

LISTENING, LEARNING, MAKING PROGRESS

FOREWORD FROM THE CHAIRMEN

In a rapidly changing world where people are concerned about how multinational companies behave, we in Unilever want to be transparent and clear: our Corporate Purpose and Code of Business Principles express our values and set the high standards of behaviour to which we aspire. This Review shows how our people make a practical reality of those goals, while we listen, learn and make progress as a responsible corporate citizen.

The period since our first Social Review 2000 was published has been challenging. Our businesses have continued to succeed in competitive markets and against the background of a weakening world economy. To achieve our 'Path to Growth' strategy, Unilever people are engaged in reawakening the spirit of enterprise, a worldwide effort focused on consumers and simplifying our business systems. However, results are achieved not just in business numbers, but also in the way we perform and what we stand for in the minds of our consumers and customers, our people and our wider community of stakeholders.

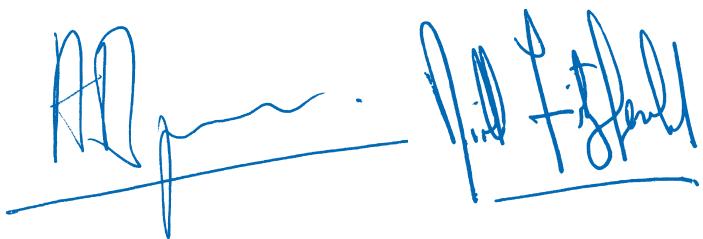
During this time, the debate about globalisation has continued. Poverty and inequality between nations remain acute. We believe part of the answer is to realise and spread the benefits of globalisation more widely. We recognise that the changes implied by globalisation can seem threatening and the benefits remote. But the active participation of business – responsibly and sustainably conducted – is essential in creating and spreading wealth. Business has a major part to play, in partnership with others in society, in achieving progress towards many shared social and environmental goals.

In this Review we report on progress in our corporate social responsibility (CSR) performance since 2000, as we test how and what to measure, monitor and report internationally and locally. We readily accept our responsibility to support and equip our managers to respond openly to the challenge of meeting society's evolving expectations. We want to share experience and to learn from each other, inside and outside the business.

Unilever's contribution to society is achieved through the actions of our people around the world. Our trust in them is based on shared values, articulated in our Corporate Purpose and Code of Business Principles. During the past two years we have updated our Code to give it greater clarity and it is now being rolled out worldwide. While our aims are clear, we acknowledge that sometimes we may fall short of achieving them. When we do, we will act to put things right.

As leaders, we are clear that it is not through constant oversight and the avoidance of risk that Unilever will succeed, but by fostering a culture of transparency and trust. The progress and developments we report in this Review arise from what we have learnt in the day-to-day practice of our business. Practical and down to earth, we hope it gives you an insight into the values that shape the company that is Unilever today.

Thank you for taking an interest in this Review. Please tell us what you think – we welcome your views.

The image shows two handwritten signatures in blue ink. The signature on the left is 'Antony Burgmans' and the signature on the right is 'Niall FitzGerald'.

Antony Burgmans and Niall FitzGerald
Chairmen of Unilever



> Antony Burgmans (second from right) discusses production line issues at the Conimex food factory in The Netherlands

> Niall FitzGerald (right) learns about Pears products during a visit to Unilever's development laboratory in Australia



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Note: This Review was published in October 2002. The data presented here relates to the 2001 financial year, unless otherwise stated. The commentary covers a longer period, including developments since the Social Review 2000, and was correct up to publication date. In some cases, local performance data has not been presented from all 11 countries in the CSR pilot. This is because information could not be provided, or used inconsistent definitions. Our intention is to provide a balanced view of performance, not selected highlights.

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LISTENING, LEARNING...

In this second Unilever Social Review, we report on our performance in achieving the high standards of business behaviour we have set, and show how we continue to listen and learn as we meet and respond to society's needs and expectations.

In Unilever, we describe ourselves as a 'multi-local multinational'. Despite the apparent size of the company – 265,000 employees operating in around 100 countries on every continent – we are a hugely diverse company. Unlike other international companies, we are not a single business system that sources in one part of the world and sells in another. Most of our products are made in the country or region in which they are sold to meet the different needs and tastes of local consumers.

