



Unilever

## PROGRESS REPORT 2012

# UNILEVER SUSTAINABLE LIVING PLAN





In November 2010 we set out the Unilever Sustainable Living Plan (USLP), our blueprint for achieving our vision to double the size of the business whilst reducing our environmental footprint and increasing our positive social impact.

#### ABOUT OUR REPORTING

The Unilever Sustainable Living Plan: Progress Report 2012, published in April 2013, is complemented by:

- The online Unilever Sustainable Living Report for 2012. Our website is our principal means of reporting. It includes more background to our progress on the USLP and the scope of our assurance programme as well as more detailed information on our approach to running a responsible business. It also contains indices that cross reference our performance to the UN Global Compact Principles, the Millennium Development Goals and Global Reporting Initiative indicators.  
[www.unilever.com/sustainable-living](http://www.unilever.com/sustainable-living)
- Unilever's Annual Report and Accounts 2012: Making Sustainable Living Commonplace, which outlines our business and financial performance including key financial and non-financial performance indicators.  
[www.unilever.com/investorrelations](http://www.unilever.com/investorrelations)

#### Boundaries for reporting

This Progress Report 2012 covers Unilever's global operations for the period 1 January-31 December 2012 unless otherwise stated. Data is provided for Unilever's wholly owned companies, subsidiaries and key joint ventures and listed entities where we have a majority ownership.

The Unilever Sustainable Living Plan is independently assured. Further information on our approach to assurance can be found on page 52.

# OUR CHANGING WORLD

## THE CONTEXT

### 9 billion

People expected on the planet by 2050; population is growing by 200,000 a day

### 200 million

Unemployed today; 600 million jobs need to be created over the next decade

### 2 million

Children die every year from diarrhoea and pneumonia

### Climate change

Is accelerating towards a temperature rise greater than 2 degrees

### Two-thirds

Of the world could be living in water-stressed conditions by 2025

### 40%

Of the world's agricultural land is seriously degraded

### 40% rise

In food prices expected 2010-20

### 1 in 10

Of the adult population is obese while almost 1 billion people go hungry

## OUR RESPONSE

The Unilever Sustainable Living Plan is our strategic response to the unprecedented challenges the world faces. It is at the heart of our Compass strategy which sets out our ambitious vision and purpose.



## OUR PURPOSE TO MAKE SUSTAINABLE LIVING COMMONPLACE

We work to create a better future every day, with brands and services that help people feel good, look good and get more out of life.

Our first priority is to our consumers – then customers, employees, suppliers and communities. When we fulfil our responsibilities to them, we believe that our shareholders will be rewarded.



# CHIEF EXECUTIVE OFFICER'S REVIEW



## **VOLATILITY AND UNCERTAINTY – THE NEW NORMAL**

2012 proved to be another challenging year for the global economy. Commodity markets remained volatile and costs rose significantly in excess of expectations. The threat of the world's largest economy going over a 'fiscal cliff' and the euro crisis added uncertainty and undermined fragile consumer confidence.

Overall we continue to see sluggish growth in most developed markets contrasted by relatively healthy consumption and growth in aspiring markets. These both have consequences in terms of the world's social and environmental equilibrium.

Inequality and rising levels of unemployment – especially among young people – place added strains on social cohesion. But the biggest challenge is the continuing threat to 'planetary boundaries', resulting in extreme weather patterns and growing resource constraints. These have an increasing impact on people's lives.

Put simply, we cannot thrive as a business in a world where too many people are still excluded, marginalised or penalised through global economic activity; where nearly 1 billion go to bed hungry every night, 2.8 billion are short of water and increasing numbers of people are excluded from the opportunity to work.

## **OUR VISION FOR GROWTH**

We remain convinced that businesses that address both the direct concerns of citizens and the needs of the environment will prosper over the long term. We need to build new business models that enable responsible, equitable growth that is decoupled from environmental impact.

This thinking lies at the heart of the Unilever Sustainable Living Plan and our Compass vision of doubling the size of the business whilst reducing our environmental footprint and increasing our positive social impact.

To achieve our vision, we have set clear goals to halve the environmental footprint of our products, to help more than 1 billion people take action to improve their health and well-being, to source 100% of our agricultural raw materials sustainably and to enhance the livelihoods of people across our value chain.

As the thinking becomes embedded in our business, there is increasing evidence that it is accelerating our growth in ways that contribute to positive change in people's lives.

## **STRONG BUSINESS PERFORMANCE**

Unilever performed well in 2012, despite difficult economic conditions.

Turnover increased by 10.5%, taking Unilever through the €50 billion barrier, a significant milestone to becoming an €80 billion company. Emerging markets grew for the second consecutive year by more than 11% and now account for 55% of total business. Personal Care and Home Care showed double-digit growth, in line with our strategic priorities.

## **UNILEVER SUSTAINABLE LIVING PLAN**

The Unilever Sustainable Living Plan (USLP) inspires us to grow in line with our new purpose to make sustainable living commonplace. The lens of sustainable living is helping us to drive brands that have a strong purpose in people's lives, to reduce costs and take waste out of the system and to drive innovation that will make a positive difference to the environmental and social challenges facing us all. The Plan pushes us to think ahead, reducing risk and making the business more resilient for the long term.

In 2012 we continued to make good progress delivering the Plan's commitments.

Our factories made great strides in cutting energy, water and waste. For example all our US operations have moved to purchasing their energy from certified, renewable sources and more than half our sites worldwide have achieved zero non-hazardous waste to landfill.

What makes our commitment unique is that it is across the total value chain. We are not only managing our own and upstream operations, but we are also determined to help people to live more sustainably through the impact of our products in their lives.

We have maintained the momentum towards our target of sourcing all our agricultural raw materials sustainably, reaching 36% by the end of 2012. All our palm oil is now covered by GreenPalm certificates. We have made a start in buying



## THE UNILEVER SUSTAINABLE LIVING PLAN

Our Plan has three big goals to achieve by 2020:

- Help more than 1 billion people improve their health and well-being.
- Halve the environmental footprint of our products.
- Source 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain.

traceable oil. Investment in a new palm oil processing factory in Indonesia, working with partners and other initiatives are all helping us to make progress towards our new commitment to 100% certified sustainable palm oil which is traceable back to the plantations on which it is grown.

We are also helping to improve the livelihoods of farmers while guaranteeing future supplies, and we will increasingly place a special focus on women, due to the multiplier effect we know that women have in developing societies. We are working with many partners, including with Rainforest Alliance on tea for Lipton, with Barry Callebaut on cocoa for Magnum and with vegetable farmers through Knorr's Sustainability Partnership Fund.

Brands that are starting to put their sustainable living ambition at the heart of their proposition not surprisingly enjoyed strong growth. Lifebuoy soap delivered another year of double-digit growth while scaling up its handwashing campaigns. Our Brush Day and Night oral health campaign, which encourages parents and children to adopt good brushing habits, reached 49 million people and has helped our Signal brand grow by 22% since 2008.

We see an equal acceleration in sustainability-led innovations, such as great-tasting low fat margarines with up to 80% less saturated fat than butter (and less environmental impact) and more concentrated detergents.

### CHALLENGES REMAIN

We still face challenges in some important areas.

Scaling up to reach 1 billion people cost-effectively with hygiene programmes that make handwashing a habit remains a challenge. Equally, we are finding that helping people to use less hot water and energy when washing, showering and doing the laundry is challenging. We continue to experiment with ways to tackle this, such as detergents which perform well in shorter wash cycles, and dry shampoo which might encourage people to wash their hair with hot water less often.

Through working with Oxfam on a study of our business in Vietnam over 2011-12 we have gained important insights into human and labour rights in our own and our suppliers' operations. The study has implications for our global business. We are identifying how we can promote sustainable livelihoods for all our workers and those in our value chains.

In areas where big breakthroughs are needed, we must step up joint working with others. Making more progress on healthy eating, for example, will require action across the industry whilst governments will need to take a bigger lead on action to combat climate change and decarbonise energy supplies.

Overall it is clear that we will need creative as well as science-based solutions if we are to achieve our full ambition by the end of the decade.

### WORKING WITH PARTNERS

Partnerships are key to unlocking these solutions. So I particularly want to thank the partners who are assisting us to deliver this new business model: NGOs who are helping us to address real issues, suppliers who are bringing us solutions for sustainable living, and our customers with whom we share an ambition to reach consumers at scale.

With scale comes responsibility – so we must continue to play a leadership role in seeking solutions for global transformational issues like climate change, food security and poverty alleviation.

This is why we are working with organisations and initiatives such as the Consumer Goods Forum, the World Business Council for Sustainable Development, the World Economic Forum, the Tropical Forest Alliance 2020, Refrigerants, Naturally!, the Global Green Growth Forum and the UN's Zero Hunger Challenge and Scaling Up Nutrition initiatives. This is also why I agreed to join the UN Secretary General's High Level Panel to review the Post-2015 Development Agenda.

### LOOKING AHEAD

Despite the scale of the task, I believe we are on track to become a sustainable growth company. But one thing is sure – this will not be possible without the dedication and hard work of our 173,000 colleagues and our many partners around the world. They are demonstrating the power of purpose, making Unilever again 'fit to win'.

I hope this report gives you a good sense of the progress we are making, and our ambition for the future. Please contact me if you have comments and suggestions that will help us at:

Paul\_Polman.SustainableLiving@unilever.com

Warm regards

**Paul Polman**  
Chief Executive Officer



# OUR COMPASS STRATEGY

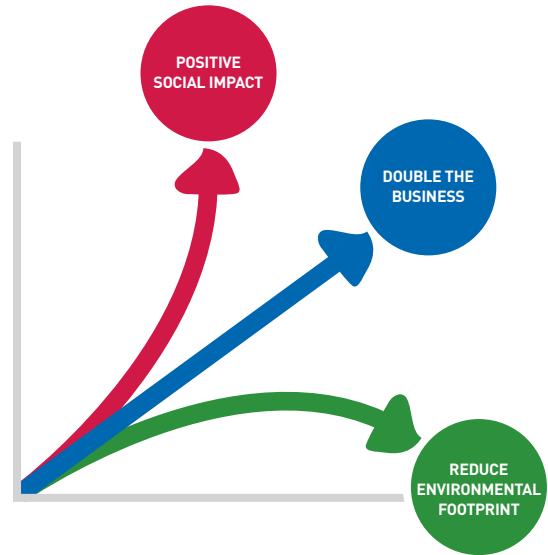


## OUR VISION

DOUBLE THE SIZE OF THE BUSINESS, WHILST REDUCING OUR ENVIRONMENTAL FOOTPRINT AND INCREASING OUR POSITIVE SOCIAL IMPACT

We will lead for responsible growth, inspiring people to take small everyday actions that will add up to a big difference.

We will grow by winning shares and building markets everywhere.



## OUR COMPASS

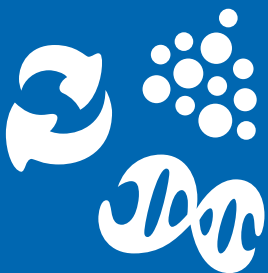
The volatility and uncertainty facing the world remain the 'new normal' and are set to last for the medium term. These ongoing pressures – economic, social and environmental – frame our approach to our business strategy and our business model.

We call our business strategy 'the Compass', since it sets out a constant path for Unilever for the long term. The Compass lays out our ambitious vision and purpose, and defines four 'Winning with' pillars within the business that will help us achieve both:

brands and innovation; marketplace; continuous improvement; and people. Our performance against these pillars is explained in our Annual Report and Accounts 2012. First developed in 2009, the Compass was sharpened in 2012 but its core elements remained the same.

In 2012 we added our new purpose – "To make sustainable living commonplace". This builds on the original purpose of our 19th century founder, William Lever, "to make cleanliness commonplace".

The Compass gives life to our determination to build a sustainable business for the long term and to find new ways to operate that do not just take from society and the environment. This is captured in the Unilever Sustainable Living Plan (USLP).



# OUR BUSINESS MODEL

Our business model is designed to deliver sustainable growth. For us, sustainability is integral to how we do business. In a world where temperatures are rising, water is scarce, energy is expensive, sanitation is poor in many areas and food supplies are uncertain and expensive, we have both a duty and an opportunity to address these issues in the way we do business.

The inputs to the model, like those of all major packaged goods manufacturers, are threefold: brands; people; and operations. These map directly on to our Compass 'Winning with' pillars – both continuous improvement and the market place pillars support the operations strand of the model.

The differentiator in our business model is our USLP and the goal of sustainable living.

The outputs of the model are threefold: sustained growth; lower environmental impact; and positive social impact. These align directly with our vision statement.

The diagram below represents our virtuous circle of growth. It summarises, simply, how we derive profit from the application of our business model.

## OUR BRANDS

Strong brands and innovation are central to our ambition to double in size. We are investing in brand equity, finding and strengthening the connections between consumers and the products they buy. Where equity is strong, we are leveraging it – creating efficiencies by focusing on fewer, bigger projects that enhance margins. And we are seeking superior products which consumers will prefer, driving profitable growth.

## OUR OPERATIONS

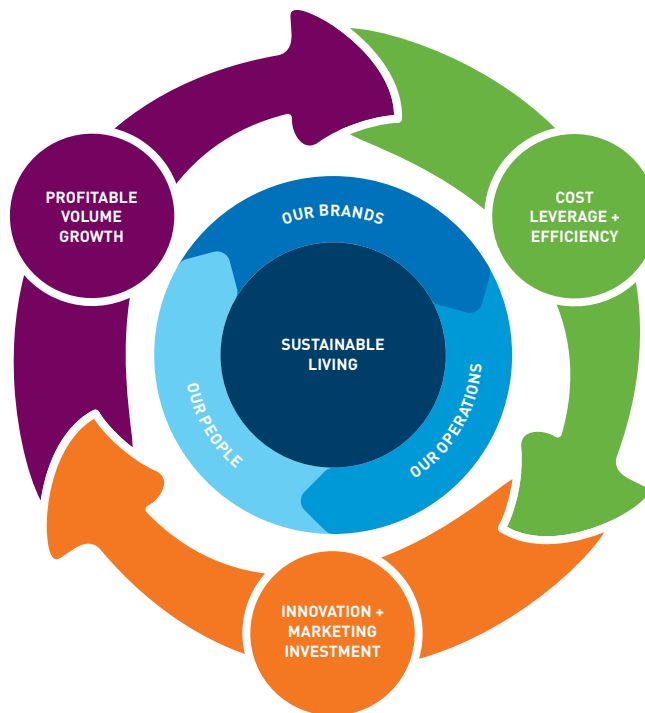
On any given day 2 billion consumers use our products and we want to reach many more, by developing innovative products that address different consumer needs at different price points. To do this we use our global scale to help deliver sustainable, profitable growth by seeking to add value at every step in the value chain by enhancing product quality and customer service, and rolling out innovations faster across all markets.

## OUR PEOPLE

Sustainable, profitable growth can only be achieved with the right people working in an organisation that is fit to win, with a culture in which performance is aligned with values. We are increasingly an agile and diverse business with people motivated by doing good while doing well. We are building capability and leadership among our people and attracting some of the best talent in the market place.

## SUSTAINABLE LIVING

For us, sustainable, equitable growth is the only acceptable business model. Business needs to be a regenerative force in the system that gives it life. For example, by reducing waste, we create efficiencies and reduce costs, helping to improve margins while reducing risk. Meanwhile, looking at more sustainable ways of developing products, sourcing and manufacturing opens up opportunities for innovation while improving the livelihoods of our suppliers.



## A VIRTUOUS CIRCLE OF GROWTH

### PROFITABLE VOLUME GROWTH

Profitable volume growth is the basis of the virtuous circle of growth. Stronger brands and innovation are the key drivers behind it. Consistently strong volume growth builds brand equity as we reach more consumers, more often.

### COST LEVERAGE + EFFICIENCY

Profitable volume growth allows us to optimise the utilisation of our infrastructure and spread fixed costs over a larger number of units produced, reducing the average cost per unit. It improves our profitability and allows us to invest in the business.

### INNOVATION + MARKETING INVESTMENT

Lower costs and improved efficiency enable us to strengthen our business further. New and improved products are the result of investment in R&D and, together with effective marketing, strengthen our brand equity. This results in profitable volume growth, self-perpetuating the virtuous circle of growth.

# EMBEDDING SUSTAINABILITY

In order to realise sustainable growth, we are integrating sustainability into our strategy, brands and innovation. We are working with our customers and suppliers, engaging employees and forging new partnerships.

## OUR BUSINESS STRATEGY

With 7 billion people on our planet, the earth's resources can be strained. This means sustainable, equitable growth is the only acceptable model of growth for our business. We believe growth and sustainability are not in conflict. In fact, in our experience, sustainability drives growth.



By focusing on sustainable living needs, we can build brands with a significant purpose. By reducing waste, we create efficiencies and reduce costs, which helps to improve our margins. By taking

a long-term view, we can reduce risk, for example securing raw material supply through sustainable sourcing. And we have found that once we start looking at product development, sourcing and manufacturing through a sustainability lens, it opens up great opportunities for innovation.

Our product category and functional teams are playing a central role in driving sustainable growth. They review progress against their targets quarterly. And in 2012 we asked our businesses in our largest markets to identify a small number of priority areas where they can harness the Plan to drive growth, such as handwashing with Lifebuoy soap in India and the Dove Self-Esteem Project in the US.

We are linking progress to reward with sustainable business goals in the remuneration of a growing number of managers. This includes the CEO and several members of the Unilever Leadership Executive. We have sustainability champions covering every key function, category and country.

## BRANDS AND INNOVATION

We are accelerating the integration of sustainability into our brands. Brands are developing their own USLP ambition – for example Knorr has chosen sustainable sourcing. Our Brand Imprint model enables us to take a 360-degree view of the social, environmental and economic impacts of brands and – among other outputs – triggered Lipton's decision to source its tea sustainably. We are now applying the methodology to help brands make a

sustainable business contribution in line with their positioning. Similarly, our Five Levers for Change methodology is helping our brands prompt consumers to adopt new behaviours (see page 15).

Innovation is critical to achieving our sustainable living goals. We are committing a significant proportion of our R&D budget to finding sustainability-led technologies. We are also supporting the commercialisation of innovative technologies through our investment arm, Unilever Ventures.

In 2012 our Open Innovation team launched an online system which offers outside experts the chance to work with Unilever on research projects in a number of areas that will promote sustainable living, such as cold-water wash laundry products. We have received 150 submissions ranging from packaging design to energy-efficient processes.

We have updated the tools we use to evaluate the environmental impacts of new products and packaging, known as Innovation Process Management. We use a simple traffic light system to compare the potential impacts of an innovation with the products we currently market as well as the impacts on our category portfolio.

## THE MARKETPLACE

Many retailers have sustainability goals. For the last three years we have worked on A Better Future Starts at Home, a joint shopper programme with Tesco. It combines advice on sustainable living with promotions of sustainable products. Nine countries from the UK to China have run the programme.

## INVESTING IN SUSTAINABLE BUSINESS

Through Unilever Ventures, we are investing in early and mid-stage companies with new technologies and compelling business models that are of strategic relevance to Unilever. Sustainable business is a key factor in this mix.

