

2004

Listening, learning, making progress



Social Report



Antony Burgmans (right)
Patrick Cescau (left)
Chairmen of Unilever



Chairmen's introduction

Welcome to the Unilever Social Report 2004. Here we provide an update on the progress we are making to achieve our corporate responsibility goals: to manage and grow our business successfully around the world as a trusted corporate citizen, respected for the values and standards by which we behave.

In early 2005, we announced far-reaching changes to the way we run Unilever, in the light of our disappointing financial results. We have adopted a new business model in order to achieve our growth objectives and to increase our competitiveness so that we can underpin the long-term health and sustainability of the business, which go hand in hand.

Successful business creates benefits for all stakeholders: consumers gain access to quality products that offer real value; business partners in supply and retail prosper; and Unilever employees are rewarded financially, and through the satisfaction of a job well done.

Our new Vitality mission, expressed through our updated Corporate Purpose, commits us to regaining our growth momentum by meeting consumers' everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

This report shows that we understand that our long-term success as a business is intimately linked with the vitality of the environment and the communities in which we operate. Increasingly governments, international agencies, NGOs and individual concerned citizens are calling for wider engagement by companies in tackling the environmental and social challenges we all face.

Through a clear framework and explicit company-wide commitments, we play our part in addressing global challenges. Our local managers are empowered to take appropriate action, working with local stakeholders. The report describes just some of the actions we have taken during 2004, such as:

- strengthening the Vitality benefits of our brands by conducting a nutrition enhancement programme across our entire food and beverage portfolio – around half our products by sales value were screened during the year
- working with our direct 'tier one' suppliers towards positive assurance of adherence to our new Business Partner Code by the end of 2005
- engaging in partnerships in pursuit of shared goals, such as our agreement with UNICEF to achieve a measurable reduction in childhood mortality, one of the UN Millennium Development Goals.

As expectations for wider engagement by companies grow, so too are critics more ready to say when we don't meet their expectations. We welcome honest feedback on how we are doing as we listen, learn and make progress on our social performance.

Thank you for your interest.

Antony Burgmans
Patrick Cescau
Chairmen of Unilever

OUR MISSION



In 2004, as we ended our previous five-year Path to Growth programme, we announced a new mission to take Unilever into the next phase of our development. Called 'Adding Vitality to life', it encompasses our brands, our culture and our commitments to society and the environment, uniting what we do as a business with the people who use our products and what they care about. We have updated our long-standing Corporate Purpose to include this new Vitality mission.

Extract from our Corporate Purpose

Unilever's mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life... 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 Unilever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders, employees and business partners."

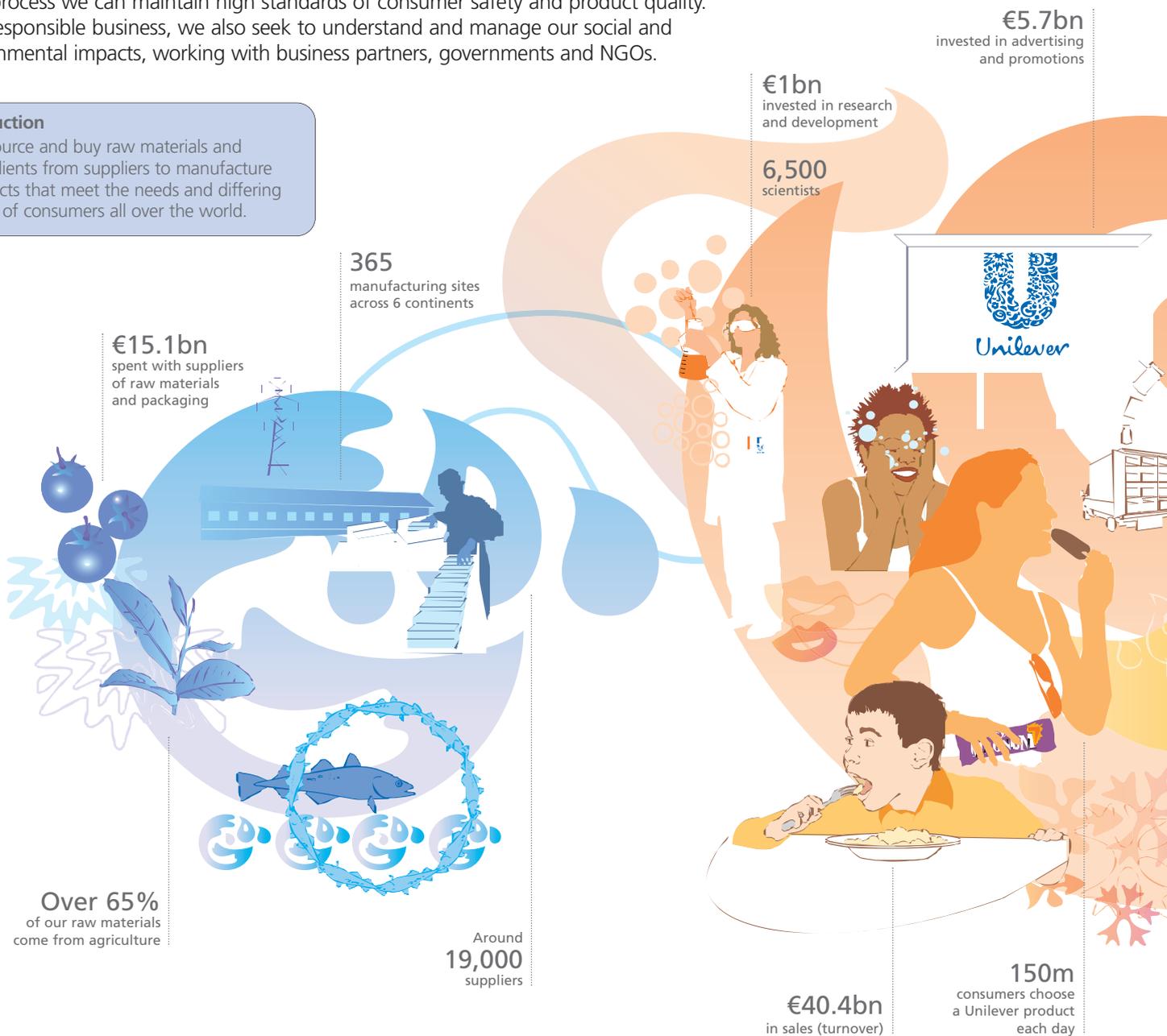
2. Unilever at a glance

Our 227,000 employees are engaged in manufacturing and marketing food and home and personal care products to consumers in approximately 150 countries around the world.

We work with those who supply raw materials and other ingredients and with those who distribute and sell our products, so that at each stage of the production and sales process we can maintain high standards of consumer safety and product quality. As a responsible business, we also seek to understand and manage our social and environmental impacts, working with business partners, governments and NGOs.

Production

We source and buy raw materials and ingredients from suppliers to manufacture products that meet the needs and differing tastes of consumers all over the world.



Our approach

- Around the world our manufacturing sites strive for improved performance on safety, efficiency, quality and environmental impacts, working to global Unilever standards and management systems
- Through our new Business Partner Code, we are working with our first-tier suppliers on human rights, labour standards, working conditions and care for the environment
- We focus efforts towards sustainability in three key areas: agriculture, fish and water, working in partnership with governments, NGOs, industry partners and local producers.

Examples of action

- The winner of our 2004 Premier Safety Award – our Indian soap factory – has had no accidents since 2002 and achieved a 40% reduction in the number of unsafe acts per person
- We are working with our direct first-tier suppliers towards positive assurance of adherence to our Business Partner Code by the end of 2005
- Our sustainable agriculture guidelines help communities maximise their crop outputs while minimising inputs such as pesticides and water.

Our approach

- We offer consumers nutritious, enjoyable, healthy, affordable and accessible products
- To ensure consistent safety for our consumers, our safety policy applies equally to all our new and existing products, wherever they are made
- Our worldwide brand communication principles guide our advertising to be 'legal, decent and honest'; our food and beverage marketing principles further ensure that our marketing materials convey responsible messages regarding nutrition, diet and healthy lifestyles.

Consumers

We meet everyday needs for nutrition, hygiene and personal care. Our success is driven by consumer understanding and research, scientific innovation and creative marketing and distribution channels.



Over 200

tea blends to suit consumers' differing tastes

About 25% of sales through 25 international retailers; much of the rest through many thousands of local outlets

The world around us

We share the wealth our operations create with investors, governments, employees and others, and work in partnership with outside organisations.

€1.4bn paid in taxes

13,000 organisations benefit from our community contributions

€1.8bn dividends to investors



Nearly 200m people reached through our community programmes

Examples of action

- In the UK *Birds Eye* has switched from palm oil for frying at 47.5% saturated fat to sunflower oil at 12% saturated fat
- Worldwide in 2004 we recalled six product batches from the marketplace due to consumer safety concerns
- Dove's Campaign for Real Beauty challenges stereotypes and celebrates diversity.