Our challenge in social responsibility is to live out our company-wide values and standards of business behaviour in a way that is both consistent and appropriate in many distinct local societies. We do this by empowering managers to exercise their responsibility in the day-to-day context of operations: providing support, monitoring key areas of performance, learning from experience and reporting the outcomes. Since the last Review we have updated our formal statement of standards in business behaviour, our Code of Business Principles. The revised Code is now being rolled out to every manager and employee around the world.

In this Social Review, we report on the highlights of our continuing journey to be a responsible corporate citizen committed to sustainable development. Notable aspects include:

- We are making good progress on our 'Path to Growth' business strategy, improving top-line sales, by keeping close to our consumers' evolving needs. Leading brands grew by 5.3% in 2001 and operating margins BEIA* rose to 13.9% compared to 12.0% in 2000.
- Each day more than 150 million consumers choose our products and we are growing strongly in developing and emerging markets, which represent more than a third of overall sales.
- Our employees continue to be the main beneficiary of the 'added value' which Unilever's operations generate, receiving a half share overall (50%). In many developing countries, however, our pilot corporate social responsibility (CSR) studies have shown that governments gain the largest share of the added value created, confirming the wide spread of benefits that our operations can bring.

- We continue to make progress on diversity in employment, although more slowly than we would like. Our strongest performance is in the internationality of our management, with 1,600 expatriates from over 70 countries in 2001. Over a quarter of managers worldwide are women, but at senior levels progress on promotion is still too slow. As a result we have started a comprehensive programme to address barriers to the advancement of all talented employees.
- During 2001 the worldwide accident rate increased. Traffic-related accidents remain the most common cause of fatalities. Our goal remains zero accidents and we are taking action to improve our performance. Following a comprehensive review of worldwide standards, we have introduced a new global health and safety framework.
- We are working to make transparent the standards of business behaviour we expect from our contracted suppliers: this process is reinforced by industry collaborations, such as the Tea Sourcing Partnership, to share best practice more widely.
- Good progress is being made in our three sustainable development initiatives, with the learnings being shared rapidly across the company: for example, guidelines developed in Malaysia for sustainable palm oil production are now being adopted in West Africa.
- In our local communities, we are partnering with a growing number of charities and not-for-profit agencies. Our voluntary contributions equate to approximately one per cent of pre-tax profits.

On the following page, we summarise the progress being made to make transparent the management and reporting of CSR across Unilever and our progress against the targets we set ourselves in 2000. The Review then describes in more detail our performance in relation to each major stakeholder in our business.

*BEIA = before exceptional items and amortisation of goodwill and intangibles

...AND MAKING PROGRESS

Two years ago we committed to make more transparent our commitment to corporate social responsibility. This Review reports on progress and sets new milestones as we move ahead.

Our Social Review 2000 presented the results of an internal Unilever initiative to test, through a pilot project, a new framework to assess our CSR performance. Since then, we have consolidated and extended our pilot CSR studies to include a substantial proportion of the business: operations in 11 countries in total, representing more than a third of worldwide sales. The results form the basis of much of the performance data presented here.

In the 2000 Review, we pledged to continue to develop our approach, and presented seven CSR target 'milestones' for future actions. Two years on, we can assess progress and look forward again. The table below summarises progress to date.

Progress to date

Our first Review was well received. Published only online at www.unilever.com, it has been accessed around 30,000 times to date. We are committed to continuing and extending our corporate reporting, encouraging a greater number of local companies to issue their own reports to stakeholders. We have increased our external engagement with key international organisations, for example as active participants in the Global Compact and are more involved in national CSR initiatives too.

Our commitment to make progress in reporting is demonstrated in this expanded Review. In line with our new Code of Business Principles, we have included new sections on relations with trade customers and suppliers. We also make explicit our commitments to human rights and report more fully on relations with governments.

A key challenge, on which we are making progress, is to embed learning from our CSR pilots within Unilever and make our performance more transparent. The results of our first pilot project informed the review of our Code of Business Principles and its roll-out during 2002. The Code programme has, however, delayed the preparation of a detailed CSR roadmap, but we have issued a roadmap for one particular aspect of CSR, community involvement. Preparation of the CSR roadmap will follow the completion of the Code programme and will consolidate the learnings from both that exercise and the two pilot projects.