Our portfolio includes a number of innovative start-ups from the green tech and low-carbon sectors, such as Recyclebank (see page 37). In 2013 we are launching a new Sustainable Business Venture Fund with €50 million allocated to investment in new businesses which specifically support our USLP goals.

## INNOVATION IN MANUFACTURING

Many employees have sustainable business ideas and our Manufacturing team has set up a Small Actions, Big Difference budget to make them happen.

Factory employees can apply for investment for their ideas which are evaluated on the basis of environmental benefit and financial return. In 2012 over 600 projects were identified and the best 100 will be implemented in 2013. Their combined benefits will deliver savings of around 1% of our global energy and water use and achieve an average pay back of under two years.



In 2012 we launched a joint programme with Walmart, The Living Project, that will help 200 million shoppers every week make sustainable choices. So far it has been implemented in Brazil, China and the US.

### WORKING WITH OUR SUPPLIERS

In 2011 Unilever launched a programme called Partner to Win, to work more closely with its key suppliers, including on sustainable practices. In particular, we are developing partnerships with our agricultural raw material suppliers to achieve our sustainable sourcing goal. For example, we established the Knorr Sustainability Partnership Fund to support vegetable suppliers on complex sustainable agriculture projects that they are unable to tackle alone.

### PEOPLE

Our vision of creating a sustainable business is motivating for employees, but it is not always clear to them how to apply it to their role. We integrate sustainability into existing training and have created bespoke training, for example, new brand managers engage in a week-long sustainable marketing challenge during their foundation course.

### COLLABORATION WITH PARTNERSHIPS

Global issues such as deforestation, water scarcity and under-nutrition are too complex for any single organisation to tackle alone. We are engaging with governments to create an environment in which the big sustainability challenges can be tackled.

At the UN Conference on Sustainable Development in Rio in 2012 we urged collaboration to agree Sustainable

### UNILEVER FOUNDATION

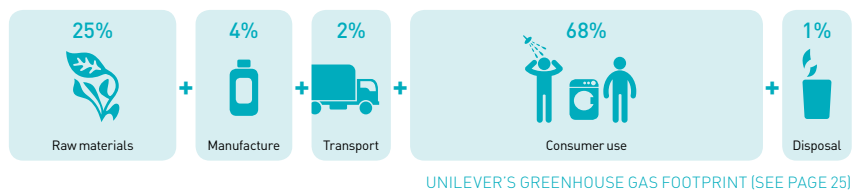
Established in 2012, the Unilever Foundation's mission is to improve the quality of life for communities through the provision of hygiene, sanitation, access to clean drinking water and basic nutrition, and by enhancing self-esteem.

Working with five partners – Oxfam, PSI (Population Services International), Save the Children, UNICEF and the World Food Programme (WFP) – the Foundation is developing programmes designed to grow the business and support the USLP's goal to help more than 1 billion people take action to improve their health and well-being.

## THREE KEY FEATURES OF OUR PLAN

- Spans our entire portfolio of brands and all countries in which we sell our products.
- Has a social and economic dimension – our products make a difference to health and well-being, and our extended supply chain supports the livelihoods of many people.
- When it comes to the environment, we work across the whole value chain – from the sourcing of raw materials to the way consumers use our products.

### WE WORK ACROSS THE VALUE CHAIN



Development Goals to succeed the Millennium Development Goals. Our CEO was subsequently invited to join the UN Secretary General's High Level Panel to review the post-2015 Development Agenda.

We recognise the scale of change that is needed and we are stepping up our engagement in multi-sector and cross-sector stakeholder groups, such as the Tropical Forest Alliance 2020, Refrigerants, Naturally! and the Roundtable on Sustainable Palm Oil. We take part in initiatives such as the World Economic Forum's New Vision for Agriculture and the UN's Scaling up Nutrition (SUN) and Zero Hunger Challenge which tackle the challenge of high levels of under-nutrition and hunger in the world.

### TROPICAL FOREST ALLIANCE 2020

Unilever has led the process of building the Tropical Forest Alliance 2020, a public-private partnership between the US government and the Consumer Goods Forum (CGF). The CGF is a large industry body made up of almost all the major retail and consumer goods companies in the world, with revenues amounting to more than \$3 trillion.

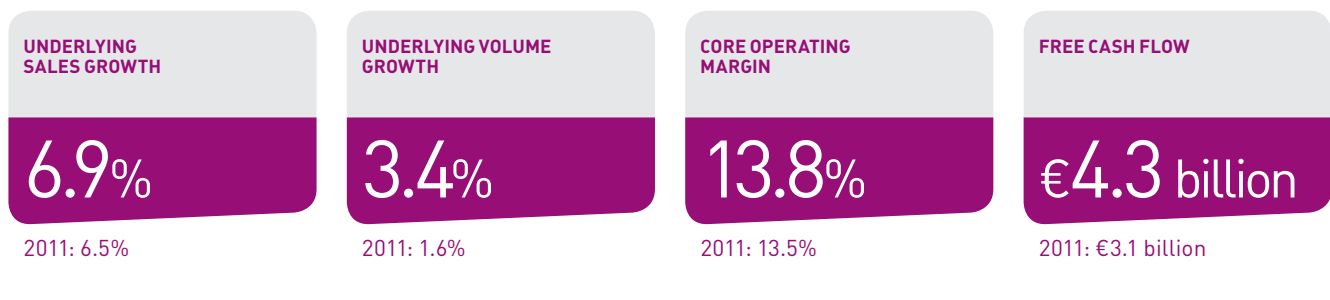
The Tropical Forest Alliance 2020 was announced at the Rio+20 summit. It aims to reduce and eventually eliminate the deforestation associated with the sourcing of commodity crops such as soy, palm oil, beef, pulp and paper. The Dutch and Norwegian governments have signed up and companies, NGOs and other governments will be invited to join. The Indonesian government is co-hosting a workshop on the palm and paper value chains in 2013.

# OPERATIONAL HIGHLIGHTS

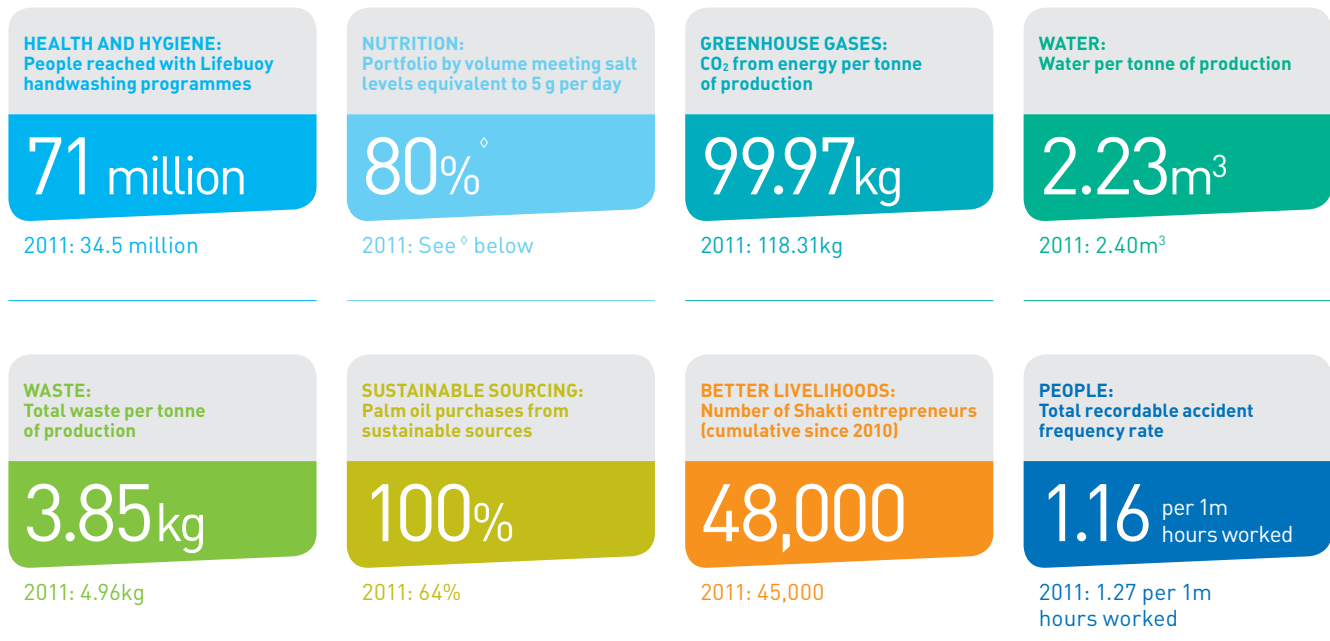
In 2012, we continued to make good progress in the transformation of Unilever to a sustainable growth company. We exceeded €50 billion turnover, with all regions and categories contributing to growth. Despite further cost increases and volatile commodity markets, our gross margin rose by 0.1 percentage points and our core operating margin by 0.3 percentage points, reflecting the disciplined implementation of our strategy.

- Turnover is up 10.5% at €51.3 billion with net acquisitions contributing 1.1% and currency changes 2.2%
- Underlying sales growth of 6.9% is well balanced between volume +3.4% and price +3.3%
- Emerging markets grew underlying sales by 11.4%, now representing 55% of turnover

## KEY FINANCIAL INDICATORS\*



## KEY NON-FINANCIAL INDICATORS†



\* Further details of our key financial indicators can be found in our Annual Report and Accounts 2012.

† These key non-financial indicators form part of the Unilever Sustainable Living Plan.

◇ Measured January-September 2012. In 2012 we moved to full volume-based (tonnes sold) reporting for this target. This number is not comparable to previously reported numbers measured by product (stock keeping unit), see page 20.


†† NAMEET refers to North Africa, Middle East and Turkey; AMET refers to Africa, Middle East and Turkey; and RUB refers to Russia, Ukraine and Belarus.

## OUR CATEGORIES




**PERSONAL CARE**

- Turnover €18.1 billion
- Underlying sales growth 10.0%
- Underlying volume growth 6.5%
- Market shares increased across geographies, with strong gains in Latin America, NAMET & RUB<sup>++</sup> and North America; driven by hair care, deodorants and skin cleansing




**FOODS**

- Turnover €14.4 billion
- Underlying sales growth 1.8%
- Underlying volume growth (0.9)%
- Market shares were down slightly, reflecting a mixed performance with volume gains in dressings, offset by declines in savoury and volume share stabilisation in spreads



**REFRESHMENT**

- Turnover €9.7 billion
- Underlying sales growth 6.3%
- Underlying volume growth 2.4%
- Market shares were slightly down overall, reflecting price aggressive competition in ice cream in developed markets



**HOME CARE**

- Turnover €9.1 billion
- Underlying sales growth 10.3%
- Underlying volume growth 6.2%
- Market share gains were driven by powerful performance in nearly all our markets; in laundry in particular in Europe, China and South Africa

## OUR GEOGRAPHICAL AREAS

### Asia/AMET/RUB<sup>++</sup>

- Turnover €20.4 billion
- Underlying sales growth 10.6%
- Underlying volume growth 5.7%

### The Americas

- Turnover €17.1 billion
- Underlying sales growth 7.9%
- Underlying volume growth 3.1%

### Europe

- Turnover €13.9 billion
- Underlying sales growth 0.8%
- Underlying volume growth 0.9%

On any given day

**2 billion**

consumers worldwide use a Unilever product

Turnover of

**€51 billion**

for 2012

Around

**173,000**

employees at the end of 2012

Products sold in over

**190**

countries worldwide

# UNILEVER SUSTAINABLE LIVING PLAN IN 2012

The Unilever Sustainable Living Plan (USLP) sets out to decouple our growth from our environmental impact, while at the same time increasing our positive social impact.

It has three big goals to achieve by 2020 – to improve health and well-being, reduce environmental impact and source 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain.

Supporting these goals are seven commitments underpinned by targets spanning our social, environmental and economic performance across the value chain – from the sourcing of raw materials all the way through to the use of our products in the home.<sup>†</sup>

In the second year of our Plan, we made steady progress towards our goals. Our USLP is ambitious and we have much more to do. We continue to strive to deliver our stretching goals.

## Key

- ✓ Achieved
- On-plan
- Off-plan
- ⊖ % of target achieved

**Note** Our most material targets are shaded

## IMPROVING HEALTH AND WELL-BEING

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

We estimate that we helped 224 million people take action to improve their health and well-being.

### 1 HEALTH AND HYGIENE



By 2020 we will help more than a billion people to improve their hygiene habits and we will bring safe drinking water to 500 million people. This will help reduce the incidence of life-threatening diseases like diarrhoea.

● 224 MILLION PEOPLE REACHED BY END 2012

- Reduce diarrhoeal and respiratory disease through handwashing
- Provide safe drinking water
- Improve oral health
- Improve self-esteem
- Reduce workplace injuries and accidents

### 2 NUTRITION



We will continually work to improve the taste and nutritional quality of all our products. By 2020 we will double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.

● 18% OF OUR PORTFOLIO BY VOLUME MET THE CRITERIA FOR HIGHEST NUTRITIONAL STANDARDS IN 2012

- Reduce salt levels
- Saturated fat:
  - ⊖ Reduce saturated fat
  - ⊖ Increase essential fatty acids
- ✓ Remove trans fat
- Reduce sugar
- Reduce calories
- Improve heart health
- Provide healthy eating information
- Improve employee health and nutrition

### 3 GREENHOUSE GASES



Halve the greenhouse gas impact of our products across the lifecycle by 2020.\*

● OUR GREENHOUSE GAS IMPACT PER CONSUMER USE HAS REDUCED BY AROUND 6% SINCE 2010\*

- Reduce GHG from skin cleansing and hair washing
- Reduce GHG from washing clothes:
  - ✓ Concentration
  - ✓ Reformulation
  - Consumer behaviour
- Reduce GHG from manufacturing:
  - CO<sub>2</sub> from energy
  - Renewable energy
  - New factories
- Reduce GHG from transport
- Reduce GHG from refrigeration
- Reduce energy consumption in our offices
- ✓ Reduce employee travel

<sup>†</sup> In our 2011 Progress Report we presented our people and workplace targets as a standalone set of targets. In 2012 we incorporated these targets into the main body of the Plan.

\* Throughout this document our environmental targets are expressed on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 53). We have taken a lifecycle approach with a baseline of 2008.

+ In seven water-scarce countries representing around half the world's population (see page 53).

# REDUCING ENVIRONMENTAL IMPACT

By 2020 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.\*

Our greenhouse gas and waste impacts per consumer use have reduced and our water impact per consumer use has remained broadly unchanged.\*

# ENHANCING LIVELIHOODS



By 2020 we will enhance the livelihoods of hundreds of thousands of people as we grow our business.

We have trained around 450,000 smallholder farmers.

## 4 WATER



Halve the water associated with the consumer use of our products by 2020.\* +

● OUR WATER IMPACT PER CONSUMER USE HAS REMAINED BROADLY UNCHANGED SINCE 2010\*

Reduce water use in the laundry process:

- Easy rinse products
- Products that use less water

● Reduce water use in skin cleansing and hair washing

● Reduce water use in agriculture

Reduce water use in manufacturing process:

- Reduce abstraction
- New factories

## 5 WASTE



Halve the waste associated with the disposal of our products by 2020.\*

● OUR WASTE IMPACT PER CONSUMER USE HAS REDUCED BY AROUND 7% SINCE 2010\*

● Reduce packaging

Recycle packaging:

- Increase recycling and recovery rates
- Increase recycled content

● Reuse packaging

● Tackle sachet waste

Reduce waste from manufacturing:

- Reduce total waste
- Zero non-hazardous waste to landfill
- New factories

⊗ Eliminate PVC

Reduce office waste:

- Recycle, reuse, recover
- Reduce paper consumption
- Eliminate paper in processes

## 6 SUSTAINABLE SOURCING



By 2020 we will source 100% of our agricultural raw materials sustainably.

● 36% OF AGRICULTURAL RAW MATERIALS SUSTAINABLY SOURCED BY END 2012

Palm oil:

- Sustainable
- Traceable

● Paper and board

● Soy beans and soy oil

● Tea

● Fruit

● Vegetables

● Cocoa

● Sugar

● Sunflower oil

● Rapeseed oil

● Dairy

● Fairtrade Ben & Jerry's

● Cage-free eggs

● Increase sustainable sourcing of office materials

## 7 BETTER LIVELIHOODS



By 2020 we will engage with at least 500,000 smallholder farmers and 75,000 small-scale distributors in our supply network.

● 450,000 SMALLHOLDER FARMERS TRAINED; SMALLHOLDERS' METRIC IN DEVELOPMENT; 48,000 SMALL-SCALE SHAKTI DISTRIBUTORS BY END 2012

● Smallholder farmers

● Small-scale distributors

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# 1 HEALTH AND HYGIENE

## IMPROVING HYGIENE AND PROMOTING WELL-BEING

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“  
**THE BIGGEST CHALLENGE WE FACE IS TO SCALE UP PROGRAMMES COST-EFFECTIVELY.**  
 ”

**HEALTH AND HYGIENE**

By 2020, we will help more than a billion people to improve their hygiene habits and we will bring safe drinking water to 500 million people. This will help reduce the incidence of life-threatening diseases like diarrhoea.

● 224 million people reached by end 2012.

119 million people with Lifebuoy; 45 million with safe drinking water from Pureit; 49 million with our toothpaste brands; and 11 million through Dove Self-Esteem programmes.

**OUR PERSPECTIVE**

Poor hygiene, lack of safe drinking water and poor sanitation are the cause of millions of preventable deaths.

These issues are closely interconnected. Evidence shows that individuals will be healthier and communities more productive if they have access to clean water and better sanitation and if they adopt improved hygiene practices.

Unilever brands can play an important role here. We make effective, affordable products that improve health, hygiene and well-being. As one of the world’s leading consumer goods companies, we can use our expertise in marketing and delivering campaigns to reach large, diverse populations and achieve a lasting impact on everyday behaviours.

One brand which demonstrates this is Lifebuoy soap. It is also one of Unilever’s fastest-growing brands – it has achieved double digit-growth over 2010-12. It is a good example of how brands that help to address social challenges can build brand equity and grow their business.

We have made good progress towards our goal. Lifebuoy and Dove have extended existing partnerships and developed new ones. Our oral care brands are set to meet their target much earlier than planned. We have also gained a better understanding of the impact of our handwashing programmes.

We have also started to explore how we can develop a more systematic approach to water, sanitation and hygiene issues by

piloting a sanitation programme between our Domestos toilet cleaner brand and partners UNICEF and the World Toilet Organization. This will help us to take a more joined-up approach to improving health through a concerted effort around clean water, sanitation and hygiene in future.

The biggest challenge we face across all our programmes is to scale up cost-effectively. Forming the right partnerships with governments, NGOs and other experts is helping us. But to reach our ambitious targets, we need to move faster to widespread implementation.

**TARGET SUMMARY**



## LIFEBUOY TARGETS COUNTRIES WITH HIGH CHILD MORTALITY

During 2012 Lifebuoy launched handwashing programmes in seven new countries: Egypt, Ghana, Nigeria, South Sudan, Uganda, Zambia and Zimbabwe.

Our behaviour change programmes are now running in 16 countries, reaching eight of the top ten countries most affected by child mortality.