Our approach

- The wealth we create is shared among many stakeholders
- We work in partnership with a range of business, social and environmental groups to achieve mutual goals
- We play our role in wider society, contributing to public policy debates, engaging on social and environmental challenges, and do not engage in party political activity.

Examples of action

- Our employees earned half the total value created by the business in 2004
- Our new partnership with UNICEF aims to help achieve a measurable reduction in childhood mortality, in support of the UN's Millennium Development Goals
- Unilever co-chaired the TransAtlantic Business Dialogue in 2004, and is a founder signatory of the UN Global Compact.

3. Values into action

We are committed to managing our social and environmental impacts responsibly, living out our business principles and working in partnership with our stakeholders around the world.

Our approach and strategy

Our corporate responsibility policy is clear: we aim to manage and grow our business successfully around the world as a trusted corporate citizen, respected for the values and standards by which we behave.

Policy is approved by the Unilever Executive Committee, with advice from our Board's External Affairs and Corporate Relations Committee of Non-Executive Directors. Our management strategy for corporate responsibility has three key elements.

1. Measure and understand the impacts of our business and demonstrate how Unilever behaves

Learning from the progress made in measuring our environmental impacts, we are working towards a common set of measures of social impacts across the business. Self-assessment and improvement tools empower our managers to manage this aspect of our performance as professionally as any other.

In this report and online, we publish business-wide data across a set of indicators. While the scale and localised nature of the Unilever business present challenges to uniform data collection, we will continue to develop systems to make our performance transparent.

2. Manage both the risks and opportunities of our social impacts

We aim to have effective systems for managing the social impacts of the business, and to be transparent in communicating about our approach. For example, we are increasing transparency in our supply-chain standards, working in partnership to raise standards where necessary.

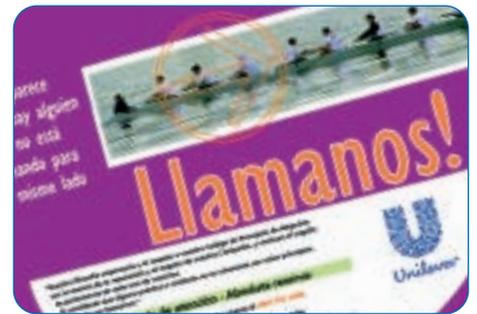
Through these and all our partnerships, we co-operate with others to achieve common goals where, within the framework of running a successful business, we can leverage our knowledge, capabilities and product brands to benefit communities and the environment.

3. Engage our employees around the world to live out our values, and to understand more fully how Unilever contributes to society

Corporate responsibility is about the way we do business, and so must be integral to the way our employees work every day. Our Code of Business Principles sets the framework within which we work, with additional worldwide operational standards on issues such as product safety and fair employment. As part of our worldwide positive assurance process, each year operating company chairmen give an assurance that their business is in compliance with the Code. In addition, internal audit provides reassurance that the process is working satisfactorily.

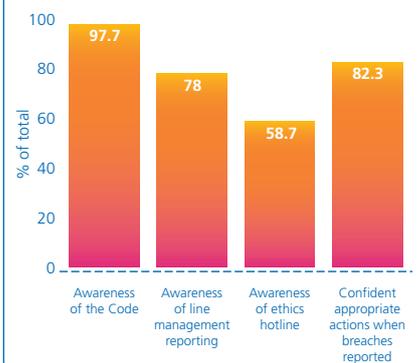
The Code is communicated to all managers and employees and translated into 47 languages. In 2004, we completed the worldwide roll-out of our confidential ethics hotline and continue to work on raising levels of awareness.

In 2004 we dismissed 89 employees because of breaches of the Code. The majority related to integrity concerns such as fraud and conflict of interest, with a small number due to issues such as sexual harassment and internet abuse.



Around the world Unilever businesses highlight our ethics hotline for reporting Code of Business Principles issues through posters, magazines, websites and interactive sessions.

Responses to Code of Business Principles Survey 2004 % of total (10,341 responses)



We are rolling out a series of regional employee surveys to help us assess and improve awareness of the Code. During 2004–2005 we asked employees in 10 countries in Europe, North America and Latin America about the Code and the tools available to report breaches.



78% of employees think that Unilever behaves with honesty and integrity in its external dealings; 6% disagree.

Global People Survey 2004 (see page 16).



Listening and learning

Our business success depends on many people: consumers, employees, investors, suppliers, customers and the retailers and distributors who take our brands to market. Many others are affected by our business too. Listening to and learning from all stakeholders helps us achieve our business goals.

As a consumer goods company, those who buy and use our products are, of course, our first priority. But they are not just consumers; they are also citizens with social and environmental concerns for their families and communities. Our new Vitality mission is focusing us on understanding better our consumers' full aspirations, in turn driving product innovation.

The views of the people who work for Unilever are crucial too. They know the business better than anyone. In 2004 we conducted our second Global People Survey of Unilever employees (see page 16). Throughout this report we share our findings. For example, 85% of employees said that they are proud to be associated with Unilever (7% disagree). However, we also found areas where we need to do better. We need to improve on clarity of direction and on speed by further simplifying the way we work in and between our organisational units. We have already made changes to the structure of the business accordingly.

Moving forward, we aim to harness better our employees' passion to make a difference in their work and in society. Already many are involved as volunteers in local communities.

Such community initiatives help us listen and respond to local needs. A survey of the business in 2004 identified more than 300 Unilever partnerships around the world. In these we combine our skills and resources with others to achieve common goals. Among our global partners are UNICEF (see page 19) and the conservation organisation WWF .

In addition to engagement with stakeholders through the business, we also conducted a structured consultation with interested parties about our social and environmental reporting .

Working through partner organisations, such as the Business and Society Foundation (SMO) in the Netherlands and Business for Social Responsibility in the USA, we invited representatives from a wide range of organisations, including NGOs, governments, investment analysts and corporate responsibility experts. Overall, these stakeholders urged us to be clearer about the link between corporate responsibility and our business strategy. They encouraged us to focus on the material issues that affect both our business and the wider world, inviting dialogue with people outside the business on the choices and dilemmas that arise. Where short-term responses to the feedback are appropriate, we have endeavoured to include them in our 2004 reports. We will continue to respond to their suggestions as our reporting develops. For example, we plan to bring our social and environmental reporting together into one report by 2007.

EXTERNAL OPINION



We engage with external parties on our social, environmental and economic activities, and learn from their feedback on, and assessment of, our performance. In 2004, Unilever was:

- food industry category leader in the Dow Jones Sustainability Indexes for the sixth year running



- again included in the FTSE4Good Index Series
- ranked second in the Dutch government survey Transparency Benchmark 2004
- ranked in the top 10 companies with high corporate responsibility standards in Brazil by business magazine *Exame*
- ranked joint 32nd in the top 100 Companies that Count in the UK's Business in the Community Corporate Responsibility Index 2004



- rated equal 10th best sustainability reporter in the UNEP/Standard & Poor's/SustainAbility sixth benchmark survey of corporate non-financial reporting.



Seeing Unilever employees living out the company's values in action is the best assurance – worth more than any verification system...

Stéphane Le Camus, Unilever Marketing Manager, at a social and environmental reporting employee feedback session.



4. Shareholders and wealth creation

By meeting the needs of consumers around the world, Unilever creates wealth which is shared among many stakeholders.

Our economic impacts

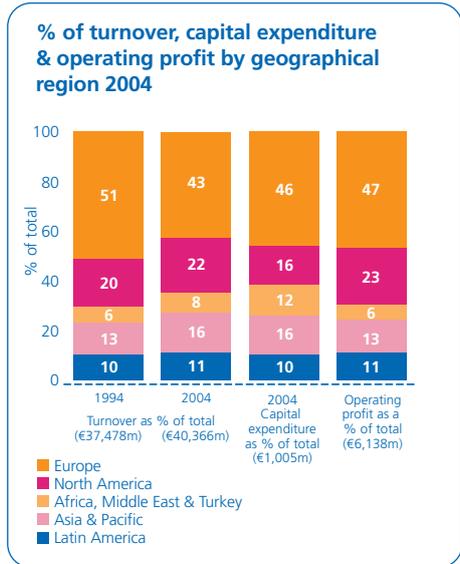
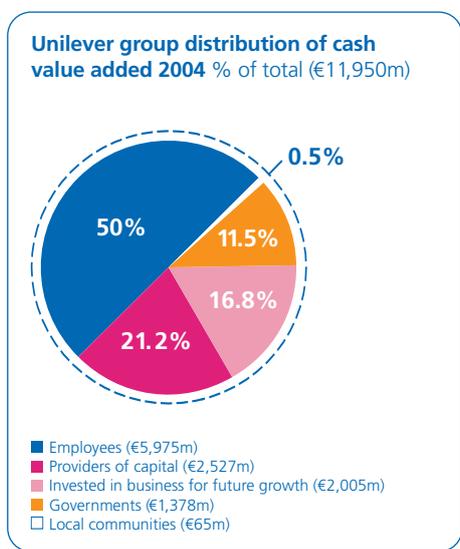
Unilever generates wealth by meeting consumer needs: we add value to the raw materials and other supplies we buy in as we process them into branded goods, market them to consumers and sell them through our retail customers. The economic benefits are shared among our stakeholders.

