

Sustainable Development 2007: An Overview

Introducing our Sustainable Development Overview 2007

This year we have produced an Overview that explores the key sustainability issues facing Unilever – those issues which we have defined as our most material impacts. In doing so, the Overview addresses the following questions:

- How do Unilever's business activities affect the environment and society?
- How do Unilever's brands make a difference to the health and well-being of consumers?
- How is Unilever addressing the sustainability challenges related to climate change, water, packaging and sourcing of agricultural raw materials?
- How do Unilever's operations create wealth and how does this benefit stakeholders such as employees and suppliers, and local communities?

Read our full Sustainable Development Report online

Our Sustainable Development Report 2007 provides a full account of our performance and can be found online at **www.unilever.com** (see page 32 for a site map). The Report incorporates all the topics covered in this Overview plus greater detail to address the interests of more specialist stakeholders.

Who is it for?

The principal audiences for this publication and our online Report are our employees, customers, consumers, investors, government and opinion formers in the fields of sustainability and business responsibility.

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Progress in 2007

Completed assessment of all **22,000** food and beverage products through our Nutrition Enhancement Programme

Committed to purchase all our tea from **sustainable**, **ethical sources**, and to work with the Rainforest Alliance

Introduced **new marketing guidelines** limiting advertising to children under 12 and banning the use of 'size-zero' models

Launched new climate change strategy with target to reduce CO₂ from energy in manufacturing by 25% by 2012

Named Wal-Mart's **Supplier of the Year** for Sustainable Engagement

Food industry category **leader** in the Dow Jones Sustainability World Indexes for the **ninth year running**





Introduction: reviewing our progress

Unilever's mission is to add Vitality to life and to do this in a sustainable way.

2007 was a good year for Unilever. Our underlying sales grew by 5.5% – the third consecutive year of accelerating sales growth. At the same time, despite rapidly rising commodity costs, we made progress towards achieving our 2010 target for an operating margin in excess of 15%.

Throughout the year we have sought to live up to our long-standing commitment to sustainability and responsible business practice.

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Patrick Cescau Group Chief Executive

Our strategy

Our Vitality mission sets out our goal to meet the everyday needs of people all around the world for nutrition, hygiene and personal care.

Our corporate responsibility strategy seeks to address Unilever's most significant sustainability impacts – greenhouse gases, water, packaging and agriculture.

While we have made good progress under all these headings in 2007, the highlight has been agriculture.

Our commitment to sustainable tea

Over two-thirds of Unilever's raw materials come from agriculture and we have been working with suppliers for more than a decade on more sustainable farming practices. Building on this work we have committed ourselves to source all our tea from sustainable sources by 2015.

Since Unilever buys 12% of the world's black tea crop from 7,500 estates, spread across three continents, this is a massive undertaking. We reached an important milestone in the early part of 2008 with the appearance of *PG Tips* and *Lipton* tea in Western Europe using Rainforest Alliance CertifiedTM tea. We are confident that this initiative will improve the livelihoods of some 2 million people in our extended supply chain. We also believe that we will sell more tea.

Integrating sustainability

The example of tea illustrates well our new approach to sustainability. What we are seeking to do is to integrate all our sustainability initiatives into the day-to-day marketing and R&D plans of our brands. Sustainability in Unilever is not something that is done by a few boffins in our laboratories. It is very much part of the way we do business and is the responsibility of everyone.

Our experience with tea also exemplifies two other aspects of our approach. The first is the importance of working with external partners who bring new perspectives and new knowledge. The Rainforest Alliance is just one of many bodies with whom we work. Others include UNICEF on hygiene education and clean drinking water, Greenpeace on climate-friendly refrigeration, the Fairtrade Labelling Organisation on ethical trading and poverty relief, and Oxfam on poverty.

A value chain approach

The second distinguishing feature of our approach is the growing importance of addressing sustainability right across our value chain – from the sourcing of raw materials through to consumer use and disposal of our products. Water is a case in point. Historically our programmes have focused on the volume of water used in our factories – a figure which we have reduced by more than half over the past decade. However, because a big part of our water footprint is in consumer use of our brands, our product developers are increasingly focusing their attention on reducing the quantities of water that are required to use our products. Building on the success of Surf Excel Quick Wash laundry detergent, this has led to innovations such as Comfort and Vivere fabric softeners – both of which allow people to do their laundry with significantly less water.

In Unilever we recognise that we can only achieve our long-term business objectives if we find more sustainable ways of conducting our affairs. We have known for a long time that good environmental practice is good for the bottom line – since it tends to drive out waste and reduce costs. The more we learn about sustainability, the more we are convinced that it is the right thing for all our stakeholders – the people we employ, our investors, our suppliers and the consumers and communities that we serve.

We are convinced that we can do well for our shareholders, by doing good in the world in which we operate.

Mission and strategy

OUR VITALITY MISSION & CORPORATE PURPOSE

Our mission is to add Vitality to life. We meet everyday needs fo nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Our deep roots in local cultures and markets around the world give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers – a truly multi-local multinational.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively, and to a willingness to embrace new ideas and learn continuously.

To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact.

This is our road to sustainable profitable growth, creating long term value for our shareholders, our people, and our business partners.

STRATEGY	2007 PROGRESS
To integrate social, economic and environmental considerations into our business and brands	Brand Imprint process carried out with 14 global brands
	Completed assessment of 22,000 food and beverage products as part of our Nutrition Enhancement Programme
	Our Global Health through Hygiene Programme's smart sensor technology was independently endorsed by leading experts as effective in evaluating handwashing campaigns
To focus on climate change, water, packaging and sustainable agricultural resources as our key sustainability themes	Launched new climate change strategy with targets for CO2 reduction
	Improved eco-efficiency performance in four of our seven key measures but underperformed on waste (hazardous and non-hazardous) and CO2 from energy
	Announced commitment to source all our tea from sustainable, ethical sources and to work with the Rainforest Alliance
To focus our global partnerships on nutrition and hygiene issues	Our partnership with the UN World Food Programme provided 15 million meals to 80,000 school children
	Continued Love your Heart campaign promoting heart health with the World Heart Federation
	Launched new oral care mission to encourage day and night brushing, building on our partnership with the FDI World Dental Federation
	Agreed strategic focus on handwashing and safe drinking water with UNICEF, supported by projects in Uganda and India to demonstrate potential
To continue to work on our eco-efficiency, supply-chain management, employee health & safety and community investment	Continued activity and progress against each of these areas (see our Sustainable Development Report for detail -(급)









About Unilever: our business and brands

160 million times a day, someone, somewhere will choose a Unilever brand.

Unilever is one of the world's leading consumer goods companies. Our strong portfolio of brands is trusted by consumers everywhere. We have operations in around 100 countries and our products are on sale in about 50 more.

With consumers, customers, employees, suppliers and shareholders on every continent, we describe ourselves as a 'multi-local multinational', bringing our international expertise to the service of people everywhere.

The Americas 📃 Europe 📃 Asia Africa

Unilever 2007

€40,187 Turnover (millions)

€5,245 Operating profit (millions)

€28,836 Purchases of goods and services (millions)

174,000 Employees (year end)

284 Manufacturing sites



Savoury, dressings and spreads 3,988 5.0% Turnover (millions)

Ice cream and beverages 4.2%()()6 Turnover (millions) Underlying sales growth

Lipton

Original

Underlying sales growth



The Americas

€13,442 Turnover (millions)

38% 30%



25% 50%



Dove.

Signal .

Turnover (millions)

Personal care

.302

€1,971 Operating profit (millions)

€9,509 Purchases of goods and services (millions)

43,000 Employees (year end)

74 Manufacturing sites

UX

6.7%

Underlying sales growth

€15,205 Turnover (millions)

Europe

€1,678 Operating profit (millions)

€10,373 Purchases of goods and services (millions)

43,000 Employees (year end)

71 Manufacturing sites

mighty

Home care

€7,29

Turnover (millions)

Asia Africa

€11,540 Turnover (millions)

€1,596 Operating profit (millions)

€8,954 Purchases of goods and services (millions)

88,000 Employees (year end)

139 Manufacturing sites 5

Underlying sales growth

6.1%

omesto

mighty

Our impacts: along the life cycle from concept to consumption

Understanding consumer needs

Our aim is to meet consumers' everyday needs for nutrition, hygiene and personal care.

- What we do:
- Make high-quality products that are safe to use
- Make products affordable and accessible to consumers
- Understand the environmental constraints, such as water scarcity, within which consumers use our products

Innovation & R&D

Through our investment in research and development, we aim to meet the diverse and changing needs of consumers in all our markets.

What we do:

- Enhance the nutritional quality of our foods
- Minimise the adverse environmental impacts of our products
- Incorporate social, economic and environmental factors into brand development plans, using Brand Imprint methodology
- Research and promote alternatives to animal testing
- Collaborate with academic and business partners around the world

Suppliers

We aim to encourage sustainability practices in our supply chain. Through responsible sourcing, we seek to raise standards in line with the requirements set out in our Business Partner Code.