### A LOWER-COST MODEL FOR OUR SCHOOLS' PROGRAMMES

Lifebuoy has ambitious plans to scale up the reach of its school hygiene promotion programmes in Africa. However, in some countries the brand has been launched or re-introduced only recently and is still a relatively small brand. A multi-brand programme is more cost-efficient and is an opportunity to connect people to more of our brands that have a social impact.

Our Central African business and Lifebuoy have piloted a programme with our Close Up toothpaste and Blue Band margarine brands in Nigeria and an external partner, D.lite, which produces solar lanterns to enable children to do homework after dark.

The 21-day programme uses multiple classroom contacts to help children practise new behaviours: handwashing with soap, brushing teeth day and night, and eating well. We have been able to reduce our cost per contact significantly by sharing costs across brands. The programme has huge potential for roll-out in other countries in Africa. Schools, governments and NGOs support this approach as, by promoting a number of healthy behaviours together, it has the potential to deliver significant health impact at lower cost.

### REDUCE DIARRHOEAL AND RESPIRATORY DISEASE THROUGH HANDWASHING

#### OUR TARGETS

- By 2015, our Lifebuoy brand aims to change the hygiene behaviour of 1 billion consumers across Asia, Africa and Latin America by promoting the benefits of handwashing with soap at key times.

#### OUR PERFORMANCE

- 119 million people reached since 2010, of whom 71 million were reached in 2012.<sup>†</sup>

#### OUR PERSPECTIVE

The major challenge we face is scaling up our handwashing programmes cost-effectively. Since 2010, we have made strong progress, developing models which more than halve the cost. We have expanded the programme to 16 countries in 2012 and have reached five times as many people as we did in 2010. Our most significant expansion is in Africa where programmes are now running in nine countries, reaching more than 11 million people in 2012, compared to 400,000 over 2010-11. This has contributed to Lifebuoy's continued double-digit business growth in 2012.

Partnerships with NGOs and government are critical – by tapping into existing on-ground networks and expertise we can reduce costs and reach more people. In Africa, Unilever Foundation partner PSI (Population Services International) and the Millennium Villages Project are helping us to adapt our programmes for different contexts. In India we are working with the government and Foundation partner UNICEF to promote handwashing in Madhya Pradesh and in Africa and South Asia, with Water & Sanitation for the Urban Poor. These partnerships are also building local capabilities to sustain the programmes for the long term.

We continue to evaluate impact. In Indonesia we conducted a quantitative study with TNS, a market research company, to assess impact when the programme

is run at scale. We found that handwashing with soap at key occasions increased significantly after the schools' hygiene promotion programme. Soap use increased from 53% to 75%. This increase was sustained at the same level more than six months after the programme ended.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

### REACHING NEW COMMUNITIES

Some communities can be difficult and costly for Lifebuoy to reach by itself. We are collaborating with the Millennium Villages Project to promote handwashing with soap in rural communities across Africa.

The project will enable us to adapt our current handwashing programme and advocacy to this setting, reaching 475,000 people across ten countries by 2015. Our aim is to work together to develop scalable, cost-effective water, sanitation and hygiene interventions which can then be rolled out at national level and to new countries, improving health through better hygiene.

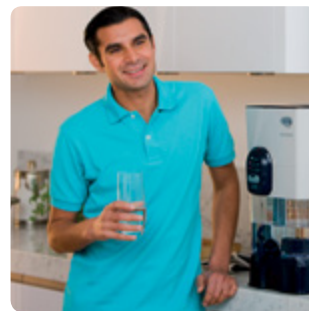
The first 28 days of life is the period when children are most vulnerable to disease and infant mortality is highest. Every year an estimated 3.6 million newborn babies die in the first month of their lives. Simple, low-cost health interventions such as handwashing with soap can reduce this figure by up to 44%. In Indonesia we have developed a new partnership with USAID and the Maternal and Child Health Integrated Program to reach new mothers and birth attendants with hygiene education.



## SAFE DRINKING WATER

Pureit offers a range of in-home water purifiers that provide water 'as safe as boiled' – without the need for electricity or a pressurised water supply – by removing harmful viruses, bacteria and parasites.

Pureit offers environmental benefits too: our detailed lifecycle analysis shows that its total carbon footprint is at least 80% lower than boiled or bottled water.



### OUR FIVE LEVERS FOR CHANGE MODEL

Encouraging people to adopt new behaviours is essential if we are to achieve our goals.

Underpinning our approach is our model of behaviour change, Unilever's Five Levers for Change – a set of principles which, if applied consistently, increases the likelihood of creating a lasting impact.

We first used this model to develop our behaviour change programmes with Lifebuoy soap and our oral care brands. We have learned a great deal through our health and hygiene campaigns and we are now applying the methodology to improve our performance in other areas, for example we are using it to understand how we can motivate consumers to reduce their salt intake.

### PROVIDE SAFE DRINKING WATER

#### OUR TARGETS

- We aim to make safe drinking water available and affordable to 500 million people through our Pureit in-home water purifier by 2020.

#### OUR PERFORMANCE

- 45 million people have gained access to safe drinking water from Pureit since its launch in 2005, of whom 10 million were reached in 2012.<sup>†</sup>

#### OUR PERSPECTIVE

The lack of safe drinking water is a major public health issue, particularly in developing countries where around 80% of diseases are water borne. An independent study has shown that Pureit can reduce the incidence of diarrhoeal disease by up to 50%.<sup>\*</sup>

During 2012 Pureit focused on distribution expansion in existing markets – India, Bangladesh, Indonesia, Mexico and Brazil – and also launched in new markets such as Sri Lanka and Nigeria.

Expansion in India was the biggest contributor to performance in 2012, where consumers have been attracted to our wider product range.

The most affordable model costs €20 (1,400 rupees) in India. We are working with a range of microfinance and NGO partners to improve the affordability of the purifier for those for whom the price remains a barrier to purchase.

Our ambition to reach 500 million people remains demanding. To achieve our target we plan to expand into more new markets in Africa, while continuing to grow in existing markets.



### DOMESTOS TACKLES SANITATION CRISIS

More than 2,000 children die every day from diarrhoea, which is linked, among other things, to a lack of clean toilets for over 2 billion people worldwide.

In November 2012, Domestos and our partner, the World Toilet Organization, opened the world's first 'Domestos toilet academies' in Vietnam, the first stage in a global programme to train local entrepreneurs to set up hygienic toilet businesses.

The academies leverage the 'SaniShop' business model developed and proven by the World Toilet Organization in Cambodia. Training local entrepreneurs to supply latrines, toilet cleaner and sanitation education is an innovative market-based model which creates demand for improved sanitation within local communities and provides jobs.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

<sup>\*</sup> Randomised trial by the National Institute of Epidemiology, based on 430 children in Chennai, India, 2005-06.

## BRUSH DAY AND NIGHT PROMOTES GROWTH

Our leading family health toothpaste brands, Signal and Pepsodent, are growing strongly thanks to our Brush Day and Night oral health campaigns. Over 2008-12, Signal grew by 22% worldwide. In Indonesia, one of our biggest markets, sales of Pepsodent rose by nearly 16% in 2012 compared to the previous year.



### IMPROVE ORAL HEALTH

#### OUR TARGETS

- We will use our toothpaste and toothbrush brands and oral health improvement programmes to encourage children and their parents to brush day and night. We aim to change the behaviour of 50 million people by 2020.

#### OUR PERFORMANCE

- 49 million people reached since 2010, of whom 4.7 million were reached in 2012.

#### OUR PERSPECTIVE

Our Brush Day and Night campaigns have proved very effective and we are set to achieve our target early. Many additional countries ran the campaign after observing the strong link between the campaign's social impact and business growth, helping us to reach more people than anticipated.

The campaigns, which focus on brushing twice a day with fluoride toothpaste, were extended to new countries such as Côte d'Ivoire in 2012. Countries with existing programmes such as Indonesia and France saw an improvement in brushing frequency and an increase in market share and sales growth following the campaign. In France the oral care market has grown by nearly 5% over 2009-12 and sales of our Signal brand increased by nearly 7% over 2009-12, and by 4% in 2012 alone.

We continue to work in a global partnership with the FDI World Dental Federation. In 2012, 28 local oral health promotion projects with national dental associations focused on communicating the importance of twice-daily brushing with fluoride toothpaste through dental practices, schools, hospitals and communities across 25 countries. We are evaluating the impact on over 28,000 people involved in these programmes around the world.

A new campaign in 2013 is designed to address parents as the primary target to encourage behaviour change.



## BUILDING BRANDS

Poor oral health is a widespread problem in Indonesia. This leads to tooth decay and, in some cases, more serious illnesses. In 2009 Unilever collaborated with PDGI (the Indonesian Dental Association) to initiate the Brush Day and Night campaign.

The campaign's consistent messages across multiple channels are helping people to change their habits. In 2012, Indonesians used 7% more toothpaste than in 2011, indicating a gradual increase in toothbrushing.

Brand equity has also strengthened. By offering parents effective products and by helping them to pass on the habit of brushing day and night, we have increased the proportion of people who rate Pepsodent as 'the most effective toothpaste'.

### IMPROVE SELF-ESTEEM

#### OUR TARGETS

With our Dove brand we are helping millions of young people to improve their self-esteem through educational programmes.

- By 2015 we aim to have helped 15 million young people.

#### OUR PERFORMANCE

- Over 11 million young people have received our help since 2005. Over 2 million participated in the programme in 16 countries in 2012.

#### OUR PERSPECTIVE

Dove is committed to helping women look and feel their best. It has made good progress in helping to raise the self-esteem of millions of young people worldwide and is on track to meet its target.

In 2012 Dove redesigned its self-esteem programme to capitalise better on media and educational innovation and reach more girls with a greater impact while reducing the costs for each intervention.

The redesigned programme – now called the Dove Self-Esteem Project – is launching in early 2013. We have worked with experts to make the programme content more rigorous and engaging. Developing global partnerships as well as creating local communities of advocates among mothers and teachers will help Dove reach more people.

It is difficult to measure changes in attitude. We are partnering with academic thought leaders in the US and the UK to conduct studies to track the longer-term impact of our programme.

## DOVE: OUR LEADING PERSONAL CARE BRAND

Dove is our largest Personal Care brand, available in over 70 countries and with an annual turnover of over €3 billion. It continues to grow strongly, experiencing its third consecutive year of double-digit growth in 2012.



### DOVE BOOSTS SELF-ESTEEM AND BUSINESS SUCCESS

Part of the success of our Dove Self-Esteem Project has been an increased willingness among consumers to spread the brand's affirmative message and to purchase Dove's products.

Research by Millward Brown, a research company, shows that among women in the US who are aware of the Dove Self-Esteem Project, 62% would recommend the Dove brand to others – 16% more than among those who are not aware of the project.

Among women in Canada who are aware of the project, 82% would be more likely to purchase Dove. These results motivate us to continue to invest in the Project.

### REDUCE WORKPLACE INJURIES AND ACCIDENTS

#### OUR TARGETS

- We aim for zero workplace injuries. By 2020 we will reduce the Total Recordable Frequency Rate (TRFR) for accidents in our factories and offices by 50% versus 2008.

#### OUR PERFORMANCE

- 45% reduction in TRFR at end 2012 compared to 2008, down from 2.1 to 1.16\* accidents per 1 million hours worked.

#### OUR PERSPECTIVE

We are among the leaders in our industry on safety. Therefore the target to halve our injury rate is a stretching one and becomes progressively harder as we get closer to our aim.

We measure our progress using an accident rate (TRFR) which counts all workplace injuries except those requiring only simple first aid treatment. With the exception of 2001, we have achieved continuous improvement in our health and safety record since 1996. In 2012 we continued this progress, reducing TRFR by 9% compared to 2011, from 1.27 to 1.16\* per 1 million hours worked.

However, reducing road traffic accidents remains a priority for protecting our people. Much of our business growth comes from developing markets where our sales people are at increased risk because the local road infrastructure can be poor.

We have been working with Cranfield University in the UK and other partners to develop a holistic approach that tackles internal risks as well as collaborating with others to address external risks, such as local road safety blackspots.

### FUTURE CHALLENGES

Achieving our targets to reach such significant numbers of people with hygiene messages and safe drinking water was always going to be challenging. While we have made progress, we recognise there is a considerable gap to fill to achieve our goal.

This is particularly true for Lifebuoy where we need to reach a further 881 million by 2015. We remain confident of our plans to scale up handwashing programmes at a faster rate over the next few years. Lifebuoy is focusing on the following priority areas to meet its target:

- increasing the impact of rural outreach through partnerships and multi-brand programmes
- creating larger partnerships with a pioneering approach to co-investment
- rolling out a cost-effective and scalable programme to new countries
- learning from evaluation studies to identify and roll out best practice
- continuing to raise the profile of hygiene issues with governments, key opinion formers and wider communities.

To help more than a billion people improve their hygiene habits, we also recognise the need to develop a more holistic approach to the inter-related issues of water, sanitation and hygiene. We are looking at how we can promote affordable toilet provision and good toilet hygiene for millions while growing business for our Domestos brand. We are working with partners such as UNICEF and the World Toilet Organization to develop appropriate models to create and fulfil demand for toilets.



\* To be independently assured by PwC in 2013, see page 52.



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## 2 NUTRITION

HELPING PEOPLE  
MAKE HEALTHY  
CHOICES

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INDUSTRY NEEDS TO COLLABORATE WITH GOVERNMENT AND PUBLIC HEALTH ORGANISATIONS.

NUTRITION

We will continually work to improve the taste and nutritional quality of all our products. By 2020, we will double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.

- In 2012 the majority of our products met, or were better than, benchmarks based on national nutritional recommendations. Our commitment goes further: 18% of our portfolio by volume met the highest nutritional standards, based on globally recognised dietary guidelines.

OUR PERSPECTIVE

Our aim is to make great-tasting food which makes a positive contribution to a healthy diet.

Our Nutrition Enhancement Programme, launched in response to the World Health Organization’s call for action, has substantially reduced salt, saturated and trans fat and sugar in our products. In 2010 we raised our standards further by benchmarking our progress against the highest nutritional standards, based on globally recognised dietary guidelines.

This has inspired us to create healthier products which people want to eat. We relaunched our European salad dressings to reduce salt while delivering great taste

and our new Specially for Kids logo on ice creams enables parents to make more informed choices.

In 2012 we moved from reporting by product (or ‘stock keeping unit’) to reporting by volume (ie tonnes sold). Reporting by volume better reflects the relative impact of our foods and beverages on people’s diets.

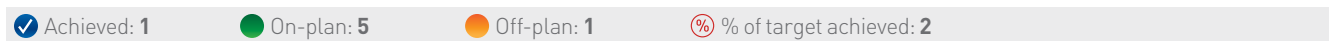
We have also moved to a more automated reporting system, enabling us to increase significantly the scope of our analysis.

Together, these changes provide a more extensive and robust analysis of our Foods and Refreshment portfolio.

In 2012, 18% of our portfolio met the criteria for highest nutritional standards, based on globally recognised dietary guidelines. This figure is not comparable with the 25% we reported for 2011 due to the significant changes to our scope. This new scope is prompting us to consider our future actions.

Looking ahead, we are continuing to improve the nutritional profile of our portfolio, while recognising that this is sometimes difficult. Collaboration between industry, government and public health organisations is needed to address complex diet and lifestyle issues.

TARGET SUMMARY



**Note:** Progress on targets for highest nutritional standards; salt; saturated fats; trans fat; and kilocalories is measured January-September 2012. Progress on sugar target is measured January 2011-September 2012. In 2012 we moved to full volume-based (tonnes sold) reporting for highest nutritional standards and salt.

## SALAD DRESSINGS WITH LESS SALT

In 2012 we reformulated our extensive range of salad dressings in Europe – Knorr, Hellmann's, Calvé, Amora and Ligeresa – to salt levels that meet our stringent 5 g per day target. Up to 35% reduction in salt has been achieved while delivering great taste. These products will be on the market from early 2013.



### REDUCE SALT LEVELS

#### OUR TARGETS

Prior to 2010 we had already significantly reduced salt levels in our products. Our goal is to reduce the level further to help consumers meet the recommended level of 5 g of salt per day based on globally recognised dietary guidelines.

- Our first milestone was to reduce salt levels to an interim target of 6 g per day by the end of 2010. This required reductions of up to 25%. Our ambition is to reduce by a further 15-20% on average to meet the target of 5 g of salt per day between 2015 and 2020.

#### OUR PERFORMANCE

- 80% of our Foods and Refreshment portfolio by volume met salt levels equivalent to 5 g per day by end September 2012; for our Foods portfolio alone, more than 50% reached 5 g per day.\*

#### OUR PERSPECTIVE

Salt consumption in many countries remains much higher than the recommended daily amount. Achieving our target will require a significant shift in consumer behaviour and different stakeholders to play their part.

We are using the Unilever Five Levers for Change model to help us identify where to act. We believe we have most impact through creating great-tasting products. Typically, to reduce the level of salt, we completely redesign the recipe so it tastes better as well as being healthier.

Our nutrition measurements cover our Foods and Refreshment products to give a rounded picture of our portfolio. However, the products in our Refreshment category of ice cream and beverages make very small contributions to salt intakes. We identify the proportion of our Foods portfolio that reached 5 g per day because this is the most relevant area for salt reduction.

\* This number is not comparable to the 61% reported for 2011 measured by product (stock keeping unit).

### UNLOCKING THE REAL TASTE WITH REDUCED-SALT PRODUCTS

Foods that need salt for preservation or preparation can contribute significantly to salt intakes. But motivating people to choose products with less salt is difficult.

Unilever initiated consumer surveys on salt reduction among 6,000 consumers in seven countries. The results informed a series of joint workshops with the International Union of Nutritional Sciences, bringing together scientists, policy-makers, food industries and consumer groups to generate compelling communication on salt reduction for consumers.

Our surveys revealed that 80% of people do not see the need to reduce salt intake. Results from the workshops confirmed that we need to put taste at the heart of our approach to salt reduction as people are worried that lower-salt foods will not taste as good.

### REDUCE SATURATED FAT

#### OUR TARGETS

We are committed to improving the fat composition of our products by reducing saturated fat as much as possible and increasing levels of essential fats.

- By 2012 our leading spreads will contain less than 33% saturated fat as a proportion of total fat.
- A daily portion will provide at least 15% of the essential fatty acids recommended by international dietary guidelines.

#### OUR PERFORMANCE

- ⑨ 92% of our leading spreads by volume contained less than 33% saturated fat as a proportion of total fat by end September 2012.

- ⑨ 92% of our leading spreads by volume provided at least 15% of the essential fatty acids recommended by international guidelines by end September 2012.

#### OUR PERSPECTIVE

The biggest contribution we can make to reducing saturated fat intake is to encourage people to switch from butter to margarine. We have been able to reduce saturated fat levels in the vast majority of our leading spreads – to levels of about half the saturated fat present in butter.

Our leading spreads are those we sell in tubs under brands such as Flora, Becel, Rama and Blue Band, comprising around two-thirds of our soft margarine by volume.

The small proportion of our leading brands that do not meet our target are sold in tropical countries. A higher saturated fat level is required to make the product stable at ambient temperatures. We are investigating cost-effective technologies that will allow us to reduce saturated fat by approximately a third in these countries – taking the saturated fat level to 38% – while still keeping products affordable.