One measure of success is the wealth created for shareholders, expressed as 'total shareholder return' (TSR), which combines share price appreciation and dividends paid. Our ambition remains to be in the top one-third of our peer group for TSR; in 2004 we ranked 13th out of 21, down from 6th in 2003.

This fall in competitive performance is being addressed through our plans announced in February 2005 to refocus our whole organisation on our consumers and customers.

Another measure is how cash value added is distributed (see chart). In 2004, out of €40 billion turnover, we spent over €28 billion with suppliers and created nearly €12 billion in cash value added: our employees were the largest single beneficiary, earning half of this total. The share for governments represents direct corporation tax alone, and does not include the taxes paid by our operating companies on sales, purchases and wages. Only our voluntary contributions to charities and non-profit groups are shown in the communities share.

Our businesses outside our original European home countries are growing as a proportion of our total sales (see chart). Each country differs in how much value added is created and then distributed, depending on the nature of our production and the degree of development of the local economy.



Full details of our financial performance in 2004 are available in our Annual Review and our Annual Report and Accounts, available on our website.

LOCAL INVESTMENT

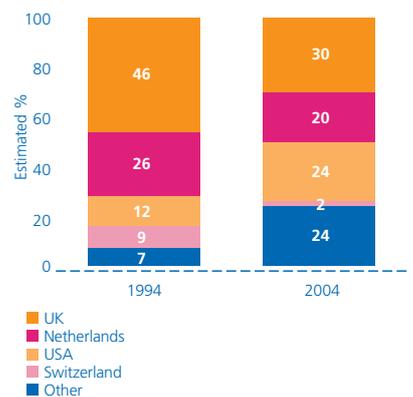
Unilever has operated in Indonesia for 74 years, and now employs about 3,200 people directly and 25,000 indirectly. Unilever Indonesia (UI) invests in developing local business partners. In 2003, UI purchased 84% of its goods and services from domestic suppliers, and worked with more than 385 distributors. Behind this network of direct partners, hundreds of thousands of individuals are employed in the value chain.

In 2004 we conducted research in a joint project with Oxfam to explore the links between wealth creation by companies such as Unilever and poverty reduction in Indonesia. We will report findings in 2005.

Unilever Indonesia works in partnership with a local small business to produce the *Vixal* brand.



Combined distribution of shares 1994 & 2004 estimated %



Unilever has a broad international shareholder base. Around a quarter of Unilever shares are held outside the UK, Netherlands and USA.

5. Our consumers

We aim to meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Meeting everyday needs everywhere

Unilever's products are sold in 150 different countries. To succeed, we must listen to consumers and tailor our products to suit different markets, tastes, habits and pockets. Respecting these differences is at the core of our approach.

People the world over aspire to improve the quality of their lives and gain access to everyday consumer goods. Local Unilever companies respond with products geared to the specific needs and tastes of their consumers. They can do so because they are deeply rooted in local markets. For example, Unilever companies have operated in Australia since 1899, in South Africa since 1904, in Canada and the US since 1906, in Argentina since 1926 and in India since 1933.

Everyone, regardless of income level, likes using high-quality innovative products on occasions when looking and feeling good are important. We try to make our products accessible in terms of price and affordability, sometimes by offering them in small, affordable sachets. This makes world-class quality products attainable by more consumers. For example, in sub-Saharan Africa Unilever offers several everyday products in small pack sizes priced at less than 10 cents (US \$), such as *Royco* soups, *Close-Up* toothpaste, *Omo* laundry powder and *Sunsilk* shampoo (see chart).

In 2004 we compared the price of our lowest-priced food and home and personal care (HPC) products in 82 countries (covering 90% of our global turnover) with that country's daily minimum wage. In 52 countries our lowest-price HPC product costs less than 5% of the minimum daily wage. In 50 countries the lowest-price food product is less than 5% of the minimum daily wage. Examples from five countries are given in the chart. More information on the affordability of our brands is available on our website [↗](#).

In several developing and emerging markets we offer consumers food products enriched with minerals and vitamins that contribute to preventative healthcare, and combat deficiencies in local diets. In 2004 we launched *Annapurna* iodine-fortified salt and biscuits fortified with vitamin A and zinc in Malawi, following the success of the fortified brand range in Ghana [↗](#).

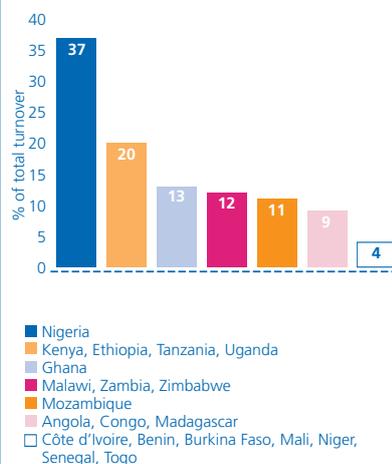
In Asia we enable low-income consumers to enjoy the benefits of our brands through affordable mini-sticks, mini-roll-ons and sachets of deodorant lotions, supported by personal hygiene education programmes.

BOOSTING NUTRITION

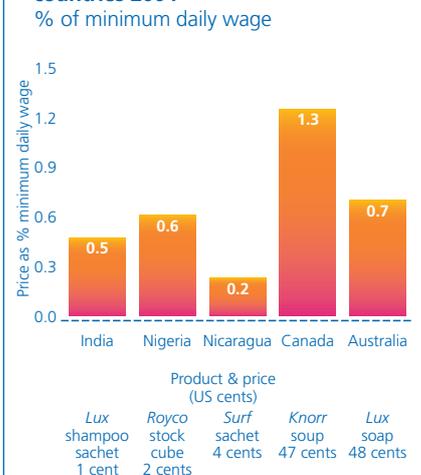
In Africa we are using an imaginative and fun 'No bread without spread' campaign to explain the health and nutrition benefits of adding vitamin-enriched margarine to dry bread. For example, children in over 750 schools in Kenya have played the *Blue Band* margarine board game, featuring nutrition heroes 'Vita A' and 'Miss Vita D' who have good eyesight and strong bones [↗](#).



Sales from small unit packs at low unit prices (<0.10 US \$) in 20 African countries (2004) % of total turnover



Lowest-priced Unilever product in five countries 2004



A promise of quality and safety through innovation

Innovation and sound consumer understanding drive our ability to meet consumer needs through our food and home and personal care products, based on safe and reliable scientific research.

We have a long history of offering consumers innovative, healthy and enjoyable products. We first added vitamins A and D to margarine in 1935. More recently, we developed a low-fat ice cream that keeps its delicious taste. Health and wellness lines now represent over 20% of our US ice cream portfolio, such as *Breyers CarbSmart* and *Klondike*.

Unilever's research and development centres employ some 6,500 scientists in 25 locations around the world. In 2004 we invested more than €1 billion in R&D (equivalent to 2.6% of sales). Our strategy is to focus our research efforts on fewer but more potentially productive and commercial areas – in 2004 we filed 370 patents protecting our innovations. Recognising the quality and increasing availability of external science and technology, we are opening up our approach, forming partnerships with early-stage R&D companies, research institutions and key suppliers.

Consumers trust us to provide them and their families with products that are safe for their intended use. In addition to full compliance with all relevant regulations, our own consumer safety policy applies equally to all our products, wherever in the world they are manufactured. We design them to be safe, and consistently strive to control ingredients, the supply chain and manufacturing process. Before we place any product on the market anywhere in the world, our consumer safety specialists must first approve it. Unilever's global Safety and Environmental Assurance Centre (SEAC) plays a central role, ensuring that safety decisions are made independently of commercial considerations.

Only 100% consumer safety is good enough, and that is our goal. Sometimes problems do occur, and we have effective systems in place to respond. Worldwide, in 2004 we recalled six product batches from the marketplace due to consumer safety concerns.

Animal testing

We are committed to eliminating animal testing for our business. For more than 20 years we have worked to develop alternatives. We apply the strictest internal control procedures to ensure animal testing is carried out only when no alternatives are available. We have considerably reduced the amount of animal testing required. New technologies are now becoming available and we have stepped up our investment, internally and with external partners. We are working to assess whether these new approaches will make animal testing unnecessary. The vast majority of Unilever products reach consumers without testing any material on animals.