What we do:

- Ensure fair working conditions in the supply chain and respect for human rights
- Ensure suppliers meet standards on health, safety and environmental protection
- Work with other companies to define common supplier assessment processes and share performance data
- Work with our agricultural suppliers and growers to move towards more sustainable growing practices

400 brands

€868 million invested in R&D

€15.6 billion spent with suppliers of raw materials and packaging



Marketing, consumption & disposal

We communicate responsibly with our consumers through our advertising and marketing.

What we do:

- Take a responsible approach to marketing and advertising
- Help consumers make healthier choices in their diet
- Work to ensure consumer confidence in chemicals used in home and personal care products
- Help consumers to reduce their environmental impacts and to dispose of our products responsibly

Distribution & retail

Our aim is to be the supplier of choice for our customers and to ensure that consumers have ready access to our products through different distribution channels.

What we do:

- Work in partnership with retailers on sustainability issues
- Support retailers in educating consumers on health and sustainability issues
- Reduce environmental impacts resulting from distribution of our products
- Ensure consumers everywhere have access to our products
- Use and promote environmentally friendly refrigeration technology

Production & manufacturing

We seek to manage the impacts of our operations on society and the environment.

What we do:

- Protect the health and safety of employees at work
- Respect employees' fundamental rights and encourage personal development
- Invest in local communities and contribute to local economic development
- Improve the eco-efficiency of our manufacturing sites and set ambitious targets, particularly for CO2 emissions

12 brands with a turnover of **€1 billion**

€89 million invested in communities

€5.3 billion invested in advertising and promotions



Our brands in society: making a difference



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By addressing social and sustainability issues, our brands can make a real difference and create growth opportunities for our business.

The world is experiencing unprecedented social, economic and environmental change. The global challenges of poverty, malnutrition, poor health and disease are becoming more acute and more complex, while the effects of climate change are being felt on every continent.

For some companies this represents a threat, but for others it provides a huge opportunity for innovation and growth.

Many of the world's social and environmental challenges are felt most acutely in developing and emerging countries. For example, it is these countries that will suffer the worst effects of climate change. However, given their rate of economic development, these are also the very markets that will be the main source of growth for Unilever in future.

Companies that can develop products that meet the functional needs of consumers while taking into account these social and environmental challenges will be better placed to grow than those that do not.

Another significant trend in recent years has been the emergence of 'conscience consumers' – people who want to make a positive difference to the world through the brands they choose to buy. From being a minority group of consumers seeking out a small selection of mostly niche brands, this has become a more mainstream movement, with large numbers of people now actively seeking out products with a positive social or environmental benefit or avoiding those that are perceived as having a negative impact.

Our approach

Anticipating that this would become a big trend, the Unilever Executive decided in 2005 that social, economic and environmental factors should be integrated more deeply into the development and innovation plans of our brands. This is now a core element of our corporate responsibility strategy.

To help evaluate the risks and opportunities presented by this agenda, we developed an approach called Brand Imprint. This provides our brand teams with a 360° scan of the social, economic and environmental impact that their brand has on the world.

Making progress

The first brands to conduct a Brand Imprint were *Dove* and *Lipton* in 2006. By the end of 2007, 14 of our global and regional brands had been through the process and we are aiming for all our major brands to complete a Brand Imprint by the end of 2008.

Brand Imprint is about new product development, so results will not always be immediate, as it often takes time for innovations to reach consumers. But it is equally about better managing our impacts. When innovations do emerge, we want to be sure that they are underpinned by credible action, evidence and performance. Therefore, factoring in the views of external stakeholders, NGOs and opinion formers is a key part of the process.

What we are already finding is that the process is creating greater connectivity between brands, their supply chains and their consumers. It is also helping to integrate our work on greenhouse gases, water, packaging and sustainable agriculture more effectively into our marketing plans.



LIPTON LEADS THE WAY ON TEA

In spring 2006, representatives from different parts of Unilever, including marketing, supply chain, R&D and agronomists, met at our tea estate in Kericho, Kenya. For months previously, data on tea sourcing, tea pricing and research into tea drinkers' concerns as citizens had been gathered, ready to be analysed and debated.

This group decided that the low prices being paid to millions of tea growers and pluckers was unacceptable and that Unilever, as the world's largest buyer of black tea, should lead the industry in finding a solution. The tea industry has been suffering for years from oversupply, causing the price of tea to drop by 35% over 25 years. As a consequence, up to 2 million tea growers and pluckers, including an estimated 1 million in sub-Saharan Africa, have been living on extremely low incomes.

Research showed that consumers are also concerned about the environmental impacts of tea cultivation and production.

A ground-breaking commitment

Unilever's contribution to the solution was to commit to purchasing all our tea from sustainable, ethical sources. After evaluating several certification routes, we decided that the Rainforest Alliance's certification was the most appropriate because of its comprehensive approach towards sustainable farm management, covering social, economic and environmental aspects. This is very much in line with the way we have been managing our own Sustainable Agriculture Programme over the years.

Lipton is the world's best-selling tea brand, available in over 110 countries and with sales of around €3 billion. By 2010, we aim to source all the tea used in Lipton Yellow Label and PG Tips tea bags sold in Western Europe from Rainforest Alliance Certified[™] farms, and by 2015 this will apply to all Lipton tea bags sold globally. This is the first time a major tea company has committed to introducing sustainably certified tea on such a large scale, and the first time Rainforest Alliance has audited tea farms.

Carrow and

TEA

We expect that certified tea, both from large tea estates and from small farmers, could command a 10–15% higher price at auction and we estimate we will be paying farmers €2 million more per year for our tea by 2010 and €5 million more per year by 2015.

A strong beginning

The first tea farm to meet the standards required for certification was our own tea estate in Kericho, which has pioneered sustainable tea production for many years. Other tea farms in Kenya, Tanzania, Malawi, Indonesia, India, Argentina and Sri Lanka are following. Eventually certification will extend to thousands of farms in Africa, South America and South East Asia, improving the crops, incomes and livelihoods of around 2 million people on three continents.

The first certified tea was sold to restaurants and the catering trade in Europe in August 2007; from early 2008 it is widely available across Europe under our PG Tips and Lipton brands and in Japan as Lipton Goryoku.

Unilever is taking an exciting leadership position by mainstreaming its commitment to sustainability through its brands. Our work with Unilever on tea sustainability will help improve working conditions for tea growers and help them access better markets and better prices.

Tensie Whelan Executive Director, Rainforest Alliance

Nutrition: helping make the healthy choice

Our brands influence the diets of millions of people. Our challenge is to offer consumers the healthy choice without compromising taste, convenience and affordability.



Around the world concern is rising about the role that nutrition plays in public health. Governments and individuals recognise that what we consume has both positive and negative impacts on our health and well-being.

Over-consumption of certain nutrients can lead to obesity and heart disease, especially when combined with a lack of physical activity. According to the World Health Organization, more than 1 billion adults are classed as overweight, with 300 million clinically obese. Childhood obesity is a particular concern.

Obesity poses a serious health risk and can lead to a wide range of diet-related diseases such as Type 2 diabetes, high blood pressure and strokes. Even if people are not overweight, factors such as excess salt, sugar and fat in the diet are linked to these chronic diseases.

At the same time 'under-nutrition' – not getting enough of the right type of nutrients – remains a critical issue facing individuals and communities around the world. According to the United Nations World Food Programme, more than 850 million people are malnourished.

Given the relationship between diet and health, governments are under pressure to intervene. The spotlight is increasingly on food companies to improve their products and to be more transparent and responsible in their communication and marketing.

Our contribution

Our commercial success depends on selling a broad range of food and beverages. The twin issues of over- and under-nutrition pose real challenges as well as business opportunities.

If we do not respond to concerns from consumers and governments, we face lost sales, increased regulation and damage to our reputation. Equally this agenda provides opportunities to expand sales of brands that can make a specific contribution to a healthy diet.

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Making the healthy choice

Many factors influence people's ability to get the right nutritional balance. Ultimately consumers decide what they eat and how they balance their diets and lifestyles. However, consumer choices can be influenced and even constrained by factors such as affordability, lack of awareness and access to quality products.

We believe our most important contribution is to help people make healthier choices by:

- making improvements in nutritional quality across our portfolio
- providing simple, clear nutritional labelling and consumer information
- offering greater consumer choice
- marketing our products responsibly, particularly to children.

Our action in these areas is made more effective when we work in partnership with governments, communities and non-profit organisations. This is a consistent hallmark of our approach.

Improving our foods – our Nutrition Enhancement Programme

We can make a difference to the diets of consumers by improving the nutritional quality of our foods and beverages. Our Nutrition Enhancement Programme (NEP) continues to do this by reducing levels of trans fat, saturated fat, salt and sugar. This is done by assessing our products using benchmarks based on international dietary guidelines.

Since late 2005 the NEP has been reviewing our food and beverage portfolio. In 2007 we completed the assessment of all 22,000 retail and food service products. From this review we found around a third of products are in line with internationally accepted guidelines for fat, sugar and salt, qualifying them for the Choices stamp. This process has led to plans for improving the nutritional quality of more than half our total portfolio.

