quality is about delighting consumers, every day. At Unilever, we have 2 billion opportunities a day to delight our consumers so it is of utmost important we get it right every time. Quality and service are therefore integral to our selection and contracting processes with suppliers and we have solid service and quality level agreements in place. We ask our suppliers for real time information transparency which we enable through close collaboration and usage of our integrated supplier platform Supplier Net. Together with our suppliers we win through continuous improvement which we do by focusing on a quality-driven value chain with global scale and local agility.

CAPACITY AND CAPABILITY
To continue to grow our business, we need to enable our suppliers to grow with us. We aim to leverage our suppliers’ potential to grow by building capacity in emerging markets and some of the world’s fastest growing regions, looking for joint opportunities to drive efficiency of supply, investing in cutting edge technology, leveraging innovation and fostering continuous development of new capabilities.

INNOVATION
Innovation is at the core of our success and suppliers play an instrumental role in fuelling our innovation pipeline – approximately 30% of our growth comes from innovation and more than 70% of that innovation comes from our suppliers. Partner to Win has been paramount in building partnerships with suppliers that lead to the new breakthrough concepts, ideas or innovations that help us win in the market. With our suppliers, we turn consumer insights into technical solutions across the whole value chain and source cutting edge expertise from industry leaders to creative start ups.

VALUE
To achieve long term and sustainable growth it is paramount we realise continuous and steady gross margin improvement. Creating joint value through collaboration and deep value chain integration with suppliers is a key enabler - achieving complete cost transparency helps us to ensure our competitive position in every market we operate in.

RESPONSIBLE AND SUSTAINABLE LIVING
Unilever has a simple but clear purpose – to make sustainable living commonplace. We believe this is the best long-term way for our business to grow. One of our priorities is to ensure a better future for farming and farmers which is anchored in the Unilever Sustainable Living Plan. By working with our suppliers, we aim to ensure all the major commodities on which we depend are produced sustainably for mainstream consumer markets.
RISK AND THIRD PARTY DUE DILIGENCE
Unilever uses a risk based approach to determine which supplier sites need to undergo additional due diligence, which can include 3rd party audits. The risk based approach uses country risk as one element of the risk assessment.

Non-conformances found in the audits require an action plan by the supplier to be implemented and verified in a follow-up audit to confirm and verify that the identified issues have been effectively remediated.

Unilever is focused on effectively and positively improving the conditions for workers in the supply chain, not simply identifying the issues, and this is why we continue to work with our suppliers to address the more difficult issues through identifying and tackling root causes.