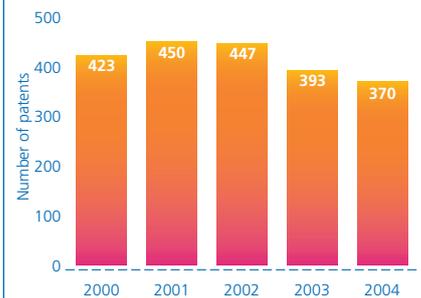
Human volunteer trials

As we develop functional foods and active care products, our need is increasing for information about the biological effects in humans. Mandatory Unilever standards are set by a body comprising five external independent experts and two senior employees – the Central Ethical Compliance Group. This monitors compliance across the whole business, oversees local research ethics committees set up by individual laboratories and makes an annual report to the responsible Unilever Board member.

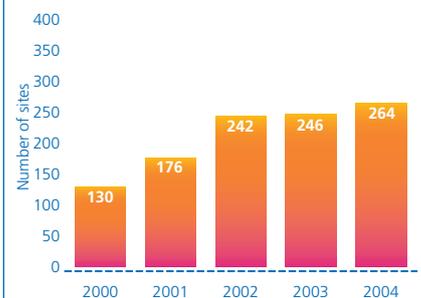
Investment in research & development 2000–2004 % of turnover



Number of patents filed 2000–2004



Unilever manufacturing sites implementing TPM 2000–2004 (total sites 365)



Many Unilever factories use a people-based method of improving efficiency and increasing product quality known as Total Productive Maintenance (TPM). Each employee is involved as a team member, trained to investigate and safely correct any faults, and so eliminate losses.

Communicating with consumers

As one of the largest consumer goods companies in the world, we use many forms of brand communication to connect with those who buy our products. We recognise the powerful influence of advertising in particular and take our responsibilities seriously.

Strong brands build consumer trust, as they are the guarantee of consistent quality. Brands are just as important for people on limited incomes who cannot afford to risk money on unreliable products as they are for more affluent consumers.

Advertising helps inform people about the benefits of our brands and the availability of innovations, so allowing an informed choice. If we are to continue to invest in developing new and improved products, we must be able to promote them quickly and effectively when they are ready for market.

In advertising to different consumer groups, creative leading-edge communication pushes at the boundaries of what is acceptable. Concepts of what is appealing and acceptable are constantly evolving. So we try to respect different expectations in the different societies in which we operate. When we do not get it right and our advertisements cause concern, we listen and respond.

We recognise that the freedom to advertise requires a responsible approach. For more than 30 years, we have had clearly defined worldwide brand communication principles. These require all such communication to pass the baseline test of being 'legal, decent and honest'. In addition, our food and beverage marketing principles, launched in 2003, reconfirm that nutrition and health claims must have a sound, scientific basis. The principles further ensure that marketing materials take a responsible approach to messages regarding diet, nutrition and healthy lifestyles, with additional principles that address marketing messages directed to children .

Our food and beverage marketing principles demonstrate an approach to self-regulation that is flexible and can be updated as consumer needs change.

Around the world, Unilever has worked to ensure this approach is adopted more broadly by the foods industry, with commitments integrated into international and national advertising codes of conduct. In 2004 we supported the development of a framework for responsible food and beverage communications by the International Chamber of Commerce (ICC).

We are committed to supporting self-regulatory organisations to improve their effectiveness and ensure appropriate consumer redress. For example, we supported the launch of the European Advertising Standards Alliance (EASA) Self-Regulation Charter. Unilever Arabia played a key role in setting up the Advertisers Association in the Gulf Cooperation Council, which plans to create standards for locally relevant self-regulation in advertising.



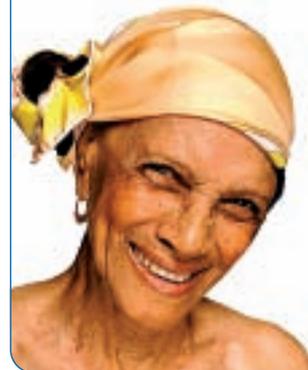
We can take our advertising and marketing budgets and use them as a force for change, challenging our marketers and ad agencies to produce campaigns that help persuade consumers to move over to a healthier lifestyle.

Antony Burgmans, Unilever Chairman, at the 2004 Unilever Health Institute Symposium (see box, page 19).



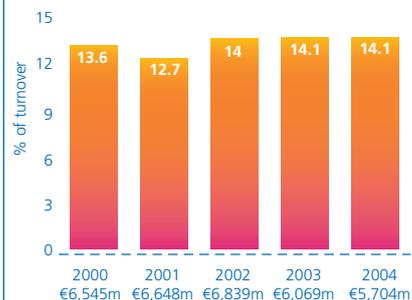
CHALLENGING MARKETING CAN CHANGE ATTITUDES

In 2004 our Dove brand set out to break the rules of the current stereotypes of beauty. Developed after listening to women's perceptions, the Dove Campaign for Real Beauty features real women of all shapes and sizes and, we believe, offers a broader, healthier view of beauty. Join the debate at www.campaignforrealbeauty.com



- wrinkled?
 wonderful?

Advertising & promotions 2000–2004 % of turnover



Health and hygiene – looking forward

Many of Unilever's products have long helped to improve personal and home hygiene. But to be fully effective, we need to help educate more consumers about the health benefits, while also addressing any concerns about the ingredients we use.

Simple hygiene practices, such as washing hands with soap, can significantly cut the incidence of diarrhoea – one of the biggest causes of childhood mortality today. Likewise brushing with fluoridated toothpaste twice a day cuts the likelihood of tooth decay. Yet even in affluent countries, only around one in four people looks after their teeth in this way, with even fewer in disadvantaged communities.

So we are seeking more effective outreach, often by working in partnership. For example, in Ghana we are supporting a project with the London School of Hygiene and Tropical Medicine and, with other companies and government agencies, are testing ways to improve hand-washing behaviour. In the UK, with the University of Liverpool, we are studying ways to achieve long-term change in tooth-brushing practices among children from disadvantaged backgrounds.

In the past we have too often tried to address such challenges through uncoordinated local projects alone. Now we are developing an integrated global 'health & hygiene vision' as part of our new Vitality mission.

This approach builds on our longstanding support for the International Scientific Forum on Home Hygiene, which brings scientists and healthcare professionals together to understand better practical ways to prevent infectious diseases [↗](#).

Sound science underpins everything we do. The chemicals we use are carefully chosen to ensure they work effectively and are safe for people and the environment. But being safe is also about feeling safe, and concerns have been expressed about the long-term effects of some chemicals. To build confidence, we go beyond compliance with all relevant legislation in our own safety procedures, and we aim to be transparent in the ingredients we use. For example, consumers can find the ingredients of each product sold in Europe within our HPC brands on our website [↗](#).

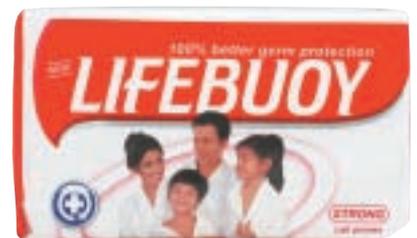
We welcome initiatives such as proposals for a regulatory framework on chemicals in Europe. Consistent and effective communication about safety based on risk is important if the new European Union (EU) Chemicals Policy (REACH) is to succeed in giving consumers confidence. We are supporting proposals for a programme of partnership between the EU Commission and the industry on risk communication, taking advantage of an existing network within the detergent industry and the chemicals industry – HERA (Human and Environmental Risk Assessment on ingredients of household cleaning products) – as a platform to build, develop and promote expertise. For more information visit www.heraproject.com

HAND WASHING WITH SOAP



The *Lifebuoy* 'Swasthya Chetna', or 'Health Awakening', programme is the biggest rural health and hygiene educational initiative ever undertaken in India. The five-year campaign aims to help educate 200 million people – 20% of the population – about basic hygiene habits, including washing hands with soap. We work with parents, health educators, teachers, community leaders and government agencies.

Lifebuoy's 'glowgerm' demonstration invites children to apply a white powder to their hands, then wash with water only. When their hands are held under an ultra-violet light, the powder glows, showing dirt. On repeating with soap, the children discover the UV light shows no trace of the powder or dirt – a simple but highly effective demonstration.



Health and nutrition – looking forward

As a leading food company, we want to help our consumers achieve nutritional balance. Our goal is to make 'the healthy choice the easy choice'.

Diets and lifestyles are changing fast. Obesity is now a problem in both developed and developing countries, alongside continuing under-nutrition among many. Demand for 'healthy food' is growing, but consumers remain confused about health messages.

Our Vitality mission commits us to grow our business by addressing health and nutrition issues. We are focusing on priority areas, including children and family nutrition, cardiovascular health and weight management.

By the end of 2005 our nutrition enhancement programme will have screened and scored our entire food and beverage portfolio. Begun in 2004, this programme is achieving further reductions in trans fat, saturated fat, sodium and sugar levels, and understanding better the inherent health benefits of some of our leading brands. This builds on significant changes already made: in the mid-1990s, we led our industry by launching a programme to eliminate almost all trans fat from our margarine.