## SWEETNESS WITHOUT CALORIES

Stevia, a sweetener derived from natural sources, is meeting consumer demand for ingredients from natural sources while also delivering a reduction in sugar. While reducing sugar, we also improved the taste of many of our Lipton ready-to-drink teas.



We continue to improve the fat composition of our products by increasing the level of essential fats. For practical reasons, we generally increase essential fats at the same time as we reduce saturated fat levels, so the two targets are closely interlinked.



## UP TO 80% LESS SATURATED FAT THAN BUTTER

After the launch in 2011, we are continuing to roll out our new recipe Flora/Becel margarines, which are now available in more than ten countries. As well as being lower in calories, research has shown consumers find them tastier.

Using technological innovation, the biggest of its kind for 60 years, we have been able to reduce saturated fats by around 25% and calories by 20%. It has up to 80% less saturated fat than butter. Margarine already has a quarter of the carbon footprint of butter and uses around half the land.\* Our new recipes will reduce these environmental impacts even further.

\* Nilsson K et al. International Journal of Life Cycle Assessment 2010;15:916-26.

### REMOVE TRANS FAT

#### OUR TARGETS

- By 2012 we will have removed from all our products any trans fat originating from partially hydrogenated vegetable oil.

#### OUR PERFORMANCE

- ✓ By September 2012, 100% of our portfolio by volume did not contain trans fats originating from partially hydrogenated vegetable oil.

#### OUR PERSPECTIVE

To ensure we maintain our performance against this target, we have made the absence of trans fats from partially hydrogenated vegetable oil a standard reporting requirement for all our suppliers.

### REDUCE SUGAR

#### OUR TARGETS

- Prior to 2010 we had already reduced sugar levels in our ready-to-drink teas. By 2020 we will remove an additional 25%.

#### OUR PERFORMANCE

- 4% reduction in sugar by end September 2012.

#### OUR PERSPECTIVE

In 2012 we introduced several Lipton ready-to-drink tea products with reduced sugar levels, particularly in Europe and North America.

Most of these use Stevia (steviol glycosides) – a sweetener from natural sources that provides sweetness without calories.

Additionally, Stevia has a lower carbon footprint than sugar.

## STRONG GROWTH

Unilever is the world's largest ice cream company, with brands on sale in over 40 countries. Our popular Max and Paddle Pop ice creams continue to do well, achieving underlying sales growth of nearly 20% in 2012, and will be using our new Specially for Kids logo.

By the end of 2012, 81% of our children's ice creams contained 110 kilocalories or fewer per portion.



### REDUCE CALORIES

#### OUR TARGETS

- By 2014 100% of our children's ice creams will contain 110 kilocalories or fewer per portion. 60% will meet this level by 2012.

#### OUR PERFORMANCE

- 81% of our children's ice creams contained 110 kilocalories or fewer per portion by end September 2012, up from 73% at end 2011.

#### OUR PERSPECTIVE

We continue to invest significantly in this area and are on track to meet our 2014 target. In particular, we are working on new technologies that will allow us to reduce calories by lowering fat and sugar. As part of our Partner to Win strategic supplier initiative, we have a long-term partnership with Barry Callebaut, our supplier of cocoa and chocolate products, to develop cocoa based coatings with reduced saturated fat.



In 2013 we started to introduce a Specially for Kids logo on ice creams that meet our strict nutrition criteria and still appeal to children as fun treats through a combination of taste, texture, shapes and colours. The logo helps parents to identify ice creams that children can enjoy as part of a balanced diet and active lifestyle. To promote active lifestyles we have partnered with a leading child development psychologist to create an 'adventurous play' guide with imaginative and active games.

## SEDUCTIVE NUTRITION



#### More at: [www.unileverfoodsolutions.us](http://www.unileverfoodsolutions.us)

People enjoy healthy eating at home. Our research shows they would like healthier options when they eat out too. Our professional catering business, Unilever Food Solutions, is working with restaurant operators around the world to make their menus more nutritious with the help of our products.

Working with food experts and industry-specific bodies, our Seductive Nutrition programme provides recipe ideas and advice for creating nutritious and delicious meals, especially for top-selling dishes. Under the programme in the US, over 5,000 operators pledged to remove more than 450 million calories from their menus in 2012.

The campaign is already active in 17 countries worldwide. It will enable restaurateurs to tap into consumer demand and increase revenues, while also contributing to public health.

### IMPROVE HEART HEALTH

#### OUR TARGETS

- By 2020 we aim to motivate 100 million people to take the Heart Age test. (Target revised 2013.)

Our goal is to motivate people to adopt healthier diets and lifestyles, as this can reduce elevated heart age.

#### OUR PERFORMANCE

- In 2012 we joined forces with Microsoft to launch Heart Age as an app.

#### OUR PERSPECTIVE

In 2009 Unilever and the World Heart Federation launched Heart Age, a simple online tool to raise awareness of cardiovascular disease. The tool proved an excellent mechanism for making heart health personally relevant.

Until 2011 our Flora/Becel spread brands provided the foundation for raising awareness of Heart Age but recognised that, by themselves, they could not drive enough people to the tool. In our 2011 Progress Report we stated that these brands would no longer be the sole sponsors of the Heart Age tool, and that Unilever would look to work with a broader set of external partners with a common heart health goal to maximise the tool's potential.

During 2012, Unilever joined forces with Microsoft to launch the Heart Age application on the new Windows 8 platform. This gives us the potential to reach a significant number of people as the platform grows, to co-promote the tool and to explore opportunities through Microsoft's emerging health platform.

Following the launch in December, we are further expanding the reach of Heart Age via a wide consortium of partners interested in heart health, in addition to continued support from our Flora/Becel pro-active brands and Microsoft.



## INVESTING IN EMPLOYEE HEALTH

We have increasing evidence that our Lamplighter health programme is a sound investment for our employees and for our business. Independent analysis shows a return on investment of €4.82 for every €1 invested in the programme in Brazil, based on combined healthcare and productivity savings over 2008-11.

In Singapore the return on investment was €3:1 over 2009-12 and there has been a reduction in the health risk factors associated with higher healthcare costs, such as poor diet and fitness.

### PROVIDE HEALTHY EATING INFORMATION

#### OUR TARGETS

Our aim is to provide clear, simple labelling on our products to help consumers make choices for a nutritionally balanced diet. All our products in Europe and North America provide full nutritional information.

- By 2015 this will be extended to cover all our products globally. We will include energy per portion on the front of pack plus eight key nutrients and % Guideline Daily Amounts (GDA) for five nutrients on the back of pack.\*

#### OUR PERFORMANCE

- We have achieved full nutritional labelling in Europe, North America, Latin America, Australia and New Zealand; in 2012 we made progress in Africa, the Middle East and Asia.

#### OUR PERSPECTIVE

To help us meet our target, at the end of 2012 we put in place a new system to improve our monitoring and tracking of this information.

Our standards in this area often go beyond country regulations, providing more nutritional information on labels than is required locally. Examples include Kenya, the Philippines, Turkey, Russia and some countries in North Africa and the Middle East.

### IMPROVE EMPLOYEE HEALTH AND NUTRITION

#### OUR TARGETS

Our Lamplighter employee programme aims to improve the nutrition, fitness and mental resilience of employees. By 2010 it had already been implemented in 30 countries, reaching 35,000 people.

- In 2011 we aimed to extend the reach of Lamplighter to a further eight countries. We will implement Lamplighter in an additional 30 countries between 2012 and 2015. Our longer-term goal is to extend it to all the countries where we operate.

#### OUR PERFORMANCE

- Lamplighter has reached over 50,000 employees across more than 50 countries. In 2012 it was rolled out to 12 countries.

#### OUR PERSPECTIVE

Lamplighter is key to addressing the top three health risks we have identified across our business: mental well-being; lifestyle factors (eg exercise, nutrition, smoking and obesity which can lead to conditions such as hypertension, diabetes and heart disease); and ergonomic factors (eg repetitive strain injury).

In 2012 we implemented a global No Smoking Standard for employees while at work. By the end of the year, compliance with the new standard reached 72%; we aim to reach 100% in 2013.

Lamplighter helps us to analyse our employees' health risks and to put in place steps to control them. For example, in India the programme has reduced the number of employees categorised as 'high risk' (due to obesity or hypertension for example) from 8% to under 4% over 2007-12.

It is proving a valuable tool for safeguarding employees' health, improving productivity and reducing costs.

### FUTURE CHALLENGES

Reducing salt continues to be one of the biggest nutritional challenges facing our industry. People tend to prefer the taste of traditionally salted products. If the food is perceived as not salty enough, people will often compensate by adding salt at the table.

We are pursuing three approaches:

- exploring technologies that provide an alternative to sodium salts
- reformulating recipes with other ingredients to retain flavour while reducing salt
- changing consumer preference for salt by gradually reducing salt levels over time.

However, the salt challenge cannot be solved by one company acting alone. Ultimately, it requires collaboration between industry, governments, public health organisations and the scientific community.

In developing and emerging countries millions of people have diets lacking in essential micronutrients. Our challenge remains reaching more people worldwide with fortified products that are affordable and commercially viable.

Our approach is to integrate fortification into our core product portfolio. About a third of Unilever sales volume (excluding our ready-to-drink tea business) contains at least 15% of the recommended daily amount (RDA) of an essential vitamin or mineral. For example, our spreads are fortified with vitamins A and D, and also contain vitamin E naturally present in the vegetable oils.

\* Where applicable and legally allowed and in accordance with local or regional industry agreements.

### 3 GREENHOUSE GASES HELPING TO TACKLE CLIMATE CHANGE



WE ARE SEEKING INNOVATIONS TO HELP PEOPLE REDUCE THEIR GREENHOUSE GAS IMPACTS.

GREENHOUSE GASES

# Halve the greenhouse gas impact of our products across the lifecycle by 2020.\*

- Our greenhouse gas impact per consumer use has reduced by around 6% since 2010.\*

OUR PERSPECTIVE

Climate change is accelerating and the effects are being felt across the world. It has a significant impact on our business. The sourcing of our agricultural raw materials will be affected by changes in weather patterns; our business and our consumers will be affected by increases in energy and food prices and extreme weather events will displace communities.

Being proactive on climate change is essential to ensuring we remain a viable business in the future. We also reap the benefits through innovation, new product development and cost efficiencies.

For example, our new dry shampoos do not need hot water when used and in 2012 grew by over 19% in sales. And we have avoided €99 million in costs since 2008 by improving energy use in our factories.

We are making progress towards our commitment. The greenhouse gas footprint of the making and use of our products has reduced by around 6% per consumer use since 2010.\*

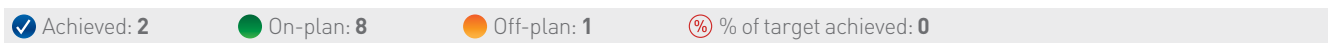
We have made particularly good progress in reducing greenhouse gas emissions from transport and manufacturing by increasing efficiency and using more renewable energy.

Our biggest challenge however, remains reducing the hot water used with our soaps, shower gels and shampoos. To achieve our goal we need to provide consumers with more products and tools which motivate them to use less water. But material change will require wide-scale decarbonising of energy grids, effective carbon pricing and courageous government policies.

OUR FOOTPRINT



TARGET SUMMARY



**Source for footprint and pie chart:** Unilever 2011-12 footprint study across 14 countries. % of total in tonnes.  
 \* Our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product. As of April 2013, our new automated system only allows us to compare our footprint to 2010 rather than to our original 2008 baseline.

## DRY SHAMPOO SALES GROW 19%

Our dry shampoos allow women to refresh hair between washes, saving time and extending their style. They may also encourage people to wash their hair with hot water less often.

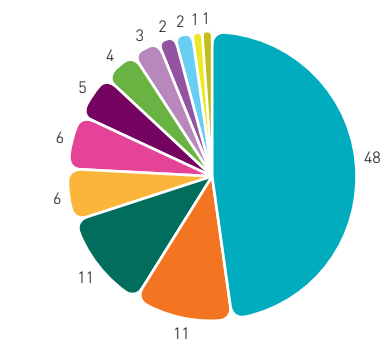
We have now rolled out our dry shampoos to ten countries under nine brands, including TRESemmé, Suave, TiGi and VO5. Sales grew by over 19% in 2012. We are the market leader in the US with 75% share and in 2012 launched the product under the Dove brand.



### OUR FOOTPRINT

The product categories which make the largest contribution to our greenhouse gas footprint are those where the consumer requires heated water. Soap, shower gel and shampoo and conditioner products alone account for more than half our total footprint.

### OUR GREENHOUSE GAS FOOTPRINT (% CONTRIBUTION BY CATEGORY 2011-12)



- Soap and shower gel
- Laundry detergents and fabric conditioners
- Shampoo and conditioners
- Soups, sauces and stock cubes
- Tea and beverages
- Household cleaners
- Ice cream
- Margarine and spreads
- Mayonnaise, mustards and dressings
- Deodorants
- Toothpaste
- Skin care

## REDUCE GREENHOUSE GAS EMISSIONS FROM SKIN CLEANSING AND HAIR WASHING

### OUR TARGETS

- By 2015 we aim to reach 200 million consumers with products and tools that will help them to reduce their greenhouse gas emissions while washing and showering. Our plan is to reach 400 million people by 2020.

### OUR PERFORMANCE

- While we have made some limited progress, overall this target remains challenging.

### OUR PERSPECTIVE

The greatest greenhouse gas impact of our shampoos, shower gels and soaps occurs when they are used by consumers with heated water. During 2012 we continued to explore a range of approaches to help us understand consumer behaviour to influence their showering and bathing habits. These included: the roll-out of dry shampoo under many brands such as Dove, Suave and TRESemmé; a promotional offer of a free aerator with Radox shower gel in South Africa; and crowd sourcing fresh ideas on how to encourage consumers to reduce heated water in the shower.

We estimate that compared to washing hair with heated water, using a dry shampoo reduces CO<sub>2</sub> by around 90%. The dry shampoo market is still quite new and the number of users is relatively low; however quantitative consumer panel data from the US shows that for those who bought a dry shampoo, it replaced a wet wash in 60% of uses. This suggests dry shampoo is a potential way to reduce heated water in the shower by offering a motivating beauty benefit which leads to a sustainable behaviour.

## REDUCE GREENHOUSE GAS EMISSIONS FROM WASHING CLOTHES

### OUR TARGETS

Reduce the greenhouse gas impact of the laundry process by:

- Concentrating our liquids and compacting our powders.
- Reformulating our products to reduce greenhouse gas emissions by 15% by 2012.
- Encouraging our consumers to wash at lower temperatures and at the correct dosage in 70% of machine washes by 2020.

### OUR PERFORMANCE

- 14% of our portfolio in our top 14 countries was made up of concentrated and compacted products at end 2012,<sup>†</sup> compared to our baseline of 4% in 2008.
- Over 95% (by volume) of our laundry powders in our top 14 countries have been reformulated, achieving a reduction of 15% in greenhouse gas emissions.
- We communicate the benefits of low-temperature washing on our packs and online and are encouraging our consumers to use the right dosage.

### OUR PERSPECTIVE

Liquid laundry detergents are popular with consumers and in 2012 we were the market leader in emerging markets, with market share of over 25%. The majority of our liquid detergents are now sold in concentrated form.

Concentrating our laundry products helps to reduce greenhouse gas emissions, and is good for our business – great performance combined with lower material and transport costs.

However, it can take time for consumers to switch to concentrated or compacted products and use the right dosage. Some consumers continue to use larger doses than needed, while others under-dose.



## OVER €300 MILLION COST AVOIDED

Since 2008, our manufacturing eco-efficiency programme has used a number of cost-effective investments to reduce our energy, water and waste. Initiatives range from encouraging people to adopt small actions that make a big difference cumulatively, such as ensuring lights are turned off, to larger investments such as biomass boilers. We have reduced our environmental footprint while avoiding cumulative supply chain costs of over €300 million:

• Water	€17 million	• Energy	€99 million
• Waste disposal	€10 million	• Materials	€186 million

By designing our products differently, we can cut out these variations. One example is concentrated laundry capsules, which we are promoting in Europe as they ensure consumers use an accurate dose.



We have worked hard to reformulate our products by replacing ingredients that have a high greenhouse gas impact with those with lower impacts. These can reduce greenhouse gas impact by up to a third.

We have had some success with helping people to adopt different habits. We are working with the International Association for Soaps, Detergents and Maintenance Products (AISE) to encourage people to wash at lower temperatures.

### REDUCE GREENHOUSE GAS EMISSIONS FROM OUR MANUFACTURING

#### OUR TARGETS

- By 2020 CO<sub>2</sub> emissions from energy from our factories will be at or below 2008 levels despite significantly higher volumes.

This represents a reduction of around 40% per tonne of production.

Versus a 1995 baseline, this represents a 63% reduction per tonne of production and a 43% absolute reduction.

- We will more than double our use of renewable energy to 40% of our total energy requirement by 2020. We recognise that this is only a first step towards a long-term goal of 100% renewable energy.
- All newly built factories will aim to have less than half the impact of those in our 2008 baseline.

#### OUR PERFORMANCE

- 838,000 fewer tonnes of CO<sub>2</sub> from energy produced in 2012 than in 2008 (a reduction of 31.5% per tonne of production).<sup>†</sup>

Compared to 1995, this represents a 60% reduction in absolute terms.

- At end 2012 renewable energy contributed 26.3%<sup>†</sup> of our total energy use compared to 15.8% in 2008.
- Seven new factories were specified in 2012 for opening in 2013. Their eco-efficient design aims for emissions to be 50% less than our 2008 baseline.

#### OUR PERSPECTIVE

We continued to make progress in reducing CO<sub>2</sub> in 2012, adding to savings since our 2008 baseline, which are now equivalent to taking around 200,000 cars off the road. We have also made good progress in increasing the energy from renewable sources at our manufacturing sites. All our sites in the US now purchase electricity from certified renewable sources, as well as those in Europe and Canada.

However, in some cases the cost of renewable energy is high compared to energy from non-renewable fuels. We continue to evaluate cost-effective and scalable renewable technologies that will contribute to our global target.

Our new factories now have sustainability built into their core designs. In addition to eco-efficient design of production processes, we are using certification systems such as LEED and BREEAM environmental assessment methods and rating systems for buildings. Our seven new factories in 2013 will achieve a rating of LEED Silver or above.



### REDUCING GHG THROUGH BIOMASS

In 2012 we commissioned a new biomass boiler at our Pouso Alegre site in Brazil which produces our AdeS and Knorr products. This burns recycled wood rather than oil and will reduce emissions by around 80%.

We are now using bio-energy at 30 of our 252 manufacturing sites, providing around 7% of the energy we use. This reduces our annual emissions from fossil fuels by over 150,000 tonnes of CO<sub>2</sub>. We are planning to install additional boilers at sites in Latin America, Africa and Asia.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

## ULTRALOGISTIK SAVES €50 MILLION

Our UltraLogistik control tower organisation enables us to co-ordinate our transport activities efficiently. We established a tower in Poland in 2007 which has saved more than €50 million in costs over 2008-12. We now have towers in other regions and will continue with more in 2013.



