SUSTAINABILITY MAKES BUSINESS SENSE

Our business grew in 2016 – and grew in a way that was consistent, competitive, profitable and responsible.

Our Unilever Sustainable Living Plan (USLP) is at the heart of our strategy for achieving business growth. Since its launch in 2010 it has provided a blueprint for achieving our vision to grow our business whilst reducing our environmental footprint and increasing our positive social impact.

Our USLP is based on a simple business imperative: that responsible growth is the only model that will succeed in a world of changing consumer expectations and dynamic market trends.

DELIVERING SUCCESS IN A VOLATILE WORLD

The slowing global economic growth and geopolitical instability that marked 2016 highlighted once again that progress cannot be taken for granted – for business or for the world. While we always have more work to do, our ability to deliver growth in this context reinforces our commitment to our USLP. We believe that the path we have set ourselves is both the right one, and the best. It is helping us build value in the short-term and it will lead to us achieving our purpose as a business: making sustainable living commonplace.

LIVING OUR PURPOSE

Unilever has now seen 8 years of top line progress, averaging twice the rate of overall market growth, whilst simultaneously improving the bottom line.

Not easy to do in today’s environment. Unsurprisingly, shareholders have benefited with a return of over 200%.

For Unilever, shareholder return is a result of what we do, but not why we are here. For over a hundred years, our goal has been to improve the lives of the world’s citizens one day and one person at a time.

With his commitment to making cleanliness commonplace and improving lives, William Lever focused on what he called ‘shared prosperity’. Our mission has not changed much since then and with the Unilever Sustainable Living Plan we are still showing there is a different way of doing business – one based on multiple stakeholders rather than a single-minded focus on shareholders.

We have made great progress. Our results show that it is good for business, with increasing evidence that our purpose-driven brands do better. Our 18 Sustainable Living Brands grew 50% faster and account for 60% of total growth. We are already reaching hundreds of millions with health and hygiene programmes, and providing livelihoods to millions more, especially through our focus on women’s empowerment. The USLP is also guiding our M&A activity, including last year’s acquisitions of Blueair, a company focused on air purification, and Seventh Generation, a home and personal care business that uses plant-based ingredients, which thinks seven generations ahead in all it does.

Increasingly we are guided by the UN Sustainable Development Goals which, in addressing humanity’s biggest challenges, also provide an enormous opportunity for responsible growth. Indeed, the Business and Sustainable Development Commission, under the incredible leadership of Mark Malloch Brown, calculated that the SDGs offer a $12 trillion economic opportunity and can create up to 380 million new jobs.

At a time when we have difficulties growing our economies and creating employment, the cost of not acting is becoming more expensive. With 9% of global GDP devoted to conflict prevention or wars, and climate change costing 5%, it is easy to see why – both morally and economically – we need to act.

Companies that cannot show they are making a positive impact in addressing challenges like hunger, climate change, gender equality or access to education will soon, in my view, have no reason for being. There is no business case for enduring poverty and no reason to accept companies that are run for the benefit of a few at a cost to many.

There are still many challenges to overcome, including the short-term focus of financial markets, the difficulty in giving social or environmental capital a true value and political systems too often focused on the next election cycle instead of the next generation.

Our work with many valued partners has allowed us to make good progress against our targets and we have learned from our experience as well as our mistakes. However, for as long as many of our fellow citizens still feel excluded from a decent life or from equal opportunities, there is no reason to celebrate.

We simply and humbly request your continued help. It is only in deep partnerships, based on trust and mutual respect, inclusion and intergenerational thinking, that we can solve our many challenges. More than ever, we are committed to living our purpose and continuing to use the USLP as a blueprint for growth. Together we can create a better world for all, now and for generations to come.

Paul Polman
Chief Executive Officer, Unilever
In 2016 we continued to see evidence that sustainability is driving our business growth. Our Sustainable Living brands grew 50% faster than the rest of the business and delivered over 60% of our growth.

Our USLP has three big goals: to help more than a billion people improve their health and well-being by 2020, to halve the environmental footprint of our products across the value chain by 2030, and to enhance the livelihoods of millions of people by 2020.

**SUCCESS IN OUR OPERATIONS, BUT VALUE CHAIN CHALLENGES REMAIN**

We have made good progress on many of our USLP goals. By the end of 2016, we had helped 538 million people improve their health and well-being. In our manufacturing operations, we have cut CO₂ from energy by 43%, water abstraction by 37% and total waste disposed by 96% per tonne of production since 2008.

We have made the biggest gains in areas over which we have most control, but reducing the environmental impact of how consumers use our products continues to be difficult. Since 2010, the water impact of our products has reduced by around 7%, while the waste associated with consumer disposal of our products has reduced by around 28%. But the greenhouse gas impact of our products across their lifecycle, including consumer use, continues to edge up and has now increased by around 8% since 2010. Despite the challenges, we are fully committed to a value chain approach and to becoming carbon positive in our own operations. Further, in January 2017 we announced a commitment to ensure that all of our plastic packaging is fully reusable, recyclable or compostable by 2025.