Developed by the Unilever Health Institute , the nutrition enhancement programme uses dietary guidelines from the World Health Organization (WHO) and national agencies. Once screened, all brands must devise action plans to enhance further their nutritional qualities, even if they have met the highest standard.

During 2004 we assessed half our portfolio by sales value – some 10,000 products – and have put in place comprehensive enhancement action plans. One example of the commitment involved is our tea-based beverage brand, *Lipton*. With 1,675 products to assess, including

leaf tea, ready-to-drink tea and powders, 80 countries have been involved in providing the necessary nutritional data.

At the same time, we are increasing information and education about healthy eating, recognising that consumers need help to change their own behaviour if they are to gain the nutrition and health benefits they desire. The central message is one of balance and moderation; there is room in a healthy diet for the occasional indulgent treat. In our own marketing, we do not encourage or condone excessive consumption.

Often we can achieve more in partnership. For example, our healthy heart brands *Flora* and *Becel* are working with the World Heart Federation to make consumers more aware of the importance of maintaining a healthy diet and lifestyle to keep their hearts in good health .

In several markets we co-ordinate action with others in our sector. For example, in 2004 a 'covenant' was developed between the Dutch government, industry bodies and other stakeholders to agree national action plans for combating obesity.

Looking forward, we plan to develop more products that respond to the growing consumer demand for a healthy lifestyle. One example is *Knorr Vie* 'shots', launched in 2005 – a fruit and vegetable mix in a smoothie style, without additives, that provides at least half the WHO-recommended daily fruit and vegetable intake.

In our business, consumers make the decisions: our task is to help make that easy, without them having to make compromises on health, taste, enjoyment, convenience or affordability.

MEETING CONSUMER NEEDS



As part of on-going efforts to improve the quality of our products, the *Birds Eye* frozen foods brand in the UK has developed an initiative to remove artificial additives, colourings and preservatives across its product range. Freezing is nature's preservative so there is no need for artificial ingredients. *Birds Eye* is highlighting the benefits of frozen foods to consumers through a new "We don't play with your food" advertising campaign.

Sodium and fat levels are being reduced wherever possible. For example, since 2001 across the whole *Birds Eye* range, sodium content has been reduced by 20%. To reduce saturated fat content, frying oil has been changed from palm oil at 47.5% saturated fat to sunflower oil at 12% saturated fat.

To support consumers in making healthy food choices, the *Birds Eye* website offers information on food ingredients and nutrition, including a healthy eating calculator and advice on children's diets.

www.birdseye.co.uk



6. Our business partners

We aim to share our values with the thousands of partners around the world who help us source and produce our brands, and deliver them to consumers.

Working with partners in the supply chain

Unilever's Code of Business Principles commits us to establishing mutually beneficial relations with our suppliers. We are working to ensure partnerships are built on shared values.

Rising raw material costs and competitive pressures on prices to consumers are leading many businesses to seek greater efficiencies in their supply chains. Unilever is no exception. But, in the long-term trend towards partnership arrangements for different parts of our sourcing, production and distribution chain, cost is only one factor. External suppliers can often provide greater flexibility to match customer demand more quickly, or offer us product expertise and innovations. Across Unilever around 19,000 business partners supply raw materials and packaging to our own operations. Partners also carry out approximately 15% of our total production.

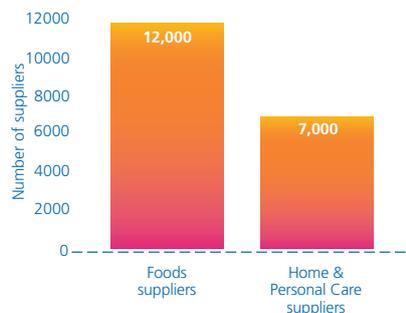
We are committed to working with our business partners to raise standards across the board, including social and environmental impacts and longer-term sustainability.

We have long had systems to ensure we know the source and quality of ingredients and products. Since 2003, we have been working to improve transparency in our requirements. Our Business Partner Code sets out our expectations that key suppliers and other partners adhere to business principles consistent with our own on ten key points covering business integrity, labour standards, consumer safety and the environment .

Our new supplier approval process now formally includes assessment and rating of environmental care, health and safety at work and compliance with our business principles. We have trained auditors in place in all regions and are beginning to assess suppliers and co-packers.

This approach is being supported by the formal communication of the Business Partner Code to all raw material and packaging suppliers with whom we have direct relations ('first-tier' suppliers). During 2005 we will work with our first-tier suppliers to secure positive assurance, and we anticipate that by the end of 2005, a substantial majority of our supplies will have been covered by this process. Risk assessment will be used to prioritise and focus further on suppliers and third parties whose operations are potentially below standard. Where suppliers do not meet our requirements, we will work with them and agree time-bound improvement plans to achieve the desired level of performance.

First-tier suppliers of raw materials & packaging 2004 (total 19,000)



ETHICAL TEA PARTNERSHIP

We are working with partners in the tea industry to give consumers confidence that the tea they buy is responsibly produced. Funded by tea producers including Unilever, the Ethical Tea Partnership is rolling out independent monitoring of standards on tea estates in the seven countries that supply over 65% of world tea exports.

Our own progress in rolling out Sustainable Agriculture Standards for tea, part of our Sustainable Agriculture Initiative, is essential in enabling Unilever to engage in such partnerships. Read more about our sustainability initiatives in agriculture, fish and water on our website .

www.ethicalteapartnership.org



Partnership routes to market

Unilever products reach consumers through networks of retailers and distributors. Around the world, retailing is changing fast, while large food markets, in particular, are experiencing over-supply and price deflation.

Competition in retail is increasing: the industry is consolidating, with growth among international retailers, and in some markets discount stores too. More than a quarter of Unilever's worldwide sales now come through just 25 major retailers.

Unilever's traditional strength is in developing great brands that consumers want to buy. Now, in a very competitive marketplace, we have to be first choice for major retailers as well. That means working closely with them, allowing them both to differentiate themselves through tailored offerings and promotions, and to gain greater operational efficiency through reduced stocks and higher product availability.

In many parts of the world, however, our route to market is through small and independent retailers. Here our commitment remains the same: to offer consumers value and to work in partnership with retailers and distributors to help them prosper and develop. For many small and start-up retailers, carrying popular, well-advertised and trusted brands is essential to keep consumers coming back (see box).

In some regions we are increasing our market share and penetration while also helping the economic development of rural areas and low-income communities. One example is Project Shakti in India (see box).

THE BIG BRAND ROLE IN SMALL BUSINESS

As in many rural areas around the world, small retailers and street traders in South Africa rely on fast-moving, trusted brands to attract shoppers and keep their business steady. Many people use these neighbourhood grocers and kerbside stalls to pick up everyday essentials like *Omo* washing powder or *Rama* margarine. With little money to spend, they need to buy wisely and rely on the quality and value that Unilever products offer.

There are over 200,000 small enterprises throughout South Africa. The majority buy from wholesalers where Unilever brands feature prominently. In addition, Unilever calls directly on 9,000 small retailers, often in remote locations, with a regular van service, enabling shopkeepers to buy small amounts of stock at wholesale prices.



My customers are poor people. But probably because they are so poor, quality means a great deal to them. They've got no time for unfamiliar brands, wanting only the big names like *Glen Tea*, *Rama*, *Surf* and *Omo*. Without these brands, my business would be nothing.

Jayesh Gounden, tuck shop owner and entrepreneur, Durban.



PROJECT SHAKTI – CREATING RURAL ENTREPRENEURS



In India, Unilever is working with over 13,000 underprivileged women, training them in skills to become entrepreneurs distributing Unilever products to more than 70 million rural consumers. Working through the growing number of women's self-help groups, the women are trained in selling, commercial knowledge and book-keeping. They earn enough to double their household income, which is traditionally based only on their husband's employment.

By the end of 2004, Shakti entrepreneurs were selling Unilever products in 50,000 villages across 12 states in India, reaching 30% more of the rural population than when the initiative started in 2000. Project Shakti is supported by over 300 partners, including NGOs, banks and both state and local government departments. The goal is to recruit enough Shakti entrepreneurs by 2008 to cover 400,000 villages and 400 million consumers.

In 2004 we extended 'i-Shakti' – an IT-enabled community portal – across the state of Andhra Pradesh. i-Shakti is designed to give rural people access to information via a network of village kiosks containing internet-linked computers run by entrepreneurs. Villagers email questions on a wide range of topics, including Unilever products, health and hygiene, agriculture, education and finance. The aim is to have 3,500 i-Shakti kiosks on stream by the end of 2005.



7. Our employees

In a period of change in the business, we continue to value our employees for their difference and diversity, reward them fairly for their effort, help them to learn continuously and listen to their views.