The NEP has led to significant changes in many of our products. For example:

Sugar:

We have reduced by up to 20% the added sugars in our range of children's water ices, such as the *Calippo* and *Twister* brands.

Salt:

Salt levels in soups have been cut, with an average 10% reduction in European dry soups and 7% in Latin America.

Fat:

The majority of our Family Goodness (Rama/Blue Band) products in Latin America and Asia have optimised their mix of vegetable oils in order to reduce saturated fat content by up to 25%.

In making these reductions we have had to balance nutritional content against how a product tastes so that we do not spoil consumers' enjoyment of our foods. This is a difficult task for our product developers since in blind tasting consumers often prefer well-salted products or those with higher levels of fat.

Increasing consumer information Helping consumers make healthier choices

means providing clear information.

Using a front-of-pack stamp, the Choices Programme enables consumers to identify healthier products – foods and drinks that are in line with internationally accepted dietary advice on fat, sugar and salt. The stamp is

complemented by back-of-pack nutrition information.



Choices continues to make progress with its roll-out around the world, with products carrying the Choices stamp in over 50 countries.

The Choices programme is open to all companies to use and can be applied to most foods and drinks. In 2007 the Choices International Foundation was launched with an independent International Scientific Committee to help monitor the qualifying criteria for the programme.

We are committed to providing nutritional information on all our product packs.

WORKING WITH OTHERS

Working with partners is essential if we are to achieve our goals. In such partnerships our consumer research and marketing insights, as well as our R&D capabilities and nutrition expertise, can make a difference by providing an understanding of changing consumer lifestyles, consumer needs and what prompts effective behaviour change.

Unilever is a member of the Board of the Global Alliance for Improved Nutrition (GAIN) which aims to improve health through the elimination of vitamin and mineral deficiencies using food fortification. We also chair the GAIN Business Alliance.



In December 2006 we joined the UN World Food Programme in a three-year partnership, Together for Child Vitality, to help improve the nutrition and health of children through their school feeding programmes. Partnership activities have provided more than 15 million school meals to 80,000 children in Kenya, Indonesia, Colombia and Ghana. We are also developing a school education campaign on nutrition, health and hygiene. Our *Blue Band* and *Rama* margarine brands have helped raise awareness about hunger and funds for WFP.

Our long-standing partnership with the World Heart Federation continues to promote heart health, through joint initiatives such as *Flora/Becel's* Love Your Heart campaign. This campaign focuses on raising awareness through activities such as World Heart Day and has distributed 4.5 million heart health leaflets to consumers and health professionals. It also offers free cholesterol testing, for example, in Greece, where 25,000 people have been tested.

COLOURFUL FOOD MAKES FOR A HEALTHY DIET

Knorrs healthy eating campaign encourages consumers to eat colourful vegetables with the help of a range of new colour themed products. The campaign was inspired by the insight that brightly coloured vegetables indicate the presence of different beneficial antioxidants.



In Europe, we are participating in a voluntary CIAA (Confederation of Food and Drink Industries of the European Union) nutritional labelling initiative which complements Choices. Under this initiative, on the back of all our packs we will show the levels of eight key nutrients (energy, protein, carbohydrates, sugars, fat, saturates, fibre and sodium) per 100 g/ml and five of these (energy, fat, saturated fat, sugar and salt) as percentages of guideline daily amounts (GDA). We will also show calories on the front of packs as a percentage of GDA.

In Europe, around 50% of our products now show this level of information and by the end of 2008 we aim for this to rise to 90%. We are extending this approach to other regions, too, where market conditions allow. In Australia, for example, we follow the CIAA approach.

In the UK, along with all major manufacturers and most retailers, we mark GDA on the front of pack too.

Innovating to improve consumer choice

Increasingly our innovations focus on making a positive contribution to people's diets. More than two-thirds of the products in our R&D pipeline have what we call 'Vitality' benefits: specific nutritional and health benefits.

To improve consumer choice we provide a range of variants. For example, in mayonnaise we offer *Hellmann's Original* mayonnaise (80% fat), *Hellmann's Light* (30% fat) and

Hellmann's Extra Light (3% fat). The *Extra Light* variant employs new technology using natural citrus fibre. This reduces oil and calorie content while maintaining a creamy texture.

We also offer smaller portion sizes, for example in ice cream, our 60 ml *Magnum Mini Classic* contains 163 calories compared to a regular 120 ml *Magnum Classic* of 261 calories.

Sales of *Knorr Vie* fruit and vegetable shots continued to grow, increasing by 67% with around 162 million bottles sold in Europe in 2007.

After successful test marketing in Belgium and Ireland in 2006, *Frusi*, our frozen yoghurt with fruit and wholegrain cereals, has been rolled out in France, Italy, the Netherlands and UK. *Frusi* contains no more than 110 calories per 100 ml pot and just 2.4 g of fat. Each pot also provides 50% of the recommended daily allowance of vitamin C.

Tackling under-nutrition

Our foods can play an important role in tackling under-nutrition and micronutrient deficiencies in particular. A number of our products are fortified with essential vitamins and minerals. Our *Rama/Blue Band* margarine, for example, contains vitamins A, B and D and our new *Amaze Brainfood* products contain iron and iodine, important nutrients for children's mental development. *Annapurna* iodised salt helps prevent diseases caused by iodine deficiency and is now available in India, Ghana, Nigeria and Malawi.

Responsible marketing

Through our marketing and advertising we have the opportunity to inform people about the benefits of our products and innovations. It is also a way for us to engage with consumers on issues that matter to them.

At the same time we acknowledge the influence of marketing on consumers and take our responsibilities seriously. For example, people in many parts of the world have concerns about advertising food to children.

Our Food and Beverage Marketing Principles provide guidance to our managers. They specifically prohibit any advertising to children under the age of six. Marketing to children between six and 12 is only permitted if the product meets strict nutritional criteria. This principle has also enabled us to take a leading role in agreeing cross-industry voluntary commitments and pledges to restrict advertising to children in regions such as the US and Europe.

In May 2007 we also committed to use only models who have a body mass index between 18.5 and 25 in our advertising. This range is in line with United Nations guidance on what is considered healthy and precludes the use of 'size-zero' models.

Online advertising and communication is a growing trend. With people everywhere being able to access online material, our new internet marketing guidelines ensure that campaigns aimed at a particular market are sensitive to cultural differences in other parts of the world.

Hygiene and well-being: feeling good, looking good

Our brands can enhance people's health, hygiene achieving lasting improvements depends on people changing their everyday habits. This is what our hygiene programmes set out to achieve.

It has been long understood that simple hygiene habits like washing hands with soap can contribute to the prevention of communicable diseases.

Globally, a lack of basic hygiene causes a wide range of illnesses. One billion people lack access to safe drinking water. Diseases such as diarrhoea lead to around 2 million deaths every year. Poor oral health can lead to gum disease and infection.

Much of this is preventable by incorporating simple habits into everyday routines, such as washing hands with soap before eating and after using the toilet, and brushing teeth day and night with a fluoride toothpaste.

Making good-quality products such as soap and toothpaste available to consumers is the crucial starting point. Yet products alone are often not enough if people do not change their habits. Understanding what triggers improved habits lies at the heart of making sustainable improvements to hygiene.

Our contribution

Helping people meet their hygiene needs has always been at the core of our business. Ever since the launch of our *Lifebuoy* soap, over 100 years ago, we have been making a significant contribution to the health and hygiene of people in both the developed and developing world. More recently, the launch in India of Pureit, our household water



purifier, offers consumers a convenient way to provide safe drinking water for their families.

Many of our brands have integrated health, hygiene and well-being into their mission and identity. For example, *Lifebuoy* continues to lead handwashing and behaviour change projects while improving oral health is a core part of Signal/Pepsodent's mission.

Our Global Health through Hygiene Programme works with our brands and partners such as the London School of Hygiene & Tropical Medicine, UNICEF and the World Bank, to improve our technical capability in the area of health and hygiene, particularly in evaluating behaviour change.

Encouraging behaviour change

Around the world billions of people do not wash their hands with soap at the critical

times during the day to prevent the spread of germs. Governments, health agencies and non-profit groups campaign to change this, by promoting good health and hygiene habits. However, it is difficult to measure the effectiveness of such campaigns. We have been at the forefront of developing a novel method for measuring behaviour change through our smart sensor technology.

By placing a sensor inside soap bars, researchers can gather accurate data unobtrusively during handwashing trials. To assess our Swasthya Chetna hygiene awareness campaign, we studied the washing habits of 25 households in a rural village in India. We used soap with smart sensors inside to check whether people were washing their hands at the right times to prevent the spread of germs. Our research identified that knowledge and awareness

Assuring safety without animal testing

Consumers trust us to provide them and their families with products that are safe for their intended use. Safety is always considered at the design stage of a new product or process. The vast majority of our products reach consumers without testing any material on animals. We are committed to eliminating animal testing for our business and we are at the forefront of a Europe-wide initiative to find new ways to ensure products are safe without animal testing.