### REDUCE GREENHOUSE GAS EMISSIONS FROM TRANSPORT

#### OUR TARGETS

- By 2020 CO<sub>2</sub> emissions from our global logistics network will be at or below 2010 levels despite significantly higher volumes. This will represent a 40% improvement in CO<sub>2</sub> efficiency.

We will achieve this by reducing truck mileage; using lower emission vehicles; employing alternative transport such as rail or ship; and improving the energy efficiency of our warehouses.

#### OUR PERFORMANCE

- 10% improvement in CO<sub>2</sub> efficiency since 2010. 7% improvement in CO<sub>2</sub> efficiency and a 7% reduction in absolute terms in 2012 compared to 2011.\*

#### OUR PERSPECTIVE

To get our products from our factories to the market, we transport our goods over 1.5 billion km each year – the equivalent of travelling to the moon and back more than 2,000 times.

We are leveraging this scale by creating regional distribution hubs which will improve operational efficiency significantly (see right).

To reach our 2020 target we need to collaborate with external partners as we do not own the trucks, trains and ships that we use. We are making sustainability part of our working agreements with infrastructure providers and operators.

## TRANSPORT NETWORK SAVES CARBON AND ROAD MILES

As part of our UltraLogistik transport network, we are creating regional distribution hubs. These will improve operational efficiency significantly and reduce total distance travelled by 175 million km in Europe alone from 2013 to 2015 (compared to 2010). These hubs are part-funded by the EU's programme for logistics operators who are committed to the sustainable transport of goods across Europe.

We will have 12 hubs in Europe by 2014. Each is responsible for ensuring that trucks are more fully loaded as they travel across Europe, which will reduce CO<sub>2</sub> emissions by nearly 16,000 tonnes over 2010-14. Making our logistics more efficient delivers real business benefits including reduced costs, better business planning and improved service.

### REDUCE GREENHOUSE GAS EMISSIONS FROM REFRIGERATION

#### OUR TARGETS

As the world's largest producer of ice cream, we will accelerate our roll-out of freezer cabinets that use climate-friendly (hydrocarbon) refrigerants. When we launched our Plan in November 2010 we had already purchased 450,000 units with the new refrigerant.

- We will purchase a further 850,000 units by 2015.

#### OUR PERFORMANCE

- Around 332,000 climate-friendly freezers purchased in 2012, taking us to over 800,000 of our target of 850,000.

#### OUR PERSPECTIVE

Our climate-friendly hydrocarbon (HC) freezers have a negligible global warming potential compared to those that contain hydrofluorocarbons (HFCs). They are also around 10% more energy efficient.

In addition to buying freezers with climate-friendly refrigerants, we have been pioneering new models using state-of-the-art components to increase their energy efficiency.

Over 2010-12 we purchased around 290,000 of these more energy-efficient freezers.

We estimate that the energy efficiency of the freezers we bought in 2012 avoided around 40,000 tonnes of CO<sub>2</sub> emissions compared to 2008 models.

We are working with industry to promote the move to more environmentally friendly freezers. We are driving an industry commitment to phase out HFCs by 2015 through our participation in the Consumer Goods Forum and as the chair of Refrigerants, Naturally!



\* Cumulative improvement since 2010 is measured across our top 14 countries; annual improvement is measured in more than 50 countries.

## CLIMATE-FRIENDLY FREEZERS GROW SALES AND CUT COSTS

In Denmark our greener freezers have helped us win new business.

We agreed new partnerships with Fakta discount stores in 2009 and OK Plus petrol chain in 2011, which are part of the retailer COOP. Prior to this Unilever had very little business with either company. A key factor was our ability to demonstrate that our climate-friendly freezers generate lower CO<sub>2</sub> emissions and use less energy, delivering better energy efficiency for our customers.

We have achieved excellent growth with both each year since then.



### REDUCE ENERGY CONSUMPTION IN OUR OFFICES

#### OUR TARGETS

- By 2020 we will halve the energy (kWh) purchased per occupant for the offices in our top 21 countries versus 2010.

#### OUR PERFORMANCE

- 11% reduction in energy (kWh) purchased per occupant since 2010.

#### OUR PERSPECTIVE

In 2012 we continued to focus on making improvements to our IT systems to reduce energy use in our offices. Since 2011, all new personal computers are silver or gold Energy Star rated and all servers in our data centres are gold Energy Star rated. In our data centres, we are consolidating the number of servers in the US, Asia, Africa, the Middle East and Turkey; we have decommissioned over 3,000 servers since 2008. We have started to roll out a PC power management platform which is expected to reduce PC power consumption by a minimum of 20%. In 2013, we will introduce a personal consumption monitor to show employees their energy savings and paper use.

We are using our buildings more efficiently by increasing the average occupancy density and optimising lighting, heating and cooling systems. We have developed a toolkit which helps sites take small actions to reduce the energy they use.

### REDUCE EMPLOYEE TRAVEL

#### OUR TARGETS

- We are investing in advanced video conferencing facilities to make communication easier while reducing travel for our employees. By 2011 this network will cover more than 30 countries.

#### OUR PERFORMANCE

- ✓ 54 countries were covered by end 2011.

#### OUR PERSPECTIVE

We exceeded our 2011 target. Through the use of telepresence in 26 countries we eliminated the need for around 14,500 short-haul flights and over 23,500 long-haul flights. This delivered clear business benefits with an estimated saving of almost €40 million in costs and 113,500 tonnes in CO<sub>2</sub> emissions. We continue to promote more flexible 'agile working' to lessen the burden of travel for our employees and reduce greenhouse gas emissions.

### FUTURE CHALLENGES

Our greatest greenhouse gas impact comes from the heated water people need when they take a shower with our soaps, shower gels and shampoos – especially in the US. Finding ways to reduce this is crucial if we are to meet our goal to halve the greenhouse gas emissions of our products across the lifecycle.

We are finding this very difficult and have only made limited headway. We have made a start by understanding people's showering habits. In 2011 we reported on showering research in the UK. We have followed up with a similar study in Australia (see page 32).

Given the barriers to change, we are experimenting with products like dry shampoo, with offers such as free shower aerators from Radox shower gel – which can save consumers up to €450 a year – and with competitions to open source innovative ideas.

A big part of our footprint today is in the US. But as people in the fast-growing markets of Asia and Africa start to acquire washing machines and showers the task becomes even more difficult. Our challenge will be to ensure that people continue to wash their clothes at low temperatures when they get a washing machine.

We do not yet have viable solutions and we will continue to seek innovations which will help people reduce their impacts. But large-scale change will only come about if carbon has an economic price and if governments put the right frameworks in place. So we continue to advocate ambitious public policy to address climate change and to incentivise the transition to a low-carbon economy.



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## 4 WATER

REDUCING OUR  
WATER USE WHERE  
IT MATTERS MOST

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**WE HAVE A LONG WAY TO GO TO MEET OUR GOAL. WE MUST WORK IN PARTNERSHIP WITH OTHERS TO DRIVE SYSTEMIC CHANGE.**



**WATER**

# Halve the water associated with the consumer use of our products by 2020.\*

- Our water impact per consumer use has remained broadly unchanged since 2010.\*

**OUR PERSPECTIVE**

Water shortages are already affecting many parts of the world. By 2025, 1.8 billion people will be living in countries or regions with absolute water scarcity and two-thirds in water-stressed conditions.

While around 70% of available fresh water is used for agriculture, when it comes to personal and domestic use, the UN estimates that each person needs about 50-100 litres per day for drinking, cooking and washing. Yet in the poorest countries people live on as little as 10 litres a day. The collection of water, typically undertaken by women, is also an issue.

According to the UN, sub-saharan Africa alone loses 40 billion hours per year collecting water.

Our approach is to work across our value chain from raw material sourcing to the design of our products. Since 2010 we have worked with the Water Footprint Network to

measure our agricultural water impact. We have learnt that our priority water-intensive crops are tomatoes and sugar cane and that overall our footprint is lower than we had previously estimated. We have been working with our tomato suppliers for many years and we will continue to introduce drip irrigation to our suppliers for this and other crops.

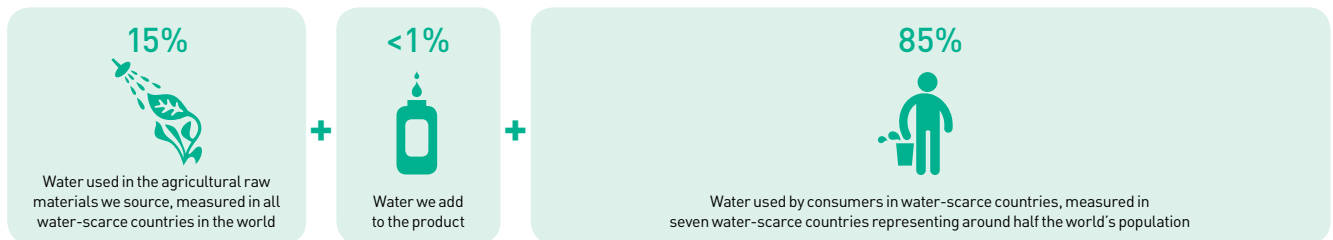
We have made particular progress in reducing water abstracted by our manufacturing sites. Since 2008 we have saved the equivalent of around 1.5 litres of water for every person on the planet.

The water used by our consumers in washing and cleaning is more than seven times greater than the water embedded in the agricultural raw materials we buy. In emerging countries, washing clothes can take up one-third of a household's water supply.

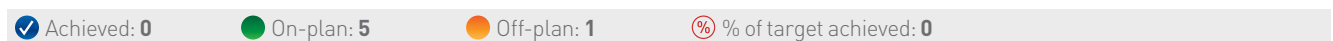
We are making some progress in designing and rolling out products which require less water. Our Comfort One Rinse fabric conditioner is now available in more water-scarce countries. Lifebuoy has launched a foam handwash which cuts water use and we have rolled out dry shampoo to ten countries.

We have a long way to go to meet our goal. As we go forward, we will be better prepared for sourcing essential raw materials from farmers with limited water supplies and we will open up new markets by providing products which meet the needs of people with restricted access to water. But in the end transformational change will only come about when water is priced and there is a financial incentive to encourage new behaviours.

**OUR FOOTPRINT**



**TARGET SUMMARY**



**Source for footprint and pie chart:** Unilever 2011-12 footprint study across 7 water-scarce countries. % of total in litres. Our baseline for water includes the water used by consumers with our products and the water in the formulation. We have calculated the water used in agriculture in a separate study which covers all water-scarce countries in the world, see [www.unilever.com/sustainable-living/water/footprint/](http://www.unilever.com/sustainable-living/water/footprint/)

\* Our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product. As of April 2013, our new automated system only allows us to compare our footprint to 2010 rather than to our original 2008 baseline.

## RADOX SAVES CONSUMERS MONEY

We are experimenting with ways to help consumers reduce water use. Our Radox brand of shower gels in South Africa gave consumers a free aerator when they purchased two products. These can be fitted to shower heads to reduce water and they can save people up to €450 a year.



### OUR FOOTPRINT

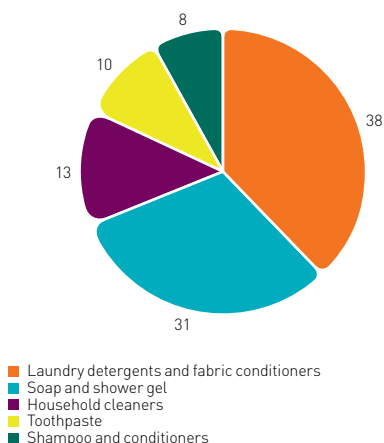
Our water footprint is calculated in seven countries which we have defined as water-scarce, accounting for around half the world's population (see page 53).

Our analysis shows that around 38% of our water footprint comes from the laundry process – a significant proportion of this is washing laundry by hand in the developing world.

A further 39% of our footprint comes from showering, bathing and washing hair with our products.

### OUR WATER FOOTPRINT

(% CONTRIBUTION BY CATEGORY 2011-12)



The chart above shows the water associated with the consumer use of our products.

## REDUCE WATER USE IN THE LAUNDRY PROCESS

### OUR TARGETS

We will reduce the water required in the laundry process by:

- Making easier rinsing products more widely available.
- Providing 50 million households in water-scarce countries with laundry products that deliver excellent results but use less water by 2020.

### OUR PERFORMANCE

- In 2012 we launched Comfort One Rinse, our fabric conditioner, in India and Cambodia and expanded the Comfort One Rinse range in Thailand, Vietnam, Indonesia and the Philippines.
- In 2012 One Rinse products were used in 1.4 billion washes in 28.7 million households worldwide, a 66% increase on 2010.<sup>†</sup>

### OUR PERSPECTIVE

We assessed both these targets as off track in our last Report. Compared to 2011, we have more projects agreed in our innovation pipeline that give us confidence we will make greater progress in the coming years. We have also significantly expanded One Rinse products and sales are growing, so we have assessed our progress as back on track to reach our 2020 target.

In water-scarce countries, around 38% of domestic water is used to clean clothes. In many of these areas, people wash garments by hand. Our One Rinse fabric conditioner reduces the amount of water needed to remove detergent residues to one bucket rather than three. This can save up to half the water per wash, around 30 litres, if used correctly.

In 2012 we continued to introduce this product to new countries and it is now available in India and Cambodia. It has a leading position in some markets, accounting for 38% of the fabric conditioner market in Vietnam and has risen to a quarter of the market in Indonesia.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

## REDUCE WATER USE IN SKIN CLEANSING AND HAIR WASHING

### OUR TARGETS

- By 2015 we intend to reach 200 million consumers with products and tools that will help them to use less water while washing and showering. Our goal is to reach 400 million by 2020.

### OUR PERFORMANCE

- In 2012 we have improved our understanding of this area but progress remains slow.

### OUR PERSPECTIVE

Around 39% of our domestic water footprint occurs when people use our soaps, shower gels and shampoos and they can be slow or reluctant to change their habits. We have undertaken several studies in different countries to improve our understanding of people's showering behaviour and how it can be influenced. For example, our shower study of 100 households in Australia gathered data on shower habits and the relationship between consumer behaviour and product use. We installed sensors to measure the duration, water use and frequency of showers. We found the average shower lasts about 9 minutes, longer than the average UK shower of 8 minutes.

We have introduced two innovations that provide consumer benefits and encourage less water use: dry shampoo, which refreshes the hair without water, and Lifebuoy foam handwash which can cut water use by 18%.

## ECO-EFFICIENCY AVOIDS €17 MILLION IN COSTS

Investment in cost-effective technologies in our factories – along with the treatment of process effluents to enable water reuse and increased monitoring – has avoided over €17 million in cumulative cost since 2008.



### REDUCE WATER USE IN AGRICULTURE

#### OUR TARGETS

- We will develop comprehensive plans with our suppliers and partners to reduce the water used to grow our crops in water-scarce countries.

#### OUR PERFORMANCE

- In 2012 we refined our understanding of our irrigation water footprint and identified priority crops and locations for further work.

#### OUR PERSPECTIVE

In 2012, using data from the Water Footprint Network, we completed a ground-breaking assessment of the amount of irrigation water used to produce our key agricultural raw materials in all the water-scarce countries we source from. This included a detailed assessment of our key agricultural materials (around two-thirds of our volumes) and consideration of a further 30 materials.

Our assessment is much more precise than our previous analysis which we used to draw up our 2008 water footprint diagram. This is largely due to better water footprint estimates and more specific information on the areas in which our key crops are grown.

Our footprint is lower than we had previously estimated. We thought that the total water used to produce our agricultural ingredients was about 50% of our value chain footprint. We now know that it is about 15%, and that about 85% relates to water used by our consumers (see updated footprint, page 31).

The assessment identified tomatoes and sugar cane as priority crops from a water perspective. We have already worked for many years on promoting drip irrigation with our tomato suppliers. We will now step up our activity and continue to work with suppliers to collect data for self-verified crops grown according to the Unilever Sustainable Agriculture Code.

### REDUCE WATER USE IN OUR MANUFACTURING PROCESS

#### OUR TARGETS

- By 2020, water abstraction by our global factory network will be at or below 2008 levels, despite significantly higher volumes.

This represents a reduction of around 40% per tonne of production.

Versus a 1995 baseline, this represents a 78% reduction per tonne of production and a 65% absolute reduction. We will focus in particular on factories in water-scarce locations.

- All newly built factories will aim to abstract less than half the water of those in our 2008 baseline.

#### OUR PERFORMANCE

- 13 million fewer m<sup>3</sup> of water abstracted in 2012 than in 2008 (a reduction of 25% per tonne of production).<sup>†</sup>

Compared to 1995, this represents a 73% reduction in absolute terms.

- Seven new factories were specified in 2012 for opening in 2013. Their eco-efficient design aims to abstract 50% less water per tonne of production than the 2008 baseline.

#### OUR PERSPECTIVE

We have made good progress in reducing water abstracted by our manufacturing sites: since 2008 we have saved the equivalent of around 1.5 litres of water for every person on the planet. Water use per tonne of production decreased by 7% in 2012 compared to 2011.

In 2012 we invested in four effluent recycling projects at sites in South Asia to reduce abstraction by over 60,000 m<sup>3</sup> per year.

Our Indian manufacturing sites provide many good examples of how rainwater is used for factory utilities such as cooling towers, boilers, manufacturing processes (following treatment) and toilet flushing.

However, the relatively low cost of water makes justifying the costs of some water reduction projects difficult. We will therefore focus on reducing water use in sites we have identified as priority water-scarce locations.

### FUTURE CHALLENGES

The largest part of our footprint is associated with showering, bathing and washing clothes, just as our greenhouse gas footprint is associated with heating that water for showers and washing machines.

In those parts of the developing world where water is scarce, women often have to walk long distances to collect water, or they have to become 'water managers' in the home – storing and rationing scarce water carefully. If we can develop more innovations like Comfort One Rinse, which reduce the water needed for doing the laundry, these will save people time as well as being more convenient.

Long-term lack of investment in water infrastructure will exacerbate the problem of water scarcity in many countries.

We need to work in partnership with governments, NGOs and consumers to address and manage water use effectively. Water pricing and water metering, alongside consumer education, will ultimately be necessary to drive systemic change.



<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

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## 5 WASTE

REDUCE, REUSE,  
RECYCLE

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OVER HALF OUR FACTORIES ACHIEVED ZERO NON-HAZARDOUS WASTE TO LANDFILL IN 2012.



## WASTE

# Halve the waste associated with the disposal of our products by 2020\*

- Our waste impact per consumer use has reduced by around 7% since 2010.\*

### OUR PERSPECTIVE

Packaging plays a key role in protecting our products. But it can also end up as waste in landfill, dumping grounds or as litter. Increasing resource scarcity means it is more urgent than ever to be efficient with packaging and find solutions to deal with 'post consumer waste' – packaging and product thrown away after use by our consumers. This is particularly important in developing markets where infrastructure to manage packaging waste has not kept pace with the rapid rise in consumption.

Our approach is to reduce, reuse and recycle. There is a clear business case. By reducing packaging we can gain cost benefits in materials, energy and transport.