Investing in people

To succeed as a business in competitive markets, Unilever must attract and retain the best people. Competitive rewards, opportunities for personal development and good employment standards enable our employees to perform well.

In 2004, Unilever employed 227,000 people in around 100 countries on six continents. In every country we invest in developing local employees, led by local managers. Our policy is to offer wages that are competitive in local labour markets and so meet the aspirations of our workforce and of new recruits.

We encourage our people to learn continuously, to pursue their personal goals and develop professionally. We have established a community of learning academies for professional skills training in finance, human resources, information technology, marketing, supply chain and customer development. Increasingly, our academies link up and share best practice and learning across the business.

In every region, Unilever businesses work to the same good standards of employment, as set out in our Code of Business Principles. Each operating company is responsible for maintaining standards, in accordance with local conditions, and adherence forms part of Unilever's positive assurance process.

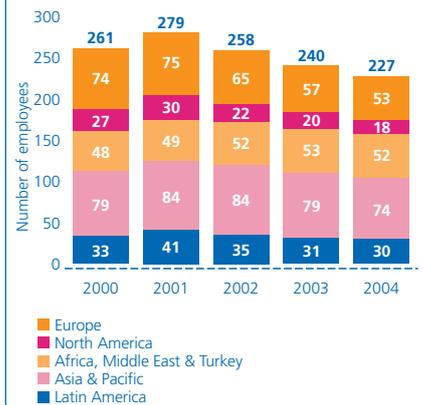
Unilever adheres to core ILO labour standards and manages the business to ensure that human dignity and labour rights are maintained. Our own Code sets out minimum requirements, such as not using any form of forced, compulsory or child labour. A pilot survey in 2004 found that our youngest recruit is in Switzerland, where traineeships are offered to young people from the age of 15.

We recognise the right of employees to freedom of association. National laws differ in the many jurisdictions where we operate. In Europe, for example, home to around a quarter of our employees, our regional size requires us to have a European Works Council. The Council expanded in 2004 and now comprises 35 representatives chosen by employees in 23 countries. Worldwide, around 34% of Unilever employees are members of trades unions.

When major changes to the structure of the business are made, we make every effort to treat the employees affected fairly. Over the last five years, the number of employees in most regions has fallen (see chart), as we have sold businesses, outsourced production and closed some operations, affecting about 50,000 people in more than 150 factories.

Looking forward, this process of change will continue. We are working to reduce management layers, so as to streamline the connection of the business with consumers. Where appropriate, we are outsourcing some administrative functions and continuously seek to make the most effective use of technology. Such changes are inevitable in a competitive marketplace, so we invest in employees' life-long learning. Training and personal development focus on the continuous updating of skills each individual can use, whether inside or outside Unilever.

Average number of employees by region (000s) 2000 – 2004



Lowest Unilever wage as a % of minimum wage 2004 (15 countries)

In every country around the world, the lowest-paid Unilever employee is paid at least the local minimum wage. In many cases, pay is significantly higher, reflecting the differences between local legal standards, as shown in the examples below.

Country	Lowest wage as % of minimum wage
Brazil, Turkey, UK, USA	100%
Chile, China, Netherlands, Switzerland	100–250%
Indonesia, Nigeria, Peru, Romania	250–350%
Côte d'Ivoire, Pakistan, South Africa	>350%

Safe working, healthy employees

Unilever's goal is to achieve a safe working environment and a world-class reputation for health and safety at work. Our approach to preventing occupational illness and injury is to identify and address health and safety risks before serious incidents can occur.

Our global health and safety standards apply equally everywhere in the world. All our sites are required to comply with Unilever's Occupational Health & Safety Framework Standards. These are based on the OHSAS 18001 international standard.

Our goal is zero accidents and fatalities and the long-term trend is downwards (see charts). However, most regrettably, in 2004 three contractors and one employee lost their lives while working on our sites and a further six employees died while on our business elsewhere, principally due to road accidents. Last year we conducted a detailed study across six countries to help us understand the factors affecting road safety in high-risk environments. We are now developing and testing intervention strategies in Africa, Asia and Latin America to tackle this risk.

Recognising the particular challenges concerning the safety of contract workers, we have prepared a new standard on contractor management, which is being rolled out internationally in 2005.

HIV/AIDS

In some regions, the HIV/AIDS pandemic is a grave risk to employees and communities. Our approach is to deploy effective programmes of health education and to secure appropriate treatment for our employees at all stages of the disease. Our policies are aligned with the key principles of the ILO Code of Practice on HIV/AIDS, and respond and adapt to fit local needs. This is because individual countries have different clinical infrastructures, national health priorities and cultural sensitivities.

In 2004 we have continued to place a priority on supporting the establishment of business coalitions against HIV/AIDS. Together with other businesses we now support coalitions in nine sub-Saharan countries – Côte d'Ivoire, Kenya, Uganda, Tanzania, Malawi, Zambia, Zimbabwe, Mozambique and South Africa. This approach boosts effectiveness, both in relating to governments and in scaling up activities in the wider community.

In August 2004, one of these partnerships, the South African Business Coalition on HIV and AIDS, launched a toolkit to help businesses in Africa implement effective programmes, modelled on Unilever's own management guide. Visit www.redribbon.co.za/business for details.

Health and safety awards

Our Khamgaon soap factory in Maharashtra, India, won Unilever's top safety award in 2004. Our annual health award was won by our Minburi factory in Thailand for excellence in occupational health initiatives.



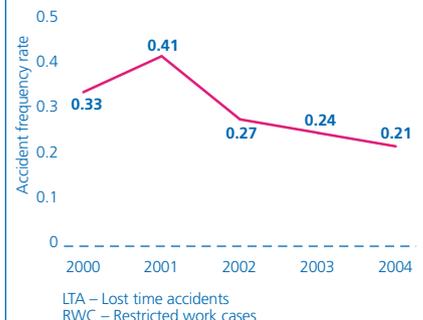
84% of employees believe Unilever is a safe place to work; 11% disagree. 78% of employees believe corrective actions are taken for unsafe conditions; 10% disagree. Global People Survey 2004.



Fatal accidents (recordable) 2000–2004



Accident frequency rate 2000–2004 (LTA + RWC per 100,000 hours)



DETECTING LIGHTNING



On our tea estates in East Africa, the biggest safety risk faced by tea-pluckers at work is lightning strikes. In 2004 we worked in partnership with the University of Nairobi to pilot an electronic lightning detection system. Complementing local knowledge in planning for field evacuations, this will improve the quality of lightning prediction, helping to reduce the risk of fatalities.

Embracing difference

For Unilever, diversity is about inclusion – embracing our differences and creating an environment that inspires people to contribute.

Our approach is to encourage individuals to be themselves within a framework of shared values and goals. Our Code of Business Principles commits us to giving full and fair consideration to all applicants and continuing development for all employees, whatever their dimension of diversity, such as gender, nationality, race, creed, disability, style or sexuality.

Our challenge is to make sure employees throughout the business experience the reality of these commitments. So in 2004, we launched an online toolkit that helps line managers to promote diversity. The toolkit asks them to take part in a three-step process to ‘engage, participate and believe’ and provides resources to suit a range of different learning styles.

Unilever’s top management is leading the work on diversity, reporting to employees every six months on their own progress according to a seven-point ‘diversity scorecard’.

We are making some progress in developing more balance in management roles. Over 30% of our managers are now women – up from a quarter in 2001. Among our top 200 business leaders, 32 nationalities are represented.

But we know that we are not diverse enough. We have to continue to improve, not least because diversity within Unilever helps us understand our consumers. We need to understand the lives of all kinds of people in diverse markets around the world if we are to meet their needs.

We are tracking our progress on developing our inclusive culture, and we seek feedback from employees on how

we are doing. A survey in 2004 highlighted that employees recognise our efforts, with a 5% increase in those who believe management supports diversity, compared to 2002.

Success is looking at everything we say and do ...

...through the diversity lens

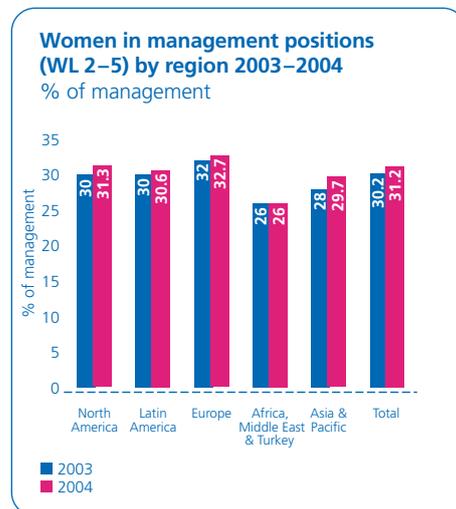
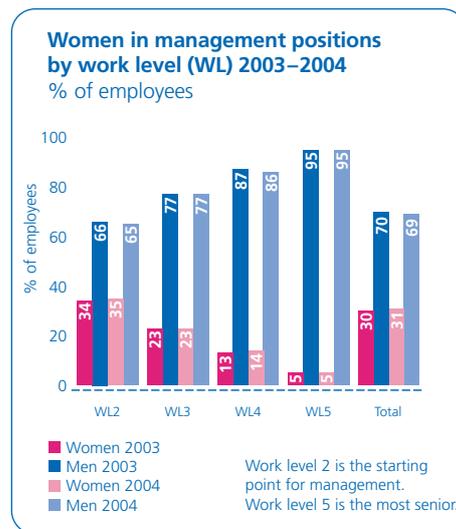
From ‘big picture’ business decisions and processes: brand development, advertising, market research, new management systems, human resources, legal and accounting ...

to the things we do every day: conducting meetings, planning events, making calls, communicating with our colleagues, connecting with our customers ...