Our work in developing and using alternatives to animal tests has been ongoing since the 1980s. Starting in 2004, we have made an additional €3 million a year investment in an innovative research programme on novel nonanimal approaches to assure consumer safety. We have made good progress in developing a non-animal approach for assessing skin allergy risk. For example, in collaboration with Entelos Inc, we have built a computerbased model of the biological processes involved in skin allergy. We have presented and published our results, and are working with international research and policy groups to share our experience and encourage acceptance of this new approach.

The global regulatory framework for animal testing is becoming increasingly complex. In Europe, the use of animal testing for assuring the safety of cosmetic ingredients will soon be banned, while in some countries such as China and Mexico, the law demands it. This poses huge challenges when developing new products and innovations for our global brands.



PROMOTING HEALTH AND HYGIENE IN INDIA

Since 2002, when *Lifebuoy* s Swasthya Chetna five-year hygiene campaign was launched in India, the project has reached nearly 44,000 villages and around 100 million people. Our Indian business has invested over \$5 million in the programme and although we did not achieve our ambitious target of reaching 200 million people by the end of 2007, we intend to continue working towards this aim. We have extended Swasthya Chetna to Bangladesh and Pakistan and are looking to launch a version in Africa.

among villagers of the importance of good hygiene habits had improved, and provided insights to further develop the education programme.

We have used smart sensor soap in a study in Uganda. Working with UNICEF, we set out to ascertain whether school children could act as agents of change within their families to promote handwashing with soap. Results of the study are being analysed and will help assess the potential of this approach to be carried out on a much larger scale around the world.

During 2007 smart sensor soap was endorsed by a study funded by the Gates Foundation and carried out by the Global Public-Private Partnership for Handwashing with Soap. A trial in Bangladesh confirmed our technology to be the most effective in monitoring and evaluating handwashing and will now be used for further studies.

The In Safe Hands process, developed by *Lifebuoy* and our Marketing Academy, is also built on the insight that behaviour change is needed to achieve health improvements. This initiative involves teams of Unilever marketers teaching campaign-building skills to public sector employees involved in community handwashing programmes. Following workshops in Vietnam and Kenya in 2006, we held a further workshop in Tanzania in 2007, training a total of 240



public sector professionals, including representatives from UNICEF, the World Bank and national governments.

We are working with Water & Sanitation for the Urban Poor (WSUP), a partnership of public and private sector organisations, to look at water, sanitation and hygiene issues in poor urban areas, particularly slums in developing and emerging countries. Together with WSUP and the London School of Hygiene & Tropical Medicine, we have designed an approach to hygiene behaviour change which will be tested in a pilot programme in Bangalore, India. This will assess whether improved water and sanitation conditions delivered in conjunction with a hygiene behaviour programme are better than infrastructure improvements alone.

Our *Pureit* in-home purifier provides water that is 'as safe as boiled' without needing electricity or pressurised tap water. One unit costs \in 32 and has a running cost of around half a euro cent per litre, making it an affordable option for urban and rural consumers. UNICEF and Hindustan Unilever are working together in a project in southern India to bring safe drinking water to schools and day-care centres in low-income communities. The project has involved the placement and use of *Pureit* purifiers in 100 schools and 100 day-care centres, covering a total of 15,000 children.

GETTING KIDS TO BRUSH DAY NIGHT FOR A LIFETIME OF HEALTHY MOUTHS





Understanding and measuring the impact of our campaigns is key to achieving tangible results – the same smart sensor technology we use to analyse handwashing habits can also be used to observe toothbrushing habits accurately and unobtrusively.

Improving oral health

Oral disease is the second most common illness on the planet. The consequences of poor oral hygiene can begin with discomfort and pain, but can lead to life-threatening illnesses. Around the world, over 1 billion people do not brush their teeth at all, while around 2.5 billion only brush once a day with a fluoride toothpaste. This is a growing problem in developing countries due to low awareness of oral hygiene, poor healthcare and changes in diet. Brushing teeth is important not only for good oral hygiene and general health, but having clean teeth and fresh breath contribute to well-being and personal confidence.

In 2007 we launched a new mission for our oral care brands – to encourage children and their families to brush twice a day, once in the morning and once at night. *Signal, Pepsodent* and *Close Up* are already working in partnership with the FDI World Dental Federation to improve oral health in 38 countries. Our mission will build on this strong foundation. For example, in Indonesia and China our night brushing campaign has been finding ways to encourage children to brush their teeth before bed, as the mouth is particularly susceptible to bacterial attack at night due to lower saliva levels. As with handwashing, changing people's everyday habits is key. We believe that brushing habits that last are best forged between the ages of four and eight, so we are focusing on this age group.

Personal hygiene and well-being for all

Looking good and feeling good about life also contribute to overall health. How a person feels about their personal appearance can boost their sense of self-esteem, confidence and well-being. This is true in all societies, rich and poor, in the developed or developing world.

The emotional and psychological impacts of a positive self-image are recognised, although difficult to measure and quantify. Scientists are also starting to link positive emotions to good physical health and longevity. Increasingly we are looking at how the brands we develop can improve both physical and emotional well-being. We believe taking care of yourself and looking your best should be an option available to everyone. That is why we have developed small-sized packets of products such as shampoo and hair conditioner and developed a quality, low-cost toothbrush, to make our products more accessible for low-income consumers.

16 UNILEVER SUSTAINABLE DEVELOPMENT OVERVIEW 200

Climate change: working to reduce our greenhouse gas footprint

We have set demanding goals to reduce further our greenhouse gas emissions and are working with governments, customers and suppliers to meet the growing challenge of climate change.

Climate change is arguably the most important issue facing our planet today. Internationally, there is growing consensus that urgent action is necessary.

Changes in climate, extreme weather events and resulting water scarcity will affect individuals, governments and businesses alike. The impact on our business operations around the world will be manifold, including threats to our agricultural supply chain and the stability of the markets where we operate.

We agree with the Stern Report that the risks to businesses of not acting now on climate change will prove more costly and detrimental in the long run. We are working to reduce our own carbon footprint and helping our consumers reduce theirs. Yet, on our own we cannot effect the changes required to avert the worst consequences of climate change.

In 2007 we signed the Corporate Leaders Group on Climate Change communiqué to the United Nations conference on climate change in Bali, highlighting the urgency of the issue and calling for a 50% reduction in greenhouse gas emissions by 2050.

Our strategy

In 2007 the Unilever Executive agreed a new greenhouse gas strategy. This has a threepronged approach.

The first element is a commitment to reduce CO₂ from energy in our manufacturing operations per tonne of production by 25% by 2012 (against a baseline of 2004). This builds on our performance to date, having previously achieved emission

reductions in manufacturing of more than a third between 1995 and 2006. Reaching the 2012 target will mean a total reduction of 43% since 1995.

Secondly, we have developed a greenhouse gas profiling tool to enable our R&D teams to assess whether product innovations will improve their greenhouse gas footprint.

Finally, we are exploring ways of working in partnership, in particular with our suppliers and customers. We are already involved in projects with Tesco and Wal-Mart and the Carbon Disclosure Project's supply chain initiative and look to build further on this work in 2008.

Energy use in manufacturing

During 2007 we continued to improve our energy efficiency and we also increased the proportion of energy coming from renewable sources. This now accounts for 15.2% of our energy use, more than half of which we generate ourselves, mainly from fuel crops and solid waste biomass.

Despite this, on a like-for-like basis, the total CO2 emissions from manufacturing rose slightly, by 1% per tonne manufactured. This is largely because of changes in the energy mix used to generate the electricity we have to purchase from national grids in countries such as China, India and the USA. See pages 30-31 for more detail.

We continue to work towards meeting our 25% CO2 reduction goal by 2012, by adopting more efficient power and steam generation technology and through the development of more efficient manufacturing processes. For example, in Europe we plan to install at least five combined heat and power plants to help us achieve our goal. Our Indian business, Hindustan Unilever, has developed a new process that eliminates the need for steam in soap manufacturing. This reduces carbon emissions by 15,000 tons a year - around 4% of our manufacturing emissions in India.



Our wider carbon footprint

Beyond our direct impacts through manufacturing, our wider carbon footprint shows energy consumption at every stage of the value chain – including the sourcing, distribution, consumption and disposal of our products.

Our carbon footprint



our products.

In the supply chain:

We estimate energy use in the supply of raw materials to be around ten times our own manufacturing emissions. In our agricultural supply chain we are seeking to minimise this by using more sustainable land practices and reducing the use of nitrogen fertilisers and chemicals.

In distribution:

Our products get to market via a complex transport network of road, rail and sea, although in most markets we do not own or operate any distribution vehicles ourselves. Our studies show that the impact of transport and distribution is around 4 million tonnes of CO2 a year. We have started working with customers to minimise emissions by reducing the number of vehicle movements.

We are continuing our global roll-out of climate-friendly ice cream cabinets and by the end of 2007 had around 200,000 hydrocarbon refrigerant cabinets in use.

In consumer use:

Our wider carbon footprint shows that across the whole value chain by far the most CO2 emissions occur during consumer use. This is most marked with our home and personal care brands which need energy to heat water for showers, washing machines and dishwashers.