**ENSURING POSITIVE IMPACTS THROUGH OUR SUPPLY CHAIN**

Sustainable sourcing remains a central element of our USLP, and we continue to develop our sourcing policies to make sure we are having the greatest impact. We have therefore moved away from GreenPalm certificates for palm oil towards what are called physical, certified sources – which has meant a reduction in our sustainably sourced agricultural raw materials performance, from 60% in 2015 to 51% in 2016.

Our third USLP goal – to enhance the livelihoods of millions of people – has seen steady progress. In 2016, 67% of our procurement spend was through suppliers meeting our Responsible Sourcing Policy’s mandatory criteria and we enabled around 920,000 women to access initiatives designed to promote their safety, develop their skills or expand their opportunities.

We have helped around 650,000 smallholder farmers to access initiatives aiming to improve their agricultural practices. And we have helped 1.5 million small-scale retailers to access initiatives aiming to increase their incomes. However, this is a reduction on the 1.8 million we helped in 2015, following a reassessment of the number of stores in India that can benefit from our Perfect Stores programme.

**SUNLIGHT: FREEING TIME FOR WOMEN, WINNING MARKET SHARE**

Sunlight, part of our global Surf brand, is having a big impact in South Africa with its new handwashing laundry powder, which uses our ground-breaking SmartFoam technology to break down suds faster. In drought-affected South Africa, where women still do the majority of laundry by hand, reducing the number of rinses required to wash laundry can make a real social difference by liberating women’s time as well as saving water. As consumers benefit, so does our business – Sunlight’s market share is up by 2.6% versus 2015.

**HELLMANN’S: CONNECTING CONSUMERS TO REAL FOOD**

Where does the food we eat come from – and how do we know it is what Hellmann’s call ‘Real Food’? To help answer that question for Canadian consumers in 2016, Hellmann’s launched ‘Project Seed’ – a campaign that connected children and their parents with the farms on which our ingredients are grown. This showed them what it means for a farm to achieve our Blue Ribbon Farm status by meeting our criteria for sustainable sourcing. Unscripted, live-streamed farm visits were at the heart of the campaign – and a 6% growth in sales supports our belief that consumers agree that if you care about food, you care about how it is sourced.
SUVIDHA: OPENING NEW MARKETS WHILE IMPROVING HYGIENE

We opened the first of our Suvidha community centres on World Toilet Day in 2016. Based in one of Mumbai’s largest slums, Suvidha will help 1,500 people from low-income households who face severe challenges because hygiene infrastructure is either scarce or expensive to use. The pay-per-use centre brings together Domestos, Pureit and Lifebuoy to deliver safe drinking water, flushing toilets, clean showers and laundry facilities, all at an affordable cost. Applying circular economy principles, Suvidha recycles water used for washing to flush the toilets – bringing environmental benefits, as well as improving hygiene for thousands of people and increasing the profile of some of our core brands.

HARNESSING OPERATIONAL ECO-EFFICIENCY IN WORLD CLASS FACTORIES

Operational eco-efficiency technologies in our factories not only reduce the environmental impact of the manufacture of our products, they also help us avoid costs. Our Aguai factory in Brazil, opened in 2015, is a great example. As well as meeting the Zero Waste to Landfill target achieved by all Unilever factories, it also uses solar energy to power all the needs of the site, uses LEDs and skylights to reduce power requirements, and is expected to meet 60% of its water needs through rainwater harvesting and water recycling.

Globally, the costs avoided through eco-efficiency in manufacturing have exceeded €700 million since 2008.

DOVE: GROWING WITH PURPOSE

We know body image is one of the top three worries in life for Australian girls – so our Dove brand, which has building self-esteem at its heart, partnered with Coles, one of Australia’s biggest supermarkets, to help build self-esteem among 100,000 young people in August 2016. Our ‘What is your daughter searching for?’ campaign, in partnership with Coles and parents, highlighted that a third of girls have thought about, or searched online, ‘can teens get cosmetic surgery?’ or ‘do I have an eating disorder?’ The campaign ran in 700 stores, resulting in 12% sales growth for Dove’s skin cleansing products in Coles during the promotional period. The Dove Self-Esteem Project has so far reached 23 million young people worldwide.
UNILEVER SUSTAINABLE LIVING PLAN: PROGRESS IN 2016

By 2020 we will help more than a billion people take action to improve their health and well-being. We have helped 538 million people take action to improve their health and well-being.

Our Plan has three big goals for 2020:

1. To decouple our growth from our environmental footprint, while increasing our positive social impact. By 2020 we will help more than a billion people to achieve, underpinned by nine commitments and targets spanning our social, environmental and economic performance across the value chain.
2. To achieve 100% of our agricultural raw materials sustainably.
3. To help people reach their health and well-being goals.

We will continue to work with others to focus on those areas where we can drive the biggest change.

Our Total Recordable Frequency Rate for safety has reduced by 5.5 million people.

We have made steady progress across our Enhancing Livelihoods commitments.

The Unilever Sustainable Living Plan sets out to decouple our growth from our environmental footprint, while increasing our positive social impact. Our Plan has three big goals to achieve, underpinned by nine commitments and targets spanning our social, environmental and economic performance across the value chain. We will continue to work with others to focus our efforts on those areas where we can make the biggest change.

More detail on our progress can be found in our online Sustainable Living Report 2016 at www.unilever.com/sustainable-living.

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