Listening to opinions

In September 2004 our Global People Survey covered over 100,000 employees, with an 86% participation rate. Available online and on paper, and translated into as many languages as needed, the survey allowed employees the opportunity to comment at a time when we are making major changes in the organisation and management of the business.

We value the feedback our employees have given us in the Survey. In 2005 we will take action to make improvements in the areas where they highlighted problems. Each unit in Unilever will have three areas for improvement: global, regional and local. Progress in these areas will be integrated into our business scorecards, which are used to measure the success of the business. In this way performance on these issues will be monitored alongside financial results.



8. Society

We play our role in wider society and succeed when we work in partnership with others, including other businesses, governments and civic society groups.

Civic responsibility

Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfil our responsibilities to the communities in which we operate.

In keeping with our Code of Business Principles, Unilever companies are encouraged to take part in the development of public policy that may affect legitimate business interests. We engage with governments and other organisations, both directly and through bodies such as trade associations. We also support and participate in multi-stakeholder debates and, when relevant, contribute our views during public consultations.

We aim to be transparent in this activity, so it is clear that our actions are consistent with our Business Principles and our business, social and environmental responsibilities.

In 2004 we continued to support progress on a range of consumer, social and environmental issues, such as proposed EU legislation on nutrition and health claims. Our aim in these activities is to find workable solutions that benefit consumers and give incentives to business to invest in research and innovation. This approach requires engagement with a wide range of stakeholders, including business associations such as AISE (the European soaps, detergents and maintenance products trade organisation) and consumer organisations and NGOs such as the European consumers' organisation (BEUC) and WWF.

Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests. Our Code forbids corruption and bribery, and we

work hard to ensure this is lived out within our operations and in our work with others. On page 4 we explain how we deal with breaches of the Code.

We are a founding signatory of the United Nations Global Compact. We are committed to living out the Compact's ten principles on human rights, labour, environment and anti-corruption in our everyday business operations, and to reporting on progress. See www.unglobalcompact.org for more information.

During 2004 Unilever co-chaired the TransAtlantic Business Dialogue (TABD), an advisory forum made up of the chief executives of more than 30 companies operating on both sides of the Atlantic. Among other issues, the TABD is calling for a successful completion by 2006 to the Doha Development Round of world trade talks aimed at securing economic growth and prosperity through the integration of developing and emerging markets more fully into the global economy.

Also on the TABD agenda is anti-counterfeiting. The commercialisation of counterfeited products is a worldwide phenomenon that puts consumers at risk and comes at a high cost to business and governments. We support collaboration between concerned organisations and law enforcement agencies to tackle this growing problem.

INVESTING IN GROWTH

Unilever Vietnam invests in developing and nurturing local business entrepreneurs. This has achieved rapid growth for the business and stimulated economic growth in the company's supply chains. Unilever presented this case study at a workshop in January 2004 on Partnerships for Small Enterprise Development, organised by the United Nations Development Programme (UNDP), in partnership with the UN Global Compact and the United Nations Industrial Development Organization (UNIDO). The workshop brought together representatives from the public and private sectors to discuss how business can help to stimulate economic growth in developing countries. Best-practice learnings from the workshop are shared online.



Find the learnings at www.undp.org/business/docs/partnershipsdeloitte.pdf

“

85% of our employees say that Unilever is a socially responsible company; 6% disagree. 88% believe we are environmentally responsible; 5% disagree.
Global People Survey 2004.

”

Our partners in the community

From encouraging children to 'get dirty and experience life' in Turkey, to helping the career development of blind people in Argentina, Unilever companies and their employees are engaged in a huge range of community activities that respond to local needs.

During 2004 we supported some 13,000 community organisations around the world, and with our help an estimated one in ten employees engaged in community activity. Over the last five years, our community contribution has averaged 1.7% of pre-tax profit.

This activity flows not from a centrally directed policy nor mandatory targets, but from our operating companies playing their part in local society, responding to the needs in each country, within the framework of our Code of Business Principles.

Their motivation, and so the choice of their activity, varies greatly. In some cases, it is a charitable response to a pressing need, while others aim for a long-term partnership bringing mutual benefits. Around a third of our projects seek clear commercial as well as community benefits, usually linked to a brand.

We use the London Benchmarking Group (LBG) model to evaluate our activity (see charts). In 2004 we estimate that nearly 200 million people directly benefited from our community projects, the majority through hygiene and nutrition projects in India.

Increasingly, we are bringing insights from this diverse activity back into the business, helping broaden the horizons of our employees and informing our product development. In this way, we deepen our roots in local communities and stay close to consumers as citizens.

DIRT IS GOOD



From Canada, where *Sunlight* promoted national 'Play Day' family events (see cover photograph) to Turkey, where *Omo* challenged 200,000 children and parents in Turkey to 'get dirty and experience life' at the *sporOmo* children's sports festival, our laundry brands involved consumers in the 'Dirt is good' marketing campaign. This is designed to champion the virtues of giving children the freedom to get dirty as a key part of exploring, developing and growing up.

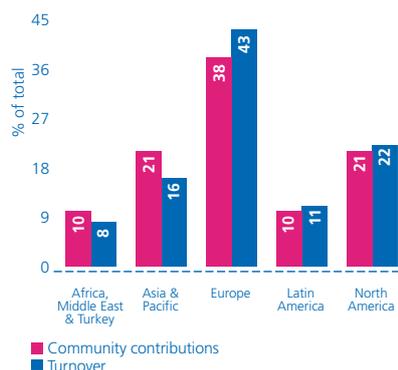
MAXIMISING THE SKILLS OF THE BLIND



In Argentina, a work experience programme led to the employment of 42 blind and partially sighted people, who were given training to use their well-developed sense of smell to test fragrances for our products.

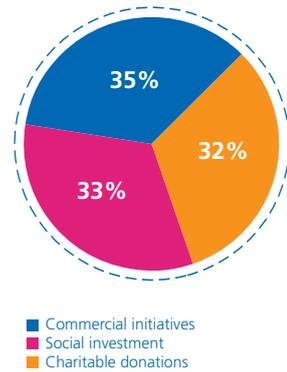
Community contributions & turnover by geographical region 2004

% of total



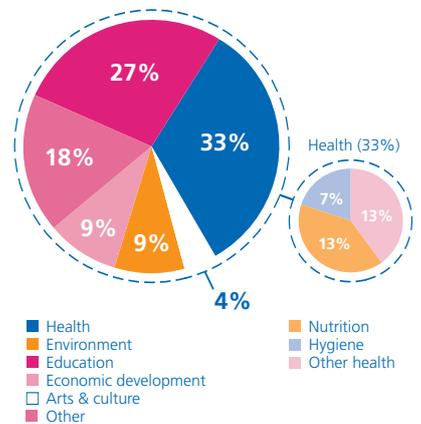
Community spend by motivation 2004

% of total (€65.3m)



Community spend by subject 2004

% of total (€65.3m)



VITALITY SUMMER

To celebrate the launch of our Vitality mission, our Home and Personal Care Europe business group focused 3,500 employees on a fortnight of community volunteering across Europe, from working with disadvantaged children to revitalising local environments. This initiative was highly motivating for our employees who gained insights into local communities (see cover photograph).

Partnership in action

Working in partnership with others is typical of Unilever's way of doing business. Simply put, we can achieve more by combining our expertise and resources with the complementary abilities of others – whether it is another company, a research institute or a local community. It is a practical way to achieve our business goals and maximise the contribution we can make to society.

At every stage of our business we are involved with external partners. In sourcing materials, co-packing and developing efficient consumer response systems, working with others is part of our everyday business life. And this approach transfers readily to our social and environmental commitments.

In the agricultural supply chain, for example, we participate in the Roundtable on Sustainable Palm Oil, which brings together growers, processors, traders and investors. Likewise we focus on consumers through our three-year global partnership with the FDI World Dental Federation, promoting improved oral health, especially through initiatives at grassroots level.