We can help reduce these environmental impacts through product design and formulation. We can also make a

WORKING WITH OTHERS

In October 2007, along with other leading companies, we became founding members of the Carbon Disclosure Project's Supply Chain Leadership Collaboration. This aims to increase disclosure of carbon impacts among suppliers and thereby encourage reductions in their carbon emissions.

We were again ranked first in the food products sector in the Carbon Disclosure Project's Climate Disclosure Leadership Index 2007.

In 2007 Wal-Mart asked Unilever to participate in a pilot project to examine and understand the carbon footprint of a number of products. We contributed our expertise in this area, using the example of our *Lever* 2000 soap brand.

difference through our communications with consumers. We have long been involved in industry initiatives such as the International Association for Soaps, Detergents and Maintenance Products (AISE) Washright initiative, which encourages consumers to wash clothes at lower temperatures.



Ben & Jerry's new Baked Alaska flavour is part of its European campaign to stop global warming. 15 euro cents from the sale of each tub go towards Ben & Jerry's Climate Change College.

Water: a shared resource

Our products depend on water throughout their life cycle, from the production and processing of raw materials to their use by our consumers.



Water scarcity is a growing problem in many parts of the world. As fresh water supplies come under pressure, the need for better water management becomes ever more urgent.

This pressure is driven by changing weather patterns, increases in global population and rising *per capita* water consumption. The average amount of water people use varies across the world, but increases with industrialisation. The United Nations states we need a minimum of 50 litres of water a day for drinking and other basic needs. The average North American uses 350 litres daily, while in some of the poorest countries people live on as little as 10 litres.

Some 70% of total water consumption is used for agriculture. As populations across the world grow, so too will the demands from farming.

These issues are likely to be exacerbated by climate change, making access to water an issue for both farmers and consumers. Where this pressure on water supplies brings communities and countries into opposition, social and political conflicts will arise.

Our approach

There are four elements to our approach to water sustainability: reducing water use in our manufacturing operations; working with agricultural suppliers to reduce their usage; designing products that require less water during consumer use; and participating in initiatives that aim to address these challenges through partnerships.

Reducing water use in manufacturing

Since 1995 we have reduced by 61.7% the amount of water we use per tonne of production by minimising water usage and maximising water recycling at our sites. In 2007, we reduced the total consumption of water in our operations worldwide by 4.9 million m³ and the load per tonne of production by 7.5%, exceeding our target of 4.7%. These reductions have been achieved through site initiatives. For example, our home and personal care factories in Pondicherry, India and Rungkut, Indonesia

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Our water footprint



achieved a 'zero effluent discharge' by installing new systems that treat all process waste water, enabling it to be recycled and reused within the factories. As a result, Pondicherry is able to save around 22,500 m³ of water a year. Our Caivano foods factory in Italy reduced its use of water by 20% and treated waste water is now used in cooling towers instead of being discharged.

Water savings in agriculture

Water is one of the 11 indicators we use in our Sustainable Agriculture Programme. We are working with growers to reduce their water impacts, for example, through schemes such as drip-irrigation.

In the US we are leading a multi-stakeholder working group to develop a common metric for measuring water use in tomato irrigation. During 2008 we will test this metric and also work with specialists to develop water efficiency advice for farm irrigation.

In Tanzania we have been conducting research with academic partners to understand how tea yield and crop quality are influenced by irrigation methods. Initial results from drip-irrigation trials showed a 10% water saving compared to current irrigation techniques, with no loss of yield. This is equivalent to saving 70 litres of water for every kilo of black tea produced. If implemented on a 3,000 hectare farm, we anticipate this would save around 700 million litres of water.

Water use by consumers

Our approach to water sustainability increasingly focuses on consumer use, as this is where the greatest water usage occurs. We have been working on ways to help consumers reduce their water consumption through the design and innovation of products that require less water to use.

Brand innovations include *Surf Excel Quick Wash*, which aims to save as much as two buckets of water per wash for Indian consumers. Based on assumptions about laundry habits, we estimate potential savings in the region of 14 billion litres of water a year.

Our new *Easy Rinse Comfort* and *Vivere* fabric softeners also require less water. Based on a technologically complex innovation, these conditioners can be used directly after applying detergent, without the need to rinse in between. The way in which consumers use our products varies from country to country. We estimate that in Brazil, for example, this *Easy Rinse* formulation leads to an average saving of around 100 litres per wash.

WORKING WITH OTHERS

The scale of the global water crisis requires a multilateral approach.

We have worked with the World Business Council for Sustainable Development to help design a software tool that enables companies to assess their water impacts and identify areas of water stress.

We also work with Water & Sanitation for the Urban Poor (see page 14).

In 2007 we joined the CEO Water Mandate, bringing together business leaders committed to addressing water sustainability issues in their operations and supply chains. This initiative arose out of a partnership between the United Nations Global Compact, a group of companies and the Swedish government.

Partnerships at country level are also important. For example, Unilever Canada s Go Blue campaign encourages Canadians to cut their water consumption by 50%. It involves the Canadian Partnership for the UN Water of Life Decade and others, and includes a public education campaign with water saving tips and a web-based water footprint calculator.

> Our Sunlight concentrated hand dishwashing liquid contains half the water of the standard format and its smaller, lighter bottle means fewer packaging and transport impacts.

Packaging: a complex challenge

Packaging is essential or product protection, h¹ ne and effective cc. amer communication, yet also has impacts on rece use and waste.

ackis the visible face of our brands.It pl.Important role in consumerchoice, and allows the communication ofimportant safety and usage information.It also protects our products from damageand contamination.

Yet concern over excess packaging is growing. Individuals, governments and campaigning organisations are increasingly alert to what they see as unnecessary levels of packaging. This has led to commitments by leading retailers to reduce the packaging of the products they sell.

At the same time, if consumer products are to succeed in the competitive retail market they need attractive, well-presented packaging that communicates brand identity while still being acceptable to consumers on environmental grounds.

We need to be able to reconcile these conflicting objectives.

While consumers can drive change through their purchasing decisions, they also need to be part of the solution through the way they dispose of used packaging. This in turn depends on the domestic recovery and recycling infrastructure provided by municipal authorities and the targets set by national governments.

A complex picture

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In reality, totally sustainable packaging is very difficult to achieve. Each type of packaging material has a different footprint; some with more environmental impacts in sourcing, some in disposal; some with a greater impact on resource use, others in energy or water use. Often the best solutions are not the obvious ones. The footprint is also dependent on local approaches to waste management. This can be seen in the way the developed and the developing world approach waste differently. In countries such as Brazil, waste can be seen as an opportunity for economic activity, with many informal but highly organised networks collecting waste for recycling. In mainland Europe, a significant proportion of waste is incinerated, with systems to harness energy from the process, and EU legislation will drive further reductions in landfill. Only by understanding how waste is treated at a local level can we design products suitable for each country's system.

Our approach

With products on sale in over 150 countries, we need a coherent and sophisticated packaging strategy.

Our approach to responsible packaging seeks to take into account environmental, social and economic considerations. In 2007 we created a Responsible Packaging Steering Team to define a revised strategy. This team is building on the work already carried out over the past few years by the Unilever Packaging Group.

To date our approach has consisted of five key principles: remove, reduce, reuse, renew and recycle.

Our priority areas

- We have set a goal of eliminating PVC from our packaging where there is a viable alternative. There are technical challenges to overcome where there are no clear alternatives, but we are focusing our research on these areas.
- Litter from used packaging is an environmental nuisance. The sachets we use in developing and emerging markets help make our products more affordable to consumers, yet can end up contributing to this problem. Finding a solution remains a challenge and we are currently looking at ways of working with partners to find solutions.



We are continually looking to improve the sustainability of the paper we source, as it is a significant part of our packaging mix. We can do this through increasing our sourcing from certified forests or through the use of recycled paper. This can be difficult, however, as sustainable forestry practices vary significantly from region to region. We are working with both suppliers and NGOs to develop sustainable paper sources.

Design solutions

We have been reducing the amount of packaging in our products through innovative design, supported by leadingedge technology. For example, by creating more lightweight plastic containers we can cut down on the overall amount of packaging material used:

- our concentrated detergents, such as *Persil Small & Mighty*, require around 50% less packaging
- a new design for our Sure, Rexona and Dove deodorant bottles cuts plastic by 15%, saving 1,960 tons of plastic a year
- our new Knorr Recipe Secrets soup pouch eliminates the need for an outer carton, allowing a 50% reduction in overall packaging materials.

Our packaging footprint

We sell around 160 million products every day around the world, which represents many million pieces of packaging needing disposal. Our business currently uses a wide range of different materials, including: paper, board, plastic, glass, aluminium, steel and laminate packs such as sachets and pouches.

Reducing our use of packaging materials and cutting down on waste has business benefits as it can lead to cost savings.

Reducing waste in manufacturing

Minimising waste from our manufacturing processes has been a core part of our eco-efficiency programme for over a decade. Since 1995 levels of total waste sent for disposal have decreased by 68.9% per tonne of production and 11% of our sites send no waste at all to landfill or incineration. We did not meet our targets for waste reduction in 2007, but we will continue to work towards them during 2008.