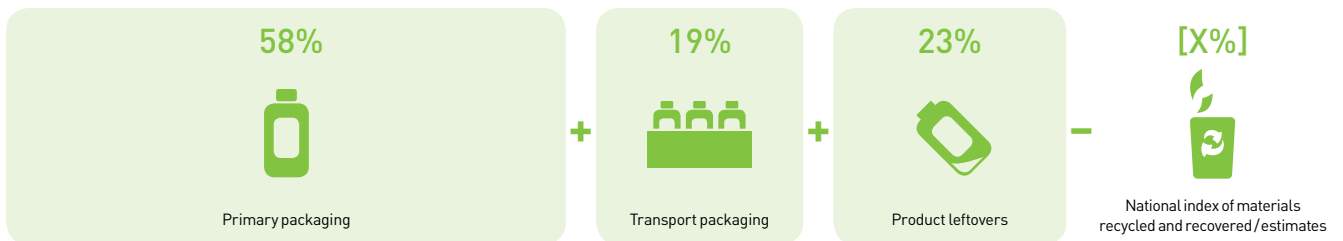
We have made good progress in reducing our waste. In manufacturing, over half our sites achieved zero non-hazardous waste to landfill in 2012 and we are setting a new target for all our sites to achieve this by 2015.

Progress has also been made in lightweighting our packaging. This often involves selecting new materials which enable less material use. Our dedicated global team of experts, called the Materials Capability Group, develops long-term innovative solutions to reduce packaging. They work with specialist suppliers to draw on the latest technologies which are then applied across our product categories.

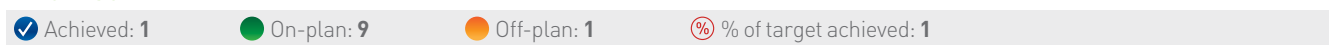
More of our packaging is now recyclable or contains recycled material, but we are finding that tackling post-consumer waste is more challenging.

We are continuing to work with others – from influencing government policy to learning from suppliers and waste service providers, as well as collaborating with other industry players on non-competitive priorities, such as developing new materials that can be easily recycled. We have initiated a number of pilots on materials which are usually considered more difficult to recycle at scale. We will collaborate with others across our value chain to develop new end-to-end solutions.

### OUR FOOTPRINT



### TARGET SUMMARY



Source for footprint and pie charts: Unilever 2011-12 footprint study across 14 countries. % of total in tonnes.  
 \* Our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product.

We set our baseline by calculating the waste from over 1,600 representative products. We did this at an absolute level as well as on a per consumer use basis in 14 countries. The calculation covers 70% of our volumes. As of April 2013, our new automated system only allows us to compare our footprint to 2010 rather than to our original 2008 baseline.

## NEW TECHNOLOGY SAVES MONEY

During 2011 we launched a new bottle design in Indonesia and Thailand for our Citra skin care brand. This resulted in a weight reduction of 365 tonnes of material. In 2012, we introduced a new technology – bi-modal resin – and we saved a further 70 tonnes of material. The same technology is now being rolled out across many more of our skin care and hair care brands and will bring further savings in material and cost.

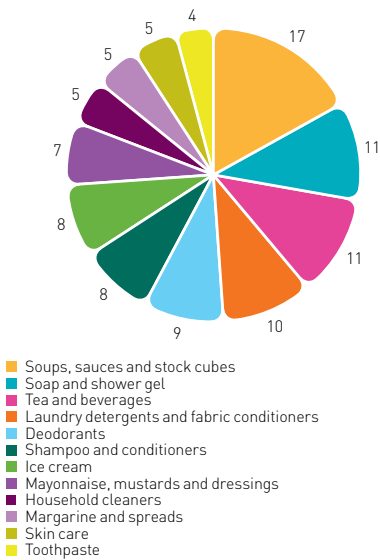


### OUR FOOTPRINT

Our analysis has highlighted that our food packaging is one of the biggest contributors to our waste footprint. But to achieve our goal we will need to reduce waste across all product categories by reducing the weight of packaging and by helping to increase recycling. Tea bags form a significant proportion of product leftovers.

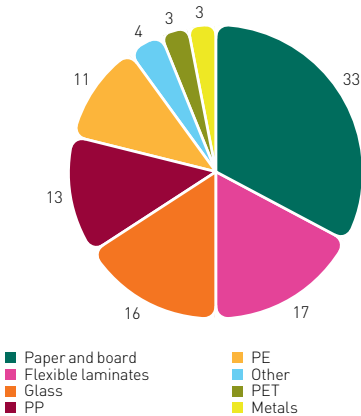
### OUR WASTE FOOTPRINT

(% CONTRIBUTION BY CATEGORY 2011-12)



### OUR WASTE FOOTPRINT

(% CONTRIBUTION BY MATERIAL TYPE 2011-12)



Measured by material type, paper and board, flexible laminates and glass make up the majority of our waste footprint.

## REDUCE PACKAGING

### OUR TARGETS

- By 2020 we will reduce the weight of packaging that we use by a third through:
  - lightweighting materials
  - optimising structural and material design
  - developing concentrated versions of our products
  - eliminating unnecessary packaging.

### OUR PERFORMANCE

- An estimated 9.5% reduction in weight per consumer use over 2011-12 compared to 2010, achieved through a combination of lightweighting and material design optimisation.

### OUR PERSPECTIVE

We are making good progress to reduce our packaging. We have traditionally focused on reducing packaging material simply as a route to cutting costs. But our focus has changed. We are now focusing on developing innovation in lighter, stronger and better materials that have a lower environmental impact. To help us do this we have established a Materials Capability Group who work together with suppliers to develop new technologies.

New technologies are critical to ensure we have a continuous programme for packaging reductions. For example, we have reduced the number of layers and the thickness of the sachet materials used for our hair products in South East Asia, and we will now roll this out across India, Pakistan and Bangladesh. Once the roll-out is complete, we will save around 2,500 tonnes of material.

## CUTTING PACKAGING COSTS

The material we use to wrap our ice cream brands, Twister, Paddle Pop and Fruttare is made of layers. Our R&D experts, working with academics and suppliers, have developed new materials which reduce both the number of layers and their thickness.

The results speak for themselves. These brands have reduced their use of flow wrap from 19 specifications to just three worldwide. This change reduces the amount of packaging we use and has immediate business benefits. We started rolling out these materials in 2012. When our roll-out is complete, we anticipate a saving of around €1.3 million, complemented by a material reduction of around 530 tonnes.

## DEEPER INSIGHTS DRIVE ACTION

Our detailed analysis shows that national recycling rates for particular materials often lack clarity. For example, a 90% recycling rate for aluminium packaging may be based largely on recycling of aluminium drinks cans, and it is therefore inappropriate to apply the same rate when calculating waste to landfill for our aluminium aerosol packaging.

This analysis helps focus our efforts to increase recycling for specific packaging formats. For example we have increased aerosol deodorant recycling through strategic partnerships with industry associations and some of our customers in the UK, Brazil and Mexico.

### RECYCLE PACKAGING

#### OUR TARGETS

- Working in partnership with industry, governments and NGOs, we aim to increase recycling and recovery rates on average by 5% by 2015 and by 15% by 2020 in our top 14 countries. For some this means doubling or even tripling existing recycling rates.

We will make it easier for consumers to recycle our packaging by using materials that best fit the end-of-life treatment facilities available in their countries.

- By 2020 we will increase the recycled material content in our packaging to maximum possible levels. This will act as a catalyst to increase recycling rates.

#### OUR PERFORMANCE

- 3.5% increase in recycling and recovery rates, over the 2010 average Recycling and Recovery Index (RRI), averaged across our top 14 countries. Some of this increase resulted from improved data.
- 3,126 tonnes of post-consumer recycled materials incorporated into our rigid plastic packaging.

#### OUR PERSPECTIVE

We have made modest progress against our targets.

This area is complex, as we anticipated. In some countries there is almost no infrastructure available to collect waste and some materials cannot readily be recycled as technologies do not yet exist. In other countries with more developed infrastructure, certain packaging formats, although manufactured from popular materials such as PET, are still not collected and recycled in significant volumes.

We are using the knowledge gained from infrastructure studies and pilot initiatives to develop the most suitable solutions, whether this involves developing a new recycling waste stream or reviewing the materials used in our products.



### ENCOURAGING MORE RECYCLING

We are building our knowledge of recycling in several ways.

In the US, our Dove and Suave brands are working with Recyclebank to incentivise consumers to recycle more bathroom products. Unilever Ventures has invested indirectly in Recyclebank as it will help us increase our understanding of how to encourage people to recycle more.

In Europe, we have commissioned studies in several countries aimed at understanding the recycling infrastructure for polypropylene (PP) pots, trays and tubs. These are widely used by our margarine brands, Wall's ice creams and Vaseline jars. The studies have shown that this type of packaging is hardly recycled and, at best, is burnt for energy. We are currently engaged in discussions with players from each stage of the recycling process. We intend to pilot a project in 2013 focused on creating a viable business model which stimulates greater demand for PP pots, trays and tubs to be collected, sorted and recycled.

### REUSE PACKAGING

#### OUR TARGETS

- We will provide consumers with refills in our home and personal care portfolio to make it possible to reuse the primary pack.

#### OUR PERFORMANCE

- We introduced refills in several markets during 2012, including China, India, South Africa and the UK.

#### OUR PERSPECTIVE

We are having some success in developing markets. We sell refill pouches in China and South Africa for some of our shampoo brands.

In developed markets this area remains challenging as consumers sometimes see refills as unappealing. However, we continue to experiment and are expanding our range. An example is Timotei shampoo's 500 ml refill, launched in the UK in 2012.



## RETHINKING WASTE AVOIDS OVER €196 MILLION IN COSTS

We estimate that between 2008 and 2012 our focused manufacturing programme of waste elimination, reuse, recycling and recovery has avoided costs of over €186 million in raw and packaging materials and has driven down waste disposal costs by more than €10 million.



### TACKLE SACHET WASTE

#### OUR TARGETS

- Our goal is to develop and implement a sustainable business model for handling our sachet waste streams by 2015.

#### OUR PERFORMANCE

- We are investigating the potential of a new technology to find uses for sachet waste. We believe this will generate higher value returns for sachet waste, thereby helping us to build a stronger business case, which for the moment remains a challenge.

#### OUR PERSPECTIVE

Empty sachets are generally considered not worth collecting because they are small and lightweight so they lack value. Our ambition is to develop a viable business model for sachet waste which continues to provide the price and convenience benefits of sachets to low-income consumers whilst tackling the environmental issues associated with their use, such as litter and lack of recyclability.

In our 2011 Progress Report we shared the results of our trials using pyrolysis – the recovery of energy from sachet waste. We proved that the resulting fuel was of high enough quality for our Hindustan Unilever factory. To make the oil useable and profitable we have been working with our supplier in India to set up a distillation column. But scale-up is proving a challenge.

In 2012 we identified a new technology which we believe is the next generation to pyrolysis. Small-scale trials have shown a high yield and superior quality end product. We are currently in negotiations with the developer and other value-chain partners with the aim of commissioning the first commercial plant in Indonesia during 2013.

One of the biggest barriers to turning pyrolysis or next generation technology into a business opportunity for reprocessors is taking collection of sachet waste to scale. We have engaged NGOs in India to assist us and we plan to test different approaches in 2013.

### REDUCE WASTE FROM OUR MANUFACTURING

#### OUR TARGETS

- By 2020 total waste sent for disposal will be at or below 2008 levels despite significantly higher volumes.

This represents a reduction of around 40% per tonne of production.

Versus a 1995 baseline, this represents an 80% reduction per tonne of production and a 70% absolute reduction.

- By 2015 all manufacturing sites will achieve zero non-hazardous waste to landfill. (New Target 2012.)
- All newly built factories will aim to generate less than half the waste of those in our 2008 baseline.

#### OUR PERFORMANCE

- ✓ 76,000 fewer tonnes of total waste in 2012 than in 2008. This represents a 51% reduction per tonne of production.\*

Compared to 1995, this represents an 85% reduction in absolute terms.

- 53% (133) of our manufacturing sites achieved zero non-hazardous waste to landfill by end 2012.
- Seven new factories were specified in 2012 for opening in 2013. Their eco-efficient design aims for waste to be 50% less than the 2008 baseline and zero non-hazardous waste to be sent to landfill.

#### OUR PERSPECTIVE

In 2012 we halved our waste disposed from manufacturing sites compared to our 2008 baseline in both absolute terms and per tonne of production, whilst growing our business. This significant milestone – which has far exceeded our initial target – was achieved through waste elimination and reduction activities and by diverting waste away from disposal routes such as landfill. This equates to a cost saving of almost €10 million since 2008, achieved without the need for capital expenditure. In addition, reduction in waste in manufacturing since 2008 has avoided costs of €186 million.

In 2012 about 76,000 fewer tonnes of site waste were sent to landfill compared to our 2008 baseline. This is the equivalent of more than one million household bins of waste.

By the end of 2012, 133 manufacturing sites achieved zero non-hazardous waste to landfill. This is over half our 252 sites, up from 74 at the start of the year. In the UK for example, we reduced the number of waste providers from 65 to one, maximising opportunities to identify recycling and beneficial recovery routes and achieving cost savings.

Building on our good progress, in 2012 we set a stretching new target for 100% of our manufacturing sites to achieve zero non-hazardous waste to landfill by the end of 2015.

## FINDING NEW USES FOR WASTE

In manufacturing, apart from eliminating waste, we also employ three other means of cutting our waste – reuse, recycling and recovery. Examples include: the introduction of reusable transit packaging in our Hefei factory in China; waste mayonnaise converted to biofuel; and effluent plant sludges in Turkey and the Philippines given a second life as alternative raw materials in construction products.

\* To be independently assured by PwC in 2013, see page 52.



## ZERO WASTE TO LANDFILL IN HALF OUR FACTORIES

Over half our 252 factories across the world, from Costa Rica to Japan, now send no non-hazardous waste to landfill.

We have set a stretching new target – none of our factories across the world will send any non-hazardous waste to landfill by the end of 2015.



### ELIMINATE PVC

#### OUR TARGETS

- We will eliminate PVC (polyvinyl chloride) from all packaging by 2012 (where technical solutions exist).

#### OUR PERFORMANCE

99% of PVC removed from our portfolio by end 2012.

#### OUR PERSPECTIVE

We committed to eliminate PVC from our packaging in 2009. Virtually all our packaging is now free of PVC. To get there our R&D teams around the world have developed and trialled new materials and our supply chain has invested in new equipment.

However, we have yet to eliminate PVC completely. Some of our foods use PVC in packaging for safety or hygiene reasons, for example as a sealant in metal food lids. For such uses, commercially viable technical solutions do not yet exist. We are seeking out new materials that provide the same functional properties as PVC at a viable cost.

Demand for such alternative materials is currently small, so we have been at the forefront of catalysing innovation in the marketplace. Once these new options become available, many industries will benefit from them.

Since we launched the Unilever Sustainable Living Plan, we have made several acquisitions which have brought more PVC into our business. PVC from these acquisitions is not included in our 99% above. We are taking action to eliminate it.

### REDUCE OFFICE WASTE

#### OUR TARGETS

- In our top 21 countries, at least 90% of our office waste will be reused, recycled or recovered by 2015 and we will send zero waste to landfill by 2017.
- By 2015 we will reduce paper consumption by 30% per head in our top 21 countries.
- We will eliminate paper in our invoicing, goods receipt, purchase order processes, financial reporting and employee expense processing by 2015, where legally allowable and technically possible.

#### OUR PERFORMANCE

- 88% of our office waste was reused, recycled or recovered by end 2012.
- 24% reduction in paper consumption per head in our top 21 countries by end 2012.
- 14% of our incoming invoices were processed electronically in 2012, up from 10% in 2011.

#### OUR PERSPECTIVE

We have made good progress in reusing, recycling and recovering our office waste. In 2012, employee engagement campaigns and recycling stations helped us to improve waste awareness, reduce paper use and divert waste from landfill. This, combined with agreements with waste management contractors, has enabled us to achieve zero waste to landfill at 45% of target sites in our top 21 countries.

In 2012 we launched a global print standard. Double-sided printing rose to 37% from 28% in 2010 in our top 21 countries.

### FUTURE CHALLENGES

While we are making good progress in reducing packaging, we cannot achieve our target to halve our waste unless recycling rates increase significantly.

We are involved in several interventions associated with recycling and recovery, such as the Metal Matters campaign in the UK. However this is an area where we have little control over the value chain and are reliant on working with others.

That is why we reviewed our internal position on packaging recycling and extended producer responsibility. We are working with our major markets to increase our capacity to engage with governments and other stakeholders to find the best policy solutions to drive up recycling rates, which may vary from country to country.

Although this is clearly a challenge, it is also an opportunity to inspire end-to-end solutions through collaboration on non-competitive priorities, not only within the supply chain, but also with our customers and our peer companies.



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## 6 SUSTAINABLE SOURCING

### GROWING FOR THE FUTURE

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**MORE THAN A THIRD OF OUR AGRICULTURAL RAW MATERIALS ARE NOW SOURCED SUSTAINABLY.**

**SUSTAINABLE SOURCING**

By 2020 we will source 100% of our agricultural raw materials sustainably: 10% by 2010; 30% by 2012; 50% by 2015; 100% by 2020.

- 36% of our agricultural raw materials were sustainably sourced by the end of 2012. This exceeded our interim milestone of 30%, and marks a significant rise from 24% in 2011.

**OUR PERSPECTIVE**

Half of our raw materials come from farms and forests and the decisions that we make on who we source from, and how we work with them, can have profound implications on global resources, climate change and farmer livelihoods.

There is a clear business case for Unilever to source its raw materials sustainably. By taking a long-term view we can ensure security of supply, reduce costs and protect scarce resources. This long-term approach can also create a win-win for farmers.

For example, ensuring the traceability of palm oil back to its source can help Unilever secure supplies sustainably while also ensuring deforestation, land use and social and community issues are managed responsibly.

By sharing information about where products come from, we are also meeting emerging consumer needs. Lipton tea and Magnum ice cream's Rainforest Alliance certification and the new Knorr soup labelling on sustainably grown tomatoes are leading the way.

Our progress on sourcing has been strong. We are concentrating first on our top ten agricultural raw material groups, which account for around two-thirds of our volumes: palm oil; paper and board; soy; sugar; tea; fruit and vegetables; sunflower oil; rapeseed oil; dairy ingredients; and cocoa. We are on track for all these materials. But the task remains immense, particularly where our volumes are small.

**TARGET SUMMARY**

✔ Achieved: 1
● On-plan: 15
● Off-plan: 1
⊖ % of target achieved: 0

## PROMOTING THE UPTAKE OF SUSTAINABLE PALM OIL IN CHINA

Around 14% of palm oil is now certified as sustainable by the RSPO, but only half the available certified sustainable palm oil is being taken up in the market.

In 2012 Unilever joined key players in industry and government for the China Sustainable Palm Oil Supply Chain Forum, for talks on promoting faster uptake in China, the world's second-largest consumer of palm oil.

### SUSTAINABLE PALM OIL

#### OUR TARGETS

- We will purchase all palm oil from certified sustainable sources by 2015.
- We will purchase all palm oil sustainably from certified, traceable sources by 2020. (New target 2012.)

#### OUR PERFORMANCE

- ✓ 100% of palm oil from sustainable sources by end 2012: 97% via GreenPalm certificates;<sup>†</sup> and
- 3% of palm oil purchased from certified, traceable sources (through a segregated supply) by end 2012.