Vitality partnership

In 2004 Unilever established an alliance with UNICEF, the United Nations Children's Fund. Our expertise in both nutrition and hygiene makes us uniquely placed to work with UNICEF on improving the health of children and their families in Africa, Asia and Latin America. Better hygiene, access to clean water and improved nutrition are the keys to cutting child mortality, one of the UN Millennium Development Goals. By applying our technical, marketing and communication skills in partnership with UNICEF, we aim to achieve a measurable impact on the target of reducing the under-five mortality rate by two-thirds by 2015 .

Responding to the tsunamis

In the aftermath of the death and destruction caused by the tsunamis that struck South East Asia on 26 December 2004, Unilever worked with local partners in India, Indonesia, Thailand and Sri Lanka to help distribute food, fresh water and medicines to the affected areas .

For example, in Sri Lanka Unilever lent its extensive product distribution network to get food to survivors. Working with the UN World Food Programme (WFP), Unilever distributed more than 480 tons of food, enough for 65,000 people to eat for two weeks, along with three trains to deliver food to the north and east of the country.



In the immediate aftermath of a disaster, this kind of help is better than any money can buy and it gives us the edge in moving aid faster.

James T. Morris, Executive Director, UN World Food Programme.



MAKING HEALTHY CHOICES, EASY CHOICES



Around the world, governments are looking for ways to improve public health through healthy eating and physical activity. We believe that such efforts are more effective if health bodies and the food industry work together in partnership.

In April 2004 we hosted the fifth annual Unilever Health Institute Symposium, held in the Netherlands. The event brought Unilever scientists, technologists and consumer experts together with external experts and representatives of interest groups and health organisations such as the World Health Organization (WHO) and UNICEF, to discuss how healthy eating choices can be turned into easy choices for consumers.

Companies like Unilever, with expertise in food technology, consumer understanding and marketing, have a key role to play. We can raise awareness and interest in the health benefits of foods and drinks through great-tasting products, convincing evidence and effective communication to consumers.

INVESTING IN LEADERSHIP

Unilever is investing in a three-year research, education and training programme on corporate responsibility with the European Academy of Business in Society (EABIS).

In partnership with over 30 business schools from 14 countries, EABIS aims to equip current and future business leaders with the knowledge and skills to manage the complexity of modern business and to create value both for companies and society as a whole.

www.eabis.org



EABIS

European Academy
of Business in Society

9. Looking forward

On our journey towards managing and growing our business as a trusted corporate citizen, we are listening, learning and making progress, but there is still much work to be done.

Progress report

In 2004 work continued in all our key commitment areas. During 2005 our logo and company name will appear on all product packs – just one example of our continuing commitment to improved transparency about our business and our impact on society.

Making progress		
Commitment	Timeframe	Progress and plans
Consolidate social key performance indicators.	2004	Trialled a set of Unilever-wide key performance indicators; and included key data in Report and website.
Produce Roadmap of good practice in corporate social responsibility.	2004	Roadmap for operating companies completed, roll-out 2005–2006. Additional Roadmaps for Marketing and Supply Chain being prepared in 2005.
Issue guidance for managers on standards for contracted suppliers.	2004/5	Business Partner Code roll-out programme to first-tier suppliers under way in 2004–2005.
Increase transparency of information:		
on www.unilever.com	On-going	Increasing amount of performance information available online, including programme information in case study format.
in reporting	2007	Social and Environmental Reports to be merged by 2007.
	2004	First external verification of Social Report 2004.
Increase participation in social partnerships through UN Global Compact and directly.	2005–2015	On-going. More than 300 social partnerships at country level. Global partnership with UNICEF on Millennium Development Goal 4 announced December 2004.
Engage with stakeholders to share and keep abreast of good practice in CSR.	On-going	See page 5. Research project with Oxfam to be finalised in 2005 (see box, page 6).

Looking forward

As part of our five-year programme, particular emphasis has been given to the preparation of good-practice guidance in order to scale up the ability of all our operations to deliver on the corporate responsibility agenda. Work is under way, in conjunction with the Cambridge Programme for Industry, on learning modules and programmes. The Unilever Marketing Academy and Supply Chain management are also embedding social and environmental responsibility techniques and tools into their own training programmes.

During 2005 we will continue to develop group-wide key social performance indicators. Our Global People Survey is proving an important source of guidance on our employees' perceptions of Unilever's strengths and weaknesses. Progress is not as fast as we would like as the challenging business environment forces us to be clear about the contribution of additional data collection, both environmental and social, not directly associated with specific programmes and initiatives. By 2007 we will merge our social and environmental reports.

In addition to our daily business relationships, external engagement with a broad range of social and environmental stakeholders continues to be an important part of our learning and our capacity to share our capabilities with society. The memorandum we signed with UNICEF in December 2004 exemplifies the potential for aligning social and business objectives.

Tell us what you think

We recognise that this is a journey where we do not have all the answers, and we remain committed to listening and learning from our stakeholders. Please tell us what you think. You can contact us via our website at www.unilever.com/ourvalues/environmentandsociety, where you will find more information about our brands and activities around the world. Alternatively send your comments direct to society.info@unilever.com

10. Assurance

For the first time, we ask independent verifiers to give us their opinion and recommendations on our social responsibility processes and our reporting.

Verifier's statement

URS Verification Ltd (URSVL) was commissioned by Unilever to provide an independent verification of selected social data and related claims presented in the Social Report 2004 ('the report').

Key objectives of the assurance included review of the:

- implementation of corporate strategy and communication with stakeholders; and
- completeness, materiality and accuracy of the data and information reported.

The scope of assurance this year includes Employees (including diversity, occupational health and safety) and Society (including community involvement). The work on which our opinions are based included management interviews held at corporate level, at country level in South Africa and Brazil, and visits to four sites in South Africa and Brazil. The assurance did not include areas outside of this scope, for example relating to shareholders, consumers or business partners, or information on Unilever's website.

Assurance approach

URSVL has performed this assurance based on best practice, such as the principles of AA1000 assurance standard. The information contained in the report is the sole responsibility of Unilever. This assurance statement represents the independent opinion of URSVL. URSVL was not involved in the preparation of any material included in the report.

Opinion and recommendations

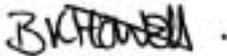
URSVL reviewed the implementation of corporate strategy and observed the following:

- strong support from the executive committee to manage social issues. The new strategy will need to identify objectives against which Unilever can assess its social responsibility

- Unilever undertakes extensive stakeholder engagement. Further integration of these processes could help to inform business planning and decision making
- community involvement initiatives are entrepreneurial and may benefit from a stronger strategic focus.

In our opinion, the report provides a fair reflection of group level performance. To ensure completeness, materiality and accuracy, we would note the following:

- Unilever's approach towards safety is broader than the performance indicators reported suggest. Consideration should be given to reporting on occupational health and fatalities to members of the public. Unilever's HIV/AIDS initiatives in South Africa are best in class
- data collection processes are able to provide robust, repeatable data. Integration of data and information systems could make the reporting of social performance more effective
- we recommend that Unilever makes more explicit the relationship between its risk assessment processes and social performance indicators.



Belinda Howell

Director

For and on behalf of URS Verification Ltd, London, April 2005



URSVL has carried out its services by checking samples of data, information and documents which have been made available to URSVL by Unilever. Accordingly, URSVL has not checked or reviewed all of Unilever's data, information and documents. The verification statement provided herein by URSVL is not intended to be used as advice or as the basis for any decisions, including, without limitation, financial or investment decisions.

UNILEVER RESPONSE TO VERIFIER'S STATEMENT

Our Environmental Report has been verified since 1996. In 2004 we took the step to have our Social Report assured, using a phased approach by defining two core areas to cover – Employees and Society.

We value this independent scrutiny, not only for the assurance it offers to external readers, but for the added rigour it can bring internally.

URSVL acknowledges that our commitment to social responsibility is clear. We are currently addressing how to embed supporting strategies and processes into our business most effectively.

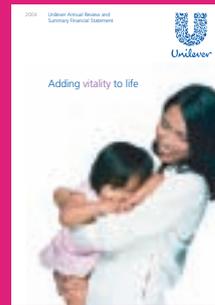
We are pleased that URSVL recognises our data collection processes as robust. However we agree that further integration could be beneficial. We will look at this, along with ways of formalising risk assessment into our key performance indicators, as we continue to develop and refine our approach to measuring our social performance.

Online links and publications

For information on our environmental performance, please see our Environmental Report, published alongside this Social Report and our Annual Review. More information on our environmental and social activities is available on our website, at www.unilever.com/ourvalues/environmentandsociety. The site is our principal means of communicating our performance and is updated throughout the year.



Environmental Report 2004



Unilever Annual Review and Summary Financial Statement 2004

Our 'Global Challenges – Local Actions' series looks at how Unilever companies are tackling global social and environmental concerns by working in partnership with local, national and international agencies, governments, business organisations and NGOs.

Global Challenges – Local Actions



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