WORKING WITH OTHERS

With businesses in many parts of the world, it is important to understand the way waste management systems function at a local level.

Unilever is a founding member of CEMPRE, an organisation that aims to enhance waste management and recycling in Brazil. Since its inception 15 years ago, we have seen the initiative enhance the financial wellbeing and social status of more than 15,000 of Brazil's poorest people through co-operatives. It has also helped double Brazil's packaging recycling rates. Unilever is also working with TIMPSE, a similar organisation in Thailand, to try to replicate the success of CEMPRE, and is investigating ways to roll out this approach to other countries, together with other partners.

We have worked in partnership with five small companies in Brazil to boost the recycling of laminated materials which are used in products such as toothpaste tubes, sachets and soup packs. Using a process called thermo-compression, packaging waste generated during manufacturing and post-consumer waste can be turned into household items such as sink bowls and roof tiles.



As the new design, right, for our deodorant bottles is more efficient to mould, it reduces energy consumption by around 6 million kilowatt hours – enough to power about 1,270 UK homes for a year.

Sustainable agricultural sourcing: growing for the future





With over two-thirds of our raw materials coming from agriculture, we have a clear interest in how crops are grown and in securing future supplies. Where agricultural products come from and how they are grown are issues of concern to consumers, governments and campaigning organisations. In recent years heightened media attention and public debate have turned the spotlight on issues such as working conditions for growers and labourers, the environmental impacts of cultivating crops, the economic well-being of producer communities and animal welfare.

People are looking to companies to take responsibility for these issues in their supply chain. This accords with our own approach and the commitments we have made in our Code of Business Principles and Business Partner Code. Failure to act on these issues is not only an operational risk but can be a source of reputational damage. Changing weather patterns, water scarcity and unsustainable farming practices could have an impact on our business, by threatening the long-term sustainability of agricultural production. With agricultural raw materials being so important to our brands, we have a clear interest in ensuring the security of future supplies. In recognition of this we set up our Sustainable Agriculture Programme in 1995.

An evolving approach

Initially our focus was on working with our own growers to set standards and improve practice. Later we began engaging with other suppliers. Now, we are increasingly seeing the necessity of connecting this work more closely into our brand development and communicating it to our consumers.

An early example of the potential of this approach is *Lipton*'s announcement to procure all its tea from sustainable, ethical sources and to work with the Rainforest Alliance to certify our tea supply. This is the first time a major tea company has committed to introducing sustainably certified tea on such a scale and is built on our work in this area over the last ten years.

Sustainable agriculture

When we began our Sustainable Agriculture Programme, the theory and practice of 'sustainable agriculture' was still in its infancy. Over the years, we have built a body of knowledge on what sustainable agriculture looks like for our key crops. Our approach is founded on tracking 11 indicators including water, energy, pesticide use, biodiversity, social capital and animal welfare. Working in partnership with an external advisory board and expert agronomists, we have developed and published Good Agricultural Practice Guidelines for all our key crops.

Measuring change in agriculture is a slow process due to the length of growing cycles, but we have made progress. Our success has been greatest where we have most influence, notably on our own plantations and with 'contract growers' from whom we purchase directly.



Our share of world crops 2007



The broader supply chain

However, only a small proportion of our sourcing is from our own estates or contract farming. A large part occurs either through the commodity markets or through the many thousands of third-party growers whose crops reach us through a diverse network of suppliers. Achieving sustainability in this broader supply base is a much more complex and long-term process, and one where our influence is necessarily more limited.

This is difficult not only in terms of the size and scale of the task, but also in educating and convincing farmers of the benefits of sustainable practices. Changing established methods of farming requires us to engage with growers to explain the benefits of a sustainable approach. To this end we are running workshops with suppliers to raise awareness about sustainability.

Progress in 2007

The focus of our activities in 2007 has been to work closely with our supply-chain function to communicate our guidelines to our most significant global suppliers of fruit and vegetables – around 120 in total, representing 65% of our total supply by value. Our brands, particularly *Knorr*, rely heavily on

OUR AIM

Unilever's long-term aim is to buy all its agricultural raw materials from sustainable sources, so that:

- Farmers and farm workers can obtain an income they can live on and improve their living conditions
- Soil fertility is maintained and improved
- Water availability and quality are protected and enhanced
- Nature and biodiversity are protected and enhanced.

the ingredients these suppliers provide. We have asked our suppliers to complete a self-assessment against our guidelines and have developed a software system to enable us to store and track this information.

In 2008 we plan to fully implement the software system, building a more accurate picture of supplier networks so that we can engage more effectively with them on improvements and priority areas.



In Western Europe, our Hellmann's, Amora and Calvé brands are developing their supply chains to source cage-free the 475 million eggs they use each year. Starting in 2008, Hellmann's mayonnaise in the UK and Ireland will be made with free-range eggs.

Biofuels

The production of biofuels has been boosted in recent years by government targets and subsidies. Changes in government policy stem from the perceived positive impact biofuels can make to climate change as an alternative transport fuel. They are also seen as a way to ensure greater energy security and boost farming incomes.

Unilever supports the use of renewable energy from sustainable sources to help combat climate change. However, we believe that some first-generation biofuels, made from agricultural raw materials such as rapeseed oil, are neither environmentally efficient nor cost-effective ways to reduce CO2 emissions.

As a major buyer of agricultural and other raw materials, we are also concerned that the use of valuable food crops for energy purposes will increase pressure on availability and cost of food as well as placing increasing pressure on ecosystems and biodiversity. Deforestation, particularly to make way for palm oil and soya beans, could lead to the devastation of the rainforests in Borneo and the Amazon.

By competing for food crops, biofuels production is also a factor contributing to rising food prices. In 2007 the Executive Director of the UN World Food Programme announced it could no longer maintain its current level of support to tackle hunger, identifying the shift to biofuels production as one of the drivers of recent food price increases.

We believe that developing secondgeneration biofuels that do not compete with food crops and have low carbon emissions is essential. Individual biofuels should be examined carefully to ensure that the unintended environmental and socioeconomic consequences do not undermine the positive impacts they can provide.

Creating and sharing wealth: economic impacts



Unilever has a presence in over 150 countries around the world. Developing economies are an area of growth for our business.

The presence of multinationals in developing economies has been a subject of debate for many years. Some national governments and campaigning organisations have expressed concerns about the role multinationals play in local economies and whether they are ultimately a force for good.

We believe that business is an important generator of wealth and jobs. Multinationals in particular play a vital role in sharing technology, developing best practice and setting standards of behaviour. But we also recognise that they have broader social, economic and environmental impacts, both positive and negative.

Advancing the debate

Developing and emerging markets are a priority for Unilever. We have recently worked on two studies to understand our wider impacts in such countries. The first was a joint study with Oxfam GB and Novib (Oxfam Netherlands) on our impact in Indonesia. The second, carried out for us by Professor Ethan Kapstein of INSEAD (a leading European business school), looked at our footprint in South Africa. This used 'input-output' analysis to measure our economic impact on jobs and incomes.

The study found that every person employed by Unilever South Africa supported another 22 people up and down the supply chain The scope and depth of Unilever's economic 'footprint' demonstrates the value of large corporations to the country, the economy and the broader society.

André Fourie CEO, National Business Initiative, South Africa

(see chart). This impact on jobs is very important to South Africa as it has extremely high unemployment.

For every Rand (R) 100 of sales by the company a further R45 of value added is created in the wider economy. The economic activity associated with Unilever's operations in South Africa generated nearly 1% of the country's tax revenues. Of the company's total sales revenue in 2005 of R8.5 billion, two-thirds was spent on payments to suppliers of goods and services while employees received 13% of the share.

Wider social and environmental impacts

Unilever South Africa provides comprehensive benefits to its employees in addition to paying considerably more than the average for South African listed companies. The company also operates to higher environmental standards than required by local legislation, with a declining footprint in terms of water use, CO2 emissions and energy per tonne of production.

In his report Professor Kapstein identified areas for improvement – more help to suppliers to improve their productivity and competitiveness, greater investment to improve R&D capability locally, more attention to environmental issues, especially packaging waste, and a more focused corporate social investment programme that uses Unilever's skills.

Unilever South Africa has responded to the report by committing itself to step up training of employees and suppliers and to devote more attention to energy use, water scarcity and the needs of low-income consumers.



Unilever impact on jobs in South Africa (2005)



Growing in developing and emerging markets

Many people benefit economically from our business activities. In 2007 we created €11.4 billion of value added through our operations (see chart).

44% of our sales were in developing and emerging markets and we expect to see this figure increase as population and purchasing power grow – particularly in Asia. Our deep roots and early engagement in these markets have given us valuable experience in meeting the needs of consumers at the 'base of the economic pyramid'.

Our aim is to satisfy the needs and aspirations of consumers at all levels of the pyramid with quality products. This means a differentiated portfolio in terms of price and packaging format to address the needs of different income groups.

Whether it is through new distribution channels, using smaller formats or creating new products, we are developing business models to reach the poorest members of society.