#### OUR PERSPECTIVE

In April 2012, we announced that we would reach our 2015 target three years ahead of schedule. This has been achieved primarily through the purchase of GreenPalm certificates. We recognise that these make a significant contribution to a more sustainable palm oil industry, but they are only a first step.

To source sustainably we need to be able to trace our palm oil back to the plantation on which it is grown, and trace its route through certified mills, transport and use. Our new target is to source all our palm oil from certified, traceable sources by 2020.

We began sourcing traceable palm oil for our European markets in 2011, from suppliers certified by the Roundtable on Sustainable Palm Oil. We are investing €69 million in a palm kernel oil processing plant in Indonesia and considering similar joint venture investments in processing crude palm oil derivatives elsewhere to help us achieve traceable supplies.

We are committed to working with suppliers, peers, competitors and governments to transform the industry. This will provide assurances to consumers and help to break the links between palm oil, deforestation and land conflict.

<sup>†</sup> To be independently assured by PwC in 2013, see page 52.

### SUSTAINABLE PAPER AND BOARD

#### OUR TARGETS

- We will source 75% of the paper and board for our packaging from certified sustainably managed forests or from recycled material by 2015. We will reach 100% by 2020.

#### OUR PERFORMANCE

- 63% of our paper and board came from certified sustainably managed forests or from recycled material by end 2012.

#### OUR PERSPECTIVE

Of the 63%, 87% comprised recycled fibre and 13% certified virgin fibre.

In our 2011 Progress Report we estimated that 60% of our paper and board came from sustainable sources. Since then, we have made significant improvements to our data collection and reporting processes so that we now have more detailed, auditable data that does not rely on estimates.

In 2012 we rolled out sustainable paper packaging certified by the Forest Stewardship Council for our Knorr wet soups in Europe, and for our AdeS soy drinks in Brazil.

### SUSTAINABLE SOY

#### OUR TARGETS

- We will source sustainably all soy beans by 2014 and all soy oils by 2020.

#### OUR PERFORMANCE

- 10% of soy oil sustainably sourced in the form of RTRS certificates by end 2012.
- For soy beans, in 2012 we made steady progress towards certified supplies in 2013.

#### OUR PERSPECTIVE

We use soy oil in our spreads, mayonnaise and dressings. We have supported the Round Table on Responsible Soy (RTRS) since it first issued certificates and in 2012 we were one of the largest single purchasers of certificates.

We buy most of our soy oil in the US, where there is currently no RTRS certified soy. Over 2011-12 we explored the potential for an RTRS National Interpretation for the US soy industry with the United Soybean Board (USB) and WWF US, but were unsuccessful. However, we have joined Field to Market: The Keystone Alliance for Sustainable Agriculture. This brings together US producers, agribusinesses, food companies and conservation organisations to create sustainable outcomes for agriculture. Its Fieldprint Calculator enables growers to analyse how their management choices impact natural resources and operational efficiency. Making use of this tool, we continue to work with the USB as it refines its Soy Pledge's assurance protocol for sustainable soy.

In 2012, we did not purchase as much sustainable soy oil as we hoped; however, in 2013 we will begin a pilot with US soy farmers to track and verify performance improvements to achieve equivalence to our Sustainable Agriculture Code.

Soy beans make up about 10% of our soy purchases, for use in our AdeS soy drinks. We expect to make the first purchases of sustainable beans in 2013. We are determined to make progress and have a roadmap in place to meet our 2014 target.



## KNORR'S FIRST PRODUCT WITH SUSTAINABLY SOURCED LABEL

Knorr's new Tomato and Mascarpone soup was launched in France in 2012 carrying the label 'Made with sustainably grown tomatoes'. This is the first time we have promoted an ingredient as sustainably sourced with farmers verifying their progress in accordance with Unilever's Sustainable Agriculture Code.

We have been working with tomato suppliers for the last 15 years to reach this point. Building traceability has been key – to ensure that the tomatoes that reach our packs are sustainably grown and traceable right through the supply chain and manufacturing process.

### SUSTAINABLE TEA

#### OUR TARGETS

- By 2015 we aim to have the tea in all Lipton tea bags sourced from Rainforest Alliance Certified™ estates. By 2020, 100% of Unilever's tea, including loose tea, will be sustainably sourced.

#### OUR PERFORMANCE

- 75% of our Lipton tea bag blends contained a proportion of Rainforest Alliance Certified™ tea by end 2012.
- Overall, 39% of the tea purchased for all our brands was sourced from Rainforest Alliance Certified™ farms.

#### OUR PERSPECTIVE

In 2007 we were the first major tea company to commit to sustainable sourcing of tea on a large scale. We are on track to achieve our 2015 milestone and 2020 target.

Over the last five years Unilever and our suppliers have invested heavily in improving farming practices among tea farmers, building capacity to more than 170,000 tonnes of Rainforest Alliance certified tea. For example, all the tea we source from Argentina is now Rainforest Alliance certified, and this effort has contributed significantly to the development of the tea industry in the Misiones Province.

Between 2007 and the end of 2012, a total of around 450,000 farmers had been trained to the Rainforest Alliance standard, in partnership with Unilever, in preparation for certification.

During 2012 we continued to partner with the Netherlands-based Sustainable Trade Initiative (IDH) and the Kenya Tea Development Agency (KTDA) to co-fund farmer field schools which promote sustainable agriculture through group learning and field observation techniques. Unilever and IDH have jointly agreed to invest a further €4 million over the next two years to help take our sustainability initiatives to scale in Africa, Vietnam and India. This training will not only benefit Unilever but also the tea industry as a whole.

### SUSTAINABLE FRUIT AND VEGETABLES

#### OUR TARGETS

- We will purchase 100% of our fruit from sustainable sources by 2015.
- We will purchase 50% of our top 13 vegetables and herbs from sustainable sources by 2012 and 100% by 2015. This accounts for over 80% of our global vegetable and herb volume.

#### OUR PERFORMANCE

- 7% of fruit purchased sustainably by end 2012.
- 59% of our top 13 vegetables and herbs purchased from sustainable sources by end 2012.

#### OUR PERSPECTIVE

We bought our first sustainable fruit in 2012. In 2013 we will focus our efforts on working with our suppliers and looking for further partnership opportunities as we are a small player in this market. We have not made as much progress as we would have liked. This makes our 2015 target challenging, but we have a plan in place which makes us confident we will reach it.

We exceeded our interim target for our top 13 vegetables and herbs; more than half our suppliers had self-verified their practices according to the Unilever Sustainable Agriculture Code by the end of 2012. We now have 24 'Landmark Farms' supplying vegetables for our Knorr brand and acting as agricultural role models for other suppliers.

To meet our target, we have been working with suppliers and their farmers around the world to identify areas for improvement and assess their progress using the Unilever Sustainable Agriculture Code. We work with suppliers of onions, garlic and tomatoes in California, US and suppliers of gherkins and fruit in India. In India we aim to boost yields to at least the global average.

### SUSTAINABLE COCOA

#### OUR TARGETS

- We will source cocoa sustainably for our Magnum ice cream by 2015. All other cocoa will be sourced sustainably by 2020.

#### OUR PERFORMANCE

- 64% of cocoa for Magnum sustainably sourced through Rainforest Alliance certification by end 2012. Overall, 43% of all cocoa sourced sustainably.

#### OUR PERSPECTIVE

On pack and online, Magnum shares with its consumers why it has teamed up with Rainforest Alliance: to source high-quality cocoa beans, to increase the income of farmers and deliver social benefits such as improved health and safety practices.

To achieve certification, we are working with 20,000 small farmers across West Africa. Our strategic supply partner, Barry Callebaut, runs farmer training schools. The schools work with groups of local farmers to build their skills and knowledge around sustainable cultivation practices. Those farmers then act as trainers, spreading good practice amongst their community and encouraging more farmers to follow the programme.



## INVESTING IN TRACEABILITY FOR SUNFLOWER OIL

In South Africa we have been working with our supplier Ceoco to improve traceability in the supply chain. We identified a farming community in Limpopo with good practices that we could build on, then worked with the farmers by providing financial incentives to develop hybrid seeds with higher yields. We can trace the oils right back to the individual farms where the seeds were grown.

Our next step will be to scale up the project and roll it out to different provinces and more farmers.

### SUSTAINABLE SUGAR

#### OUR TARGETS

- We will source all sugar sustainably by 2020.

#### OUR PERFORMANCE

- 8% of sugar sustainably sourced by end 2012.

#### OUR PERSPECTIVE

Unilever has joined the Bonsucro roundtable, a not-for-profit initiative that is dedicated to reducing the environmental and social impacts of sugar cane production. In December 2012, we purchased the first-ever Bonsucro sustainable sugar credits in Brazil. Although we are not a major buyer of sugar, we were the first Bonsucro member to buy credits as we are committed to the sustainable production of sugar.

In 2012, we also sourced our first sugar from beet farmers in France, Germany and the Netherlands. This was verified according to our Sustainable Agriculture Code.

### SUSTAINABLE SUNFLOWER OIL

#### OUR TARGETS

- We will source all sunflower oil sustainably by 2020.

#### OUR PERFORMANCE

- 14% of sunflower oil sustainably sourced by end 2012.

#### OUR PERSPECTIVE

In 2011 we scoped pilot projects for sustainable sunflower oil in several regions, but these took longer than expected to come to fruition. However, in 2012, we were able to source our first sustainable sunflower oil and are back on track to achieve our target.

Our supplies were self-verified according to our Sustainable Agriculture Code and sourced from Hungary via Cargill and from South Africa (see above).

### SUSTAINABLE RAPESEED OIL

#### OUR TARGETS

- We will source all rapeseed oil sustainably by 2020.

#### OUR PERFORMANCE

- 16% of rapeseed oil sustainably sourced by end 2012.

#### OUR PERSPECTIVE

During 2012, we worked with one of our major suppliers, Cargill, to verify German oilseed rape production against the Unilever Sustainable Agriculture Code. This builds on a pilot project we began in 2009, which has helped us to agree annual improvement plans that go beyond European good agricultural practice, including biodiversity action plans to enhance habitats. We now have a model that can be applied to other oilseed crops.



In the UK, we have worked closely with the sustainable agriculture NGO, LEAF (Linking Environment And Farming), and our supplier ADM to source certified rapeseed oil at scale for the first time.

### SUSTAINABLE DAIRY

#### OUR TARGETS

- We will source all dairy produce sustainably by 2020.

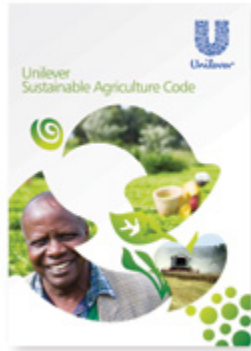
#### OUR PERFORMANCE

- 31% of dairy produce sustainably sourced by end 2012.

#### OUR PERSPECTIVE

We made significant progress in 2012, increasing the proportion of sustainably sourced dairy ingredients from 10% in 2011 to 31% in 2012.

Following a successful pilot in 2011, we have scaled up our work with one of the largest dairy co-operatives in the world, FrieslandCampina. The company has its own sustainability commitments, such as the treatment of cows, grazing conditions, local biodiversity and waste impacts. These are aligned with the standards of our Sustainable Agriculture Code.



## OUR SUSTAINABLE AGRICULTURE CODE

The Unilever Sustainable Agriculture Code was launched in 2010, after 15 years' work. Our sustainable sourcing programme relies on compliance with the Code, through self-assessment or through external certification standards.

2012 was our first year of getting to scale and gave us deeper insights about suppliers' challenges. We have now sustainably sourced tomatoes, dairy, rapeseed, sunflower seed, sugar beet and potatoes, demonstrating the Code's flexibility across crops and countries. Chinese tomato farmers have significantly reduced fertilizer use while increasing yields, and we are tracking pest infestation using traps and smartphones, leading to lower pesticide use and better quality crops for Mediterranean tomato farmers.

### FAIRTRADE BEN & JERRY'S

#### OUR TARGETS

- All flavours of Ben & Jerry's ice cream will be Fairtrade certified by 2013. (Target revised 2012.)

#### OUR PERFORMANCE

- In 2012 we made steady progress towards achieving Fairtrade certification on all our ice cream flavours.

#### OUR PERSPECTIVE

In Europe, our five key commodities (sugar, cocoa, coffee, vanilla and bananas) were converted to Fairtrade (FT) by the end of 2011.

Converting the rest of our ice creams is a major undertaking, involving around 200 ingredients for nearly 90 flavours. In 2011 we reported setbacks in the US which meant that we could not source all the FT-certified ingredients we needed for our US business. We have found that FT ingredients are simply not available or do not meet our specifications for a range of the ingredients we use (such as some nuts and spices). So we have had to revise our target from our previous 'all ingredients' to 'all flavours'.

In 2012 we worked with Fairtrade International to adjust our US conversion plan and identified that by using FT ingredients for the five major commodities in all our base mixes and for our chunks and swirls, all our ice cream flavours will qualify for FT certification by 2013. The vast majority of our ice creams will be available in stores by the end of the year, with the remainder becoming available early in 2014.



### CAGE-FREE EGGS

#### OUR TARGETS

- We aim to move to 100% cage-free eggs for all our products,\* including Ben & Jerry's ice cream and Hellmann's, Amora and Calvé mayonnaises

#### OUR PERFORMANCE

- Our roll-out of products using cage-free eggs continued, with around one-third of our mayonnaise portfolio in North America becoming cage-free by end 2012.

#### OUR PERSPECTIVE

In Western Europe our Hellmann's, Amora and Calvé brands have been 100% cage-free since 2009 and by the end of 2011, 99% of all eggs used in Ben & Jerry's ice cream mix worldwide were cage-free.

We have made good progress in North America in 2012, and are confident that we will achieve 100% cage-free eggs in our mayonnaise portfolio in this region over the coming years.

Our progress has been helped by the fact that we have built long-term contracts to give suppliers the confidence to invest in cage-free production.

\*Where allowed by local legislation.

### INCREASE SUSTAINABLE SOURCING OF OFFICE MATERIALS

#### OUR TARGETS

- By 2013 we will source all paper-based office materials for our top 21 countries from either certified sustainable forests or recycled sources.

#### OUR PERFORMANCE

- More than 95% of paper-based materials from certified sustainable forests or recycled sources by September 2012.

#### OUR PERSPECTIVE

We are making good progress towards our 2013 target and will continue to work closely with our suppliers to ensure the robustness of our reporting process.

### FUTURE CHALLENGES

Sustainable sourcing of all our raw materials remains an ambitious target, especially where our market influence is lower because of our smaller volumes. We started with our top 10 agricultural materials and are now considering the next 30. These account for around 20% of our volume, so progress in these areas will mark a significant milestone. In 2012 we made considerable progress with ingredients such as vanilla and meat.

We recognise that verification and certification are not end goals. The real challenge is to show the positive impacts that sustainability can have on the lives of farmers, the environment and the communities in which they live and work.

These issues are complex to tackle. Working with others is a critical success factor: by transforming global supply chains together, we can move faster and also increase awareness among consumers of the benefits of sustainably sourced products.

Our non-agricultural (and therefore non-renewable) raw materials have also been a focus in 2012.

We have been mapping the landscape for mineral mining to identify sustainability improvements and we now have visibility on the origins and extraction sites for about half our portfolio. We have also looked into existing initiatives and programmes to reduce the environmental, health and safety impacts of the raw materials we use ('product stewardship programmes').



## 7 **BETTER LIVELIHOODS** SUPPORTING ECONOMIC DEVELOPMENT





WE WILL WORK WITH OTHERS INCLUDING INDUSTRY, NGOS AND TRADE UNIONS TO MAINSTREAM HUMAN AND LABOUR RIGHTS INTO OUR BUSINESS.

BETTER LIVELIHOODS

By 2020 we will engage with at least 500,000 smallholder farmers and 75,000 small-scale distributors in our supply network.

- We have increased the number of tea farmers trained in sustainable practices to around 450,000. The next step is to develop a methodology to assess improvement in smallholder livelihoods. We have consolidated our small-scale distributors programme, reaching 48,000 entrepreneurs.

OUR PERSPECTIVE

Our business contributes to the economic well-being of many communities across our value chain, whether through employment, upskilling or linkage into our extended supply chain.

In developing and emerging markets we have an even greater impact on livelihoods. This is because our supplier and distribution networks involve millions of small-scale farmers, distributors and retailers. Most smallholder farmers grow their crops on less than 2 hectares of land. They are often held back from improving their incomes because of their lack of knowledge of up-to-date farming practices. If smallholders have access to training, better quality seeds and fertiliser they can significantly increase their yields. This benefits Unilever. As we grow our business in developing and emerging markets, we will be sourcing more

agricultural materials grown by smallholders. If they prosper and their incomes improve, they will be able to invest and we will have greater certainty of supply and, often, better quality raw materials for our food products.

We have expanded the number of smallholders we reach with training and increased our investment. But we still have much to do to demonstrate the impact of our work on their livelihoods, and how we are engaging with women farmers. Smallholders and their practices are diverse which makes the task of measuring the benefits of our interventions more difficult. Nevertheless we want to co-develop a simple, cost-effective method to show that our interventions do improve smallholders' livelihoods.

As the world's largest purchaser of black tea we led the way with Rainforest Alliance to certify our tea supply. We are now

purchasing cocoa certified by Rainforest Alliance and we are part of the Roundtable on Sustainable Palm Oil's (RSPO) Smallholders Task Force where we are collectively working on how best to achieve sustainable certification for palm oil smallholders.

Unilever is committed to respecting and promoting human rights and good labour practices. The adoption of the United Nations Guiding Principles on Business and Human Rights has led us to re-think how we should integrate human and labour rights strategies across our business and value chain. To tackle this, in early 2013 we created a new role of Global Vice President for Social Impact. We recognise that we have more work to do in this area.

TARGET SUMMARY

✔ Achieved: 0
● On-plan: 2
● Off-plan: 0
⊘ % of target achieved: 0

## TECHNOLOGY INCREASES SHAKTI SALES AND EARNINGS

In 2012 we improved our Shakti rural selling operation by part-funding mobile phones for a number of our sales women, equipping them with a simple application to drive sales. This low-cost but very effective mobile technology helps them sell the right products, saving time during sales calls while increasing sales and earnings.



### HELPING SMALLHOLDER FARMERS

#### OUR TARGETS

- Our goal is to engage with at least 500,000 smallholder farmers in our supply network. We will help them improve their agricultural practices and thus enable them to become more competitive. By doing so we will improve the quality of their livelihoods.

#### OUR PERFORMANCE

- We continue to engage with partners to develop an effective methodology to assess improvement in livelihoods in our supply chain network.

#### OUR PERSPECTIVE

Through our supply partnerships we have helped to train 450,000 tea farmers in sustainable practices, around 150,000 more than in 2011. Over 300,000 of them have achieved Rainforest Alliance certification, the majority of whom are smallholders in Kenya. Elsewhere we have supported cocoa farmers to gain Rainforest Alliance certification in West Africa.

We are focusing our effort on interventions which improve agricultural practices. We want to demonstrate that these enhance livelihoods. Having examined existing assessment methodologies, we decided to consult NGO and supply chain partners on how to develop a livelihood assessment methodology which is simple, quick and affordable. Our goal is to develop and test this methodology in 2013.