Examples of our approach

Our *Pureit* in-home purifier provides an affordable safe drinking water solution to low and middle-income families in India. One rupee buys 3.5 litres of *Pureit* safe drinking water (including the initial one-off cost of the purifier unit). This makes it a more affordable alternative to boiling water or bottled water, where one rupee buys 2.5 litres or just 0.3 litres respectively.

Another example is the *Pepsodent Fighter*, a quality, low-cost toothbrush which brings better oral care within the reach of lowincome consumers. Priced at 20–70 euro cents, in 2007 we sold 40 million of these toothbrushes in 30 countries across Asia, Africa and Europe.

Replicating this approach across a broader range of brands is a much bigger task. Nonetheless, finding more ways to reach consumers at the base of the pyramid makes business sense and enhances our ability to improve the lives of the poorest communities.

Some trade-offs are currently inevitable, however, in trying to meet all our social, economic and environmental commitments. Making products available in small-pack sizes and single-dose sachets brings quality brands to some of the world's poorest consumers, but it also contributes to litter in markets where waste management infrastructure cannot always provide facilities for reuse and recycling. We are working with stakeholders on how best to solve this dilemma without affecting the affordability and accessibility of our products.

As well as meeting consumer needs. our businesses can make a difference to the poorest communities through job creation. Project Shakti in India continued to grow in 2007. This programme creates micro-enterprise opportunities for rural women in India to sell Unilever products door to door. By the end of 2007 there were more than 45,000 Shakti entrepreneurs covering 3 million homes in 100,000 villages in 15 states. For Hindustan Unilever the initiative has significantly increased rural distribution. For the women, it has provided a significant increase in their incomes as well as giving them a sense of pride.

We are rolling out similar initiatives in Sri Lanka, where by the end of 2007 over 3,500 entrepreneurs covered 275,000 households in 4,000 villages, and Bangladesh, whose 4,250 entrepreneurs covered 400,000 households in 8,000 villages.

Unilever Group distribution of value added 2007

% OF TOTAL (€11,351 million)



PROVIDERS OF CAPITAL* (€2,955m) NET RETAINED IN BUSINESS FOR FUTURE GROWTH* (€1,458m) GOVERNMENTS (€1,312m)

LOCAL COMMUNITIES (€89m)

*Excluding the one-off effect in 2007 of share buy-backs totalling €1.5 billion.

In 2007, our sales amounted to €40.2 billion. €28.8 billion of this was spent with our suppliers, leaving €11.4 billion as our value added. Our employees accounted for the largest share of our value added. The next largest share went to shareholders.

Customers and suppliers: working with our business partners

In a rapidly changing customer and supplier landscape, sustainability issues are becoming a much bigger part of our interaction with our business partners. Our products reach consumers through a network of retailers and distributors. International retail customers, such as Wal-Mart, Tesco, Carrefour and Metro predominate in the US and Europe and are a growing presence in Asia. They account for a significant proportion of our sales, with over a fifth of our worldwide revenues channelled through ten major retail chains.

Our products also reach consumers through a more diverse group of distributors, wholesalers and small, independent retailers, outlets and kiosks. This more traditional route to market remains important to our business, especially in developing and emerging markets.

Our goal is to ensure that Unilever is the partner of choice for our smaller as well as our large international customers.



Working with customers on sustainability

The past few years have seen many of our large international customers taking a strong stance on sustainability issues, with some ambitious targets in areas such as energy use, greenhouse gas emissions and waste.

The sustainability strategies of global retailers can have significant impacts on their supply chains. We welcome this development as a powerful driver for improving sustainability knowledge and performance across a wide range of companies and sectors.

With our long-standing activities in the area of sustainability, we can not only respond to the growing requirements of customers, but share our expertise and explore opportunities for joint initiatives.

For example in 2007, we worked with Tesco on ways to put measures of carbon intensity on product packs, including participation in a review of carbon labelling and methodological issues with the Environmental Change Institute at Oxford University in the UK.

The consumer and environmental benefits of our *all Small & Mighty* triple concentrated laundry detergent were profiled by Wal-Mart in its stores over 2006-2007. This collaborative approach helped to grow sales of *all Small & Mighty* in the US to \$140 million in 2007.

In early 2008 Wal-Mart named Unilever its 2007 Supplier of the Year for Sustainable Engagement. We continue to provide expert

Unilever is a valuable partner for us in terms of sharing Wal-Mart's vision for sustainability with our customers. Our teams are working together to encourage sustainable practices and behaviours worldwide.

Paul Lewellen Senior Director of Supplie Development, Wal-Mart International support to their sustainable value networks in the areas of chemical intensive products, packaging, sustainable agriculture and climate change.

Working with our suppliers

We look to our suppliers to meet our standards on social and environmental issues. We continue to assess suppliers against our Business Partner Code which outlines our requirements on health and safety at work, business ethics, labour standards, consumer safety and the environment.

The scale and complexity of the task have been a challenge for our global business. Unilever sources from more than 10,000 suppliers of raw materials and packaging, and up to 100,000 suppliers of 'non-production' goods and services. Having made good progress in mapping and engaging with this vast network of suppliers through our supplier assurance process, we are now moving forward on specific improvement initiatives with individual suppliers. We have also founded a collaborative industry approach with several peer companies to accelerate the programme still further.

Supplier assurance

In early 2007, we completed the process of communicating with our 'first-tier' suppliers of raw materials and packaging. This was followed by a risk assessment of supplier sites that presented potential concerns in terms of their compliance with our Code. During the course of 2007, approximately 15% of these sites were prioritised for more detailed assessment, and a programme of

Following success in the US, concentrated variants of our liquid detergents have been launched in Europe under the *Persil, Surf* and *Omo* brands. In the UK, *Persil Small* & *Mighty* requires around 50% less packaging and is contributing to Tesco's goal of a 25% reduction across brand and own label packaging. Working together, PROGRESS is a great example of how our industry can balance financial results with corporate citizenship. Unilever has been a strong partner in advancing improvement in this area and we look forward to continued collaboration.

John C. Scott Director, Responsible & Sustainable Sourcing, PepsiCo & Vice-Chair, AIM-PROGRESS Initiative

audits has been initiated, using third-party auditors, to identify areas for improvement and remediation. This programme, involving approximately 50 sites as a pilot, will continue through 2008 and the learning will be used to embed this procedure into our ongoing process of supplier assurance.

In common with other large firms, we are increasingly buying in goods and services, such as plant and equipment, human resources, information technology and finance support. In 2007 we also completed a prioritisation of this group of suppliers. They are now integrated within our overall supplier assurance process, and site audits are being carried out as part of the

pilot programme.

Though in its early stages, preliminary findings from the audit programme have yet to reveal areas of critical non-compliance. However, in a number of cases the management systems and capacity of suppliers, especially in developing markets, will need to be addressed and more consideration given to how this may be best achieved.

WORKING WITH OTHERS

It is clear that building management capacity within the supply chain will require a common approach and focused, sector-based initiatives involving many participants. Moreover, suppliers of all types are encountering difficulties with the multiplicity of information requests from companies like us. In 2007, together with some of our peer companies, we established a global Programme for Responsible Sourcing (PROGRESS). As part of this, we have agreed on a common approach to evaluate the social and environmental performance of suppliers across specific groups of goods and services. We have also agreed to share the data that results from the assessment and audit process.

This will help reduce duplicated effort for PROGRESS members and suppliers alike, accelerate the process of assessing suppliers and free up resources to focus on implementing improvements within the supply chain.

To facilitate this process, PROGRESS members decided to join the Supplier Ethical Data Exchange (SEDEX) system and use its well-established evaluation methodologies.

Almost 20,000 supplier production sites are already registered within SEDEX. PROGRESS members are now in the process of requesting their suppliers to register on SEDEX in order to complete the social and environmental assessment of their sites.

Employees: a changing business in a changing world

We have made good progress on transforming Unilever to meet the needs of the changing business environment. This has at times involved difficult decisions, but ones that are right for the long-term health of our business. The transformation process we have undertaken in Unilever is essential for the future of the company. We need to remain competitive in a global economy, particularly at a time when the cost of raw materials – notably commodity crops – continues to rise.

To achieve this we have had to transform our structures and ways of working. Our aim has been to create a leaner, more flexible organisation which will enable us to compete more effectively and help us maximise the advantages of our buying, manufacturing and marketing scale.



As well as transforming our portfolio of brands we have focused on three major areas: reshaping our organisation; developing employee skills and capabilities; and looking at our culture and behaviours.

One Unilever

Our One Unilever programme is already streamlining our business by creating single operating companies for each country and outsourcing parts of our information technology, human resources and finance functions.

Outsourcing provides a better service to our business and allows us to concentrate on our core activities. For example, Accenture is now running core human resources and recruitment services in 17 countries and our new web-based learning management system brought access to training to 81,000 employees in its first year.

In 2007 we announced plans to accelerate our change programme further by developing more 'multi-country organisations' (MCOs) – clusters of countries with a single centralised management. MCOs reduce duplication and free up resources to focus on customers and consumers. In Europe, for example, we consolidated our operations in Belgium and the Netherlands into one MCO and in Africa, we formed an MCO from operations in six countries.

Leadership development

A key part of the business transformation has been equipping our people with the skills they need to help them both manage change and deliver our business strategy. Our focus has been on developing our leadership teams and investing in the skills of those working in consumer marketing and customer development.

All Unilever Executive members as well as 26 senior leadership teams from across the business underwent team effectiveness training. An updated training programme for high-potential managers was rolled out to help build a strong pipeline of future business leaders. Around 600 managers went through this programme in 2007.

Responsible restructuring

Some of the restructuring has led to a reduction in employee numbers. Decisions which have an impact on employees' lives and livelihoods are never taken lightly. We always seek to uphold our values and treat people with respect, integrity and fairness. During the process of restructuring, our approach is to communicate regularly to ensure that people understand what is happening. Where redundancy is necessary we make every effort to help employees find alternative employment.

As a result of restructuring and divestments in 2007, the number of people we employed worldwide decreased by around 5,000. Europe was strongly affected with a number of factories and offices being closed, leading to a reduction of 2,200 employees.

Enhancing ways of working and personal vitality

In the midst of this change, the safety and well-being of our employees remain a priority. A key measure of our progress is our total recordable accident frequency rate, which decreased from 0.33 accidents per 100,000 hours worked in 2006 to 0.26 in 2007.

We believe that healthy employees contribute to a healthy company. In 2006 we introduced our People Vitality programme to enhance the personal wellbeing and effectiveness of our people at work. In 2007 we finalised a charter setting out the range of health and well-being benefits that all our companies will offer to employees by 2010. It will include coaching on exercise, nutrition and mental resilience, and monitoring progress through regular follow-ups.

This programme has clear benefits with evidence showing that it can lead to more productive and engaged employees and lower levels of absence due to ill health. A study carried out by our UK business, and published in the *American Journal of Health Promotion*, found that the return on investment for such programmes was around £3.70 for every £1 invested.

Safeguarding human rights and labour standards

While safeguarding human rights is ultimately the responsibility of government, businesses need to play their part too. We seek to do this in three ways: in our operations by upholding our values and standards, in our relationships with our suppliers, and by working through external initiatives, such as the United Nations Global Compact.

Our Code of Business Principles sets out our stance on human rights, including our prohibition of child and forced labour and our support for freedom of association and collective bargaining. We take these commitments seriously and in 2007 strengthened our approach by clarifying our management guidelines and reviewing compliance monitoring.

New video conferencing facilities at four of our regional headquarters are also encouraging people to travel less and improve their work-life balance. In their first six months of operation, these facilities saved €1.5 million in travel costs and lowered our carbon footprint by 425 tonnes of CO2.

Listening to employees

We have been keen to continue listening to our employees. In 2007 we carried out our biennial Global People Survey.

The results gave Unilever a score of 66% on employee engagement which is higher than the external benchmarks. There are positive trends in the areas of 'job satisfaction' (71%) and 'opportunities for growth and development' (64%). There is room for improvement in areas such as employees feeling their 'contribution is recognised' (47%) and having 'opportunities for advancement' (45%). We have a process for reporting breaches of our Code and addressing any issues raised. In 2007, 54 employees were dismissed as a result of breaches of the Code.

Since November 2006, three separate complaints have been brought to our attention by the International Union of Food Workers (IUF), regarding site closure, freedom of association and collective bargaining at our factories in India and Pakistan. Under the terms of the OECD's Guidelines for Multinational Enterprises, the IUF has referred its complaints to the OECD's national contact point in the UK for further investigation. We are in dialogue with both organisations to provide information and seek resolution to each of these cases.

DIVERSITY

Our leadership has made diversity a core business priority. Among our top-level group of 113 managers we have 21 nationalities. Our Global Diversity Board draws together 15 leaders from all business functions and is chaired by our Group Chief Executive. The board focuses on driving our diversity agenda into our business processes and tracking the progress of our initiatives. It also champions new ways of working to boost employees' personal vitality.

Eco-efficiency: reducing our manufacturing footprint

We aim to improve the eco-efficiency of our manufacturing operations, minimising both resources used and waste created.

Target scorecard

TARGET AND ACTUAL PERFORMANCE 2007 vs 2006



Our approach

Reducing the impacts of our own manufacturing operations – eco-efficiency – is a core part of our strategy. Our longstanding work in this area has helped us improve the understanding of our impacts and supports our commitment to reducing our environmental footprint in areas such as water, waste and greenhouse gas emissions.

Our approach is underpinned by our environmental management system which is based on ISO 14001. An essential element is the setting and reviewing of targets for our key performance indicators using our web-based reporting system.

Performance in 2007

We collected environmental performance data from 287 manufacturing sites in 69 countries (including some sites that closed in 2007). We do not collect data from third-party companies that manufacture or pack our products.

We improved our eco-efficiency performance in four areas, with water per tonne of production showing a strong decrease. We made good progress on chemical oxygen demand, energy and boiler/utilities SOx, albeit below the target levels we aimed for.

On hazardous waste, amounts to be safely disposed were expected to increase as several sites held waste from 2006 pending availability of new disposal routes. In the event more was processed than anticipated.

After a 12-year history of continuous improvement, our performance on CO2 from energy worsened slightly (166.29 kg/tonne) compared to 2006. This was largely due to changes in the energy mix used to generate the electricity we have to purchase from national grids.

During 2007 we improved the reporting methodology for energy and CO2 emissions for renewable energy in line with the internationally recognised Greenhouse Gas Reporting Protocol. On this more accurate basis, our actual CO2 emissions were 149.18 kg/tonne. We will use this methodology for future reporting.

See our Sustainable Development Report for detailed analysis.

Reduction in load per tonne of production 2003–2007 and our targets for 2012



Environmental prosecutions and fines

While we try to maintain the highest standards of environmental management, problems sometimes occur. We monitor and report on all environmental prosecutions and resulting fines for infringement of environmental regulations. This also includes data from our corporate head offices and research laboratories (eight sites in total). In 2007 there was one prosecution for noncompliance with liquid effluent discharge limits, resulting in a fine of €9,718.

Performance 1995–2007 and targets to 2012

COD (chemical oxygen demand)



O TOTAL COD LEAVING THE SITES O ESTIMATED COD TO THE AQUEOUS ENVIRONMENT

Energy

GJ/TONNE OF PRODUCTION



Hazardous waste KG/TONNE OF PRODUCTION 0.98 0.96 966 66 0.69 0.8 0.66 TARGETS 0.62 0.7 C 0.55 0.55 1995 C 0.6 0.50 1998 0.50 2008 0 0.48 666 0.44 0 2003 2007 🔿 0.40 0.40 2007 O 0.39 0.39 2002 0 0.33 0 2000 2001 0 0.4 2006 O 2004 2005 0.3 2012

Boiler/Utilities SOx



Water

M³/TONNE OF PRODUCTION



CO₂ from energy



Non-hazardous waste



Ozone-depleting potential



Note: CO2 from energy

* Our 2007 data and 2012 target to reduce CO2 from energy in our manufacturing operations per tonne of production by 25% (against a baseline of 2004) are shown using our improved reporting methodology (the lower figures) and using our previous reporting methodology (the higher values in brackets).

** The 2007 CO2 from energy target changed from 155.43 to 157.27 kg/tonne following an error corrected in our database target aggregation procedure.

Our online Sustainable Development Report 2007



Indices

- Global Reporting Initiative G3 Index
- UN Global Compact
- Millennium Development Goals

See www.unilever.com/indices

Assurance

Deloitte & Touche LLP has given a limited assurance report on the occupational safety and environmental performance data on pages 29, 30 and 31. Deloitte's report, which sets out the scope of the assurance work performed on these data and their qualified conclusion, is available at www.unilever.com/sust-dev-assurance



Awards and recognition

Recent highlights from recognition we have received from external bodies on our social, economic and environmental performance.

- Food industry category leader in the Dow Jones Sustainability World Indexes (DJSI World) for the ninth year running
- Awarded the SAM Sector Leader and SAM Gold Class Sustainability Distinctions by Sustainable Asset Management
- Included again in the FTSE4Good Index Series and attained the highest possible score in the new FTSE4Good Environmental Leaders Europe 40 Index
- Achieved Platinum standard in the UK's Business in the Community Corporate Responsibility and Environment Indexes 2007 and listed in its Top 100 Companies that Count
- Listed in the 2008 Corporate Knights / Innovest Global 100 Most Sustainable Corporations in the World for the fourth year running
- Recognised as the best company in the Food Products sector for our approach to climate change disclosure, and included in the Climate Disclosure Leadership Index, in the fifth Carbon Disclosure Project report published in 2007
- Named as Wal-Mart's 2007 Supplier of the Year for Sustainable Engagement
- Group Chief Executive Patrick Cescau was awarded the Botwinick Prize in Business Ethics from Columbia Business School
- Runner-up for Best Report in the ACCA UK Awards for Sustainability Reporting 2007, for our Sustainable Development Report 2006







Writing **Corporate Citizenship** Design and production

Red Letter Design

Printing Scanplus ISO 14001: 2008

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For further information on our social, economic and environmental performance, please visit our online Sustainable Development Report 2007.