Although we still have much to do to demonstrate the impact of our work, our procurement standards and our ability to share best practice mean we can have an important influence on the wider sector. In our Sunrise partnership with Oxfam GB, we have moved from a single programme to learning by engaging with a number of smallholder farmer programmes run by our suppliers. The aim is to develop clear blueprints for inclusive business models, which deliver both commercial success and help improve social, environmental and economic conditions.



### ASSESSING OUR IMPACT

In 2012 we commissioned an independent assessment to evaluate livelihoods, focusing especially on the impact Rainforest Alliance (RA) certification has had on smallholders and their farm workers in our tea supply chain in Kenya.

The study confirmed that RA-certified farmers and their workers experience greater improvements than non-RA-certified farmers in several areas of social, economic and environmental well-being. However this is not uniform, as in some areas, non-certified farmers reported similar positive impacts.

This is a complex area, and we are assessing the results and undertaking other studies with NGOs and other partners to understand the best way to achieve the right outcomes.

### SUPPORTING SMALL-SCALE DISTRIBUTORS

#### OUR TARGETS

Shakti, our door-to-door selling operation in India, provides work for large numbers of people in poor rural communities.

- We will increase the number of Shakti entrepreneurs that we recruit, train and employ from 45,000 in 2010 to 75,000 in 2015.

We operate similar schemes in Bangladesh, Sri Lanka and Vietnam which we are also committed to expanding.

#### OUR PERFORMANCE

- 48,000 entrepreneurs ('Shakti ammas')<sup>\*</sup> were selling products to over 3.3 million households in over 135,000 Indian villages in 2012.

#### OUR PERSPECTIVE

Recruiting and training female entrepreneurs (Shakti ammas) is a resource-intensive process. During 2012 we worked with our existing entrepreneurs to help them grow and develop their businesses. This has helped to consolidate and strengthen our network.

We are planning to expand our rural distribution over 2013-15 to reach more small, remote villages. Engaging more Shakti ammas is an important part of this plan.

Shakti sales people have proved successful in increasing our presence in rural areas and building strong local relationships with consumers, which encourages brand loyalty. The model we use improves the lives of our sales people and their families, usually doubling the income of the household.

The programme was extended in 2010 to include 'Shaktimaans' who are typically the husbands or brothers of the Shakti ammas. They sell our products by bicycle to surrounding villages, covering a larger area than Shakti ammas can do on foot. There are over 30,000 Shaktimaans across India and we have plans to enlarge the programme in 2013. These 30,000 Shaktimaans complement our 48,000 Shakti ammas.

<sup>\*</sup> To be independently assured by PwC in 2013, see page 52.

## BOOSTING WOMEN'S INCOMES

The impact of economically empowering women has a magnifier effect on lifting families out of poverty. For example, in India, as a result of a partnership between the Maharashtra government and Hindustan Unilever, a woman entrepreneur was able to invest in a tomato processing plant, contracting supplies from 600 smallholder farmers. We trained the farmers in sustainable agricultural practices which contributed to high-quality tomatoes for our Kissan Ketchup brand. In our Shakti rural sales operation, earnings usually double household incomes. For many, these new earnings mean they can realise their ambition to provide a good education for their children.

### BETTER LIVELIHOODS

#### SUSTAINABLE, PROFITABLE GROWTH DEPENDS ON OUR PEOPLE

We expect all our employees to observe high standards of behaviour in their everyday work, reflecting our values of integrity, respect, responsibility and demonstrating a pioneering spirit. Sustainable, profitable growth can only be achieved if we have the right people working for an organisation that is fit to win, underpinned by a culture in which performance is always aligned to our values.

#### HUMAN AND LABOUR RIGHTS

Our Code of Business Principles and Supplier Code set out our commitment to human and labour rights and specifically to treat our employees and business partners with dignity, integrity and fairness.

The Board of Unilever is responsible for ensuring adherence to these commitments and our senior management has responsibility for overseeing their implementation and ensuring that any breaches of our Codes are investigated. We expect and encourage employees to bring any breach of our Codes to our attention.

Like many other companies, we have been undertaking a comprehensive assessment of how best to operationalise and implement the UN Guiding Principles on Business and Human Rights, including reviewing our Code Policies and ensuring alignment with our Sustainable Living Plan. In early 2013 we appointed a Global Vice President for Social Impact to lead this integration.

This assessment was also informed by a two-year research project by Oxfam, Labour Rights in Unilever's Supply Chain, published in early 2013. Oxfam used our Vietnamese operations as its main case study and made six recommendations for our business. These are based around supporting workers' livelihoods, providing human rights training within the organisation, implementing more ways in which workers can raise areas of concern and working closely with suppliers and partners to ensure standards are met.

We are reviewing our Vietnamese supply chain in light of the recommendations. The report also has implications for our business globally and we are studying how we can promote sustainable livelihoods for all our workers and those in our value chains and will review our use of temporary workers. We will look at our suppliers' understanding of our Supplier Code and ensure that our own operations meet the same standards as we expect of our suppliers. We will also develop key performance indicators on labour and human rights.

Recognising that progress can best be made by working together, we will work with others including industry, NGOs, trade unions and business partners to mainstream the integration of human and labour rights into our business.

#### DIVERSITY

We celebrate the diversity of people, believe in inclusion and respect people for who they are and what they bring. Women make up more than 75% of our consumer base. Our workforce must take account of this.

The proportion of women in management positions increased from 39% in 2011 to 41% in 2012. After a decade of steady improvement, achieving an increase of more than 1% shows progress – but we recognise there is still a long way to go. We have three women Non-Executive Directors on the Board (25%) and propose to appoint two more in 2013. In 2012 we appointed a second woman to the Unilever Leadership Executive.

### FUTURE CHALLENGES

For smallholder farmers, our challenge is to develop an effective yet affordable methodology for impact assessment. In some pilot studies, evaluation costs more than the intervention it is assessing. Even then the evidence can be uncertain due to lack of baseline data. We will continue to work with partners such as Oxfam, Grameen and the Bill and Melinda Gates Foundation to refine our understanding of what is practical.

We are working to integrate respect for human and labour rights throughout our value chain, including issues around land rights, women and community dialogue.



# GOVERNANCE AND EXTERNAL COMMENTARY

## GOVERNANCE

Strong governance structures enable us to deliver our Plan, realise the benefits for the business and draw on relevant expert input.

Implementation and delivery of the Plan are monitored by the Unilever Leadership Executive – the leaders of our categories, regions and functions headed by our CEO.

The Unilever Sustainable Living Plan Steering Team supports the Executive. The Team includes our Category Presidents and the leaders of key business functions.

The Board's Corporate Responsibility Committee comprises three independent Non-Executive Directors. Their role is to oversee Unilever's conduct as a responsible business, including monitoring the progress – and potential risk – of the Plan and ensuring this is fed back to the Board.

Further independent opinion on our strategy comes from our external advisers - the Unilever Sustainable Development Group and specialist groups such as our Sustainable Sourcing Advisory Board. We invited some members of these groups to comment on progress in the second year of our Plan.

## UNILEVER SUSTAINABLE DEVELOPMENT GROUP

The Group's expertise covers a broad range of environmental, social and economic issues in developed and developing countries. It meets twice a year with our senior leaders to critique our strategy and share insights on sustainability issues and trends. Their perspectives feed into our leadership teams and our Board's Corporate Responsibility Committee.

**Jonathon Porritt**  
Founder Director of Forum for the Future, UK

**Malini Mehra**  
Founder and CEO of the Centre for Social Markets, India

**Ma Jun**  
Founder Director of the Institute of Public and Environmental Affairs (IPEA), China

**Helio Mattar**  
President of the Akatu Institute for Conscious Consumption, Brazil



**JONATHON PORRITT**  
FOUNDER DIRECTOR  
OF FORUM FOR  
THE FUTURE, UK

Unilever has been 'doing sustainability' in one way or another for a very long time – some would argue from the first moment back in the late 19th century when the founder of the company first committed to producing affordable soap to help tackle the hygiene conditions of Victorian Britain.

But it's only in the last few years that sustainability has worked its way through to the heart of the business – and in Unilever, that means the brands.

Whilst there have always been a handful of brands that had a great sustainability story to tell (Dove, Lipton, Lifebuoy and so on), all the major brands are now being asked to 'own' their share of the targets outlined in the Unilever Sustainable Living Plan, and to share that with consumers, creatively and compellingly, in order to 'make sustainable living commonplace'.

That's where the real energy needs to come from now, reflected differently in all the different countries where Unilever operates.

By any reckoning, this is one of the most ambitious 'change management' programmes going on in any big company today. As this Report shows, progress is good, and some individual projects are hugely inspiring.

But there is still a long way to go before the USLP is lived and breathed by every single part of the business. For instance, it's only in the last couple of years that Finance has seriously addressed the challenge of aligning all those processes focused on 'the numbers' of the USLP. 'Doubling the size of the company' and 'halving the footprint' have to become one and the same ambition – not separate drivers.

'Mainstreaming sustainability' sounds like such an easy thing to do. But it really isn't!



**MALINI MEHRA**  
FOUNDER AND CEO  
OF THE CENTRE FOR  
SOCIAL MARKETS,  
INDIA

This year's Progress Report continues the 'warts and all' tradition Unilever adopted with its first report.

In a world of fakery and green-wash, Unilever stands tall for being different. This is not a report that shouts 'we got it all right' but dares to say, when it needs to, 'we're not on target – yet' and 'we find this very difficult'.

This modesty is entirely appropriate for the times. Today's readers don't want tough challenges hidden from view. They want to know what they are and how the company intends to address them. For example, how to deliver on the social dimensions of sustainability – something that requires more complex socio-cultural interventions. Or how to reduce growing inequalities and wealth gaps – which will as profoundly affect the context Unilever works in globally as much as resource security.

Unilever has made huge strides in its efforts to support vulnerable groups in its supply chain – from smallholder farmers to rural women entrepreneurs. It now needs to build on that base to more actively address the growing socio-economic divides that will bedevil delivery of the Plan. The good news? Unilever knows this is a problem area and has appointed a Global Vice President for Social Impact to address it.

In a post-MDG world, this is one area where Unilever's straight-talking leadership will be needed more than ever.

## SUSTAINABLE SOURCING ADVISORY BOARD

The Board comprises experts from diverse backgrounds such as NGOs, research institutes, companies and academia. Its members advise our procurement function on key aspects of our Plan – the sustainable

sourcing of raw materials and engaging smallholders – and the various areas that impact sustainability in our value chain, such as biodiversity, the use of chemicals, labour conditions and poverty alleviation.

**Janet Barber**  
Independent, UK

**David Bright**  
Oxfam GB, UK

**Tom Burke**  
Independent, UK

**Colin Chartres**  
Independent, Sri Lanka

**Ken Giller**  
University of Wageningen,  
Netherlands

**Alan Knight**  
Independent, UK

**Christophe Liebon**  
Intertek, Hong Kong

**Richard Perkins**  
WWF-UK, UK

**Camilla Toulmin**  
International Institute for  
Environment and Development, UK

**Anne Wallin**  
Dow Chemical, Switzerland

**Tensie Whelan**  
Rainforest Alliance, US



**DAVID BRIGHT**  
OXFAM GB, UK

I would note two areas of progress around the USLP. The first is its target to deliver positive social impact by engaging 500,000 smallholders to improve their livelihoods.

To deliver on this target Unilever has both begun to identify its own actions and align actions with multiple suppliers. This requires clarity on which men and women smallholders are targeted and on how risk and benefits can be more fairly shared through supply chains to improve smallholder livelihoods. Given the extended nature of global supply chains, the work to identify smallholders and the ongoing effort to monitor this change at farm level should not be under-estimated.

Secondly, Unilever works hard to bring together other companies, academia and civil society to try to both lead and learn on delivering sustainability as a sector, for example in putting land grabs and biofuels on the agenda of the B20 Task Force on Food Security in 2012.



**RICHARD PERKINS**  
WWF-UK, UK

WWF strongly advocates that companies make their sourcing more sustainable by buying to independent standards (third-party verified, with multi-stakeholder governance and ISEAL compliant, eg Forest Stewardship Council). WWF does not accept self-verification as equivalent to such independent standards.

There are a huge number of products for which there is no applicable independent standard. In these cases, Unilever's 100% sustainable sourcing strategy has to consider other ways of making production more sustainable. Self-verification is one approach that WWF supports Unilever using in these cases.

Self-verification should not be used in cases where a relevant independent standard exists. I have suggested in my advice to Unilever that self-verification might be buttressed by statistical sampling of those submitting self-verification to add confidence.

It is great to see Unilever employing self-verification to make progress on sustainability with suppliers where independent standards do not exist.

# VERIFICATION AND METRICS

## MATERIALITY

We address the material sustainability issues for our company through the Unilever Sustainable Living Plan and in our approach to running a responsible business.

We define materiality as: (1) the degree to which an issue is aligned with our vision and purpose, brand portfolio and geography; (2) the potential impact on our own operations, or on our sourcing and consumers; (3) the extent of Unilever's influence on the issue; (4) the importance of an issue to our key stakeholders.

Our Plan will evolve as we refine our understanding and identify further material issues. For example, we are studying how we could take a more holistic approach to improving hygiene by addressing sanitation while delivering sustainable growth for our business (see page 13).

We run a programme of stakeholder engagement to help us understand external views on the issues relevant to our business, and to identify people and partners we can learn from. During 2012, we ran events to gather feedback on the Plan in 25 countries. We also launched the Sustainable Living Lab, a 24-hour online dialogue between Unilever managers and external experts which attracted participants from 77 countries and generated valuable insights.

## ASSURANCE 2011

External assurance of sustainability performance indicators is important to us and the environmental reporting of our manufacturing operations has been independently assured since 1996.

In 2012 we appointed Pricewaterhouse-Coopers LLP (PwC) to provide independent assurance of the Unilever Sustainable Living Plan.

PwC's scope of work was to provide limited assurance of a number of performance measures selected on the basis of their materiality to the Plan.

The work included interviews with the Unilever Sustainable Living Plan Steering Team and with the managers responsible for the data underpinning the eight measures selected for assurance. These measures covered: Lifebuoy; Pureit; salt; concentrated/compacted laundry products; ice cream freezer cabinets; One Rinse fabric conditioners; palm oil; and Shakti entrepreneurs.

PwC's conclusion, together with Unilever's Basis of Preparation for the reporting period 1 January - 31 December 2011, is published on our website, alongside limited assurance carried out by Deloitte on eight environmental and two occupational safety performance indicators for the period 1 January - 31 December 2011.

PwC's conclusions have been shared with the Unilever Leadership Executive, the Unilever Sustainable Living Plan Steering Team and those responsible for the indicators. We are acting upon PwC's recommendations and the lessons learned are helping to inform our future work.

The findings from the first year of assurance of the Plan's metrics have provided valuable insights, for example on identifying appropriate risk assessment processes for data preparation and reporting, and improving the documentation and replicability of calculations. The findings also prompted us to review and strengthen our governance.

## ASSURANCE TO 2020

For the future assurance of the USLP, starting with the period 2012, we have developed a phased approach to 2020 that will enable us to obtain assurance over the seven commitments which are central to our Plan.

In the transition to assuring the seven commitments, underlying metrics supporting each commitment will be selected on the basis of criticality, following a detailed internal assessment. Our definition of criticality includes the following factors:

- materiality – the importance of the metric's contribution to the commitment
- maturity – the metric's stage of development
- proximity to target completion.

Although our environmental indicators for manufacturing and our occupational health and safety indicators do not directly contribute to the achievement of our seven commitments, we consider them crucial for our business and they will always be assured.

In addition, we recognise that the need may sometimes arise for external assurance of specific metrics, such as those with a higher reputational risk.

Unlike financial accounting standards or carbon reporting, there are currently no industry norms or globally recognised practices for evaluating many of the targets in the Unilever Sustainable Living Plan. It is groundbreaking work that will evolve over the coming years.

## OUR METRICS

Our Plan has three big goals to improve health and well-being, reduce environmental impact and enhance livelihoods. Supporting these goals are seven commitments underpinned by targets spanning our social, environmental and economic performance across the value chain.

In our 2011 Progress Report we presented our people and workplace targets as a standalone set of targets. In 2012 we incorporated these targets into the main body of the plan.

Listed in the box are the key metrics we use to measure progress on our commitments.

### OUR ENVIRONMENTAL FOOTPRINT PER CONSUMER USE

To measure our big goal to halve the environmental footprint of the making and use of our products 'per consumer use'\* for GHG, water and waste is a complex process. It requires a detailed analysis of the water, waste and greenhouse gas impacts of thousands of products spread across 14 countries. The calculation accounts for 70% of our volumes.

For each product, we analyse sourcing and ingredient information, manufacturing impacts and data on consumer habits (which often vary by country).

In 2012 we invested in an automated system to improve the speed and accuracy of our footprint calculations, which we measure on a rolling-year basis from 1 July to 30 June. Currently, this system only allows us to compare our footprint to 2010 rather than our original 2008 baseline.

## OUR METRICS



### HEALTH AND HYGIENE (PAGE 12)

The number of people reached on a cumulative basis by an intervention which, based on past studies, can be expected to result in sustained, positive behaviour change.

### NUTRITION (PAGE 18)

The percentage of products which meet the highest nutritional standards, based on globally recognised dietary guidelines for all four priority nutrients: salt, saturated and trans fat and sugar. From 2012, these are measured by volume rather than by product.

### GREENHOUSE GASES (PAGE 24)

Greenhouse gases per consumer use: CO<sub>2</sub> equivalents across the product lifecycle (grams).\*

Our metric measures the greenhouse gas emissions associated with the lifecycle of a product from raw materials, to manufacturing to consumer use and disposal.

### WATER (PAGE 30)

Water per consumer use in water-scarce countries: water added to the product plus the water used by consumers in water-scarce countries (litres).\*\*

Our metric excludes water used in agriculture, and water used in our manufacturing operations which we measure as part of our eco-efficiency programme (see Reduce water use in our manufacturing process, page 33).

### WASTE (PAGE 34)

Waste per consumer use: packaging and product leftovers that have not been reused, recycled or recovered (grams).\*

We define waste as the amount of product left in the pack, and the amount of packaging that ends up either in landfill or as litter, ie the amount of packaging that is not recycled, reused or recovered for energy recapture. Our metric requires the use of published national indices for recycling and recovery, or our own estimates where these are not available.

The metric excludes the waste generated by our manufacturing operations which we measure as part of our eco-efficiency programme (see Reduce waste from our manufacturing, page 38).

### SUSTAINABLE SOURCING (PAGE 40)

Raw or packaging material sourced from verifiable sustainable renewable sources or made from recycled materials (% by weight).

### BETTER LIVELIHOODS (PAGE 46)

We recognise that it is difficult to provide evidence of improvements in livelihoods. We are developing an appropriate methodology to do this.

\* The metrics for our commitments for greenhouse gases (GHG), water and waste are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product, eg the GHG impact of drinking a single cup of tea; the water needed for one hair wash with shampoo; or the waste associated with one serving of soup.

\*\* Water-scarce countries: China, India, Indonesia, Mexico, South Africa, Turkey and USA, representing around half the world's population.



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For further information on our  
social, economic and environmental  
performance, please visit our website