Work on international themes that help to give definition to Unilever's social contribution have focused on support for sustainability initiatives and exploring partnerships with national and international organisations. We will continue to seek ways where our focused support can really make a difference.

Moving ahead

Over the next two years we plan to take forward our learnings from the CSR assessment process for broader application, increase our engagement with external stakeholders, and explore how we work best with suppliers and business partners on CSR issues. Our future plans are outlined in a separate section 'Looking forward, continuing progress' at the end of this Review.

Inevitably a short document cannot present the total picture. Where possible, we have signposted references to Unilever's website, where we present regular news of developments, and to relevant external sites where further detailed information is available.

> **Table 1: Progress against milestones 2000-2003**

Objective	Milestones 2000-2003	Achievements
Social Review	Published at www.unilever.com (2000)	Completed
Code of Business Principles	Revised, with roll-out under way (2001)	Completed
Learning from CSR pilots	Self-assessment pilots extended (2001)	Completed
CSR roadmap	Community roadmap issued (2001)	Partial
External engagement	Under way (Ongoing)	Improving
Local CSR reports	Increased local reporting on a range of issues, eg in Canada, Netherlands, South Africa, UK (2001)	Improving
International themes	Links with sustainability themes explored (2001)	Partial

1. INTRODUCING UNILEVER...

Unilever is one of the world's leading suppliers of fast-moving consumer goods in foods, household and personal care products. Our success comes from keeping close to consumers and being deeply rooted in the societies in which we operate.



Unilever is dedicated to meeting the everyday needs of people everywhere. Around the world our foods, home and personal care brands are chosen by over 150 million people each day. Through their preference for our brands, our sales have grown to €52,206 million in 2001, making us 68th in Fortune Magazine's Global 500 listing, one of the major consumer goods businesses in the world. By the very nature of our business in cleaning, grooming and feeding people, our success depends on our companies keeping close to consumers and in being deeply rooted in the societies in which we operate.

We bring world expertise to local markets where tastes in food, personal and household care can be very diverse. Some of our brands such as *Dove*, *Omo*, *Lipton*, *Knorr* and *Magnum* are popular internationally. Other brands are 'local jewels' developed to meet regional or local preferences.

Origins

While Unilever companies can trace their origins back more than a century, Unilever itself first came together in 1930 when the Dutch company Margarine Unie and the British firm Lever Brothers merged. The Dutch companies of Van den Bergh and Jurgens, which formed the core of Margarine Unie, were strongly rooted in Western Europe, with Lever Brothers in the UK and the countries which now form the Commonwealth. Both founding firms used common raw materials to make products such as margarine and soap. Both had prospered by providing consumers with appealing, accessible and high-quality goods essential to their everyday lives.

Today the business retains two parent companies, Unilever NV and Unilever PLC. Through an equalisation agreement, they operate as a single unit with the same Board of eight Executive Directors and the same set of 12 Advisory Directors.

Unilever's divisional organisation

Our 'Path to Growth' business strategy is focusing resources on 400 leading brands in global and local markets, turning them into engines for growth. Our aim is to increase top-line growth by 5-6% by 2004. Path to Growth is about deepening our connection with consumers and delivering innovative products that meet their changing needs. We are streamlining our operations, simplifying the way we source, manufacture and distribute our products, and cutting out complexity and cost. At every level, we are making changes to build an enterprise culture and reward performance.

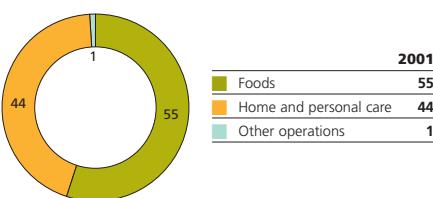
To help focus the business, we have reorganised our operations into two global divisions, Foods and Home & Personal Care. This allows faster decision making, more effective integration of our research effort, and strengthened capacity for innovation. The strategy is already paying dividends, as leading brands accounted for 84% of total turnover by the end of 2001 and are expected to account for 95% in 2004.

2001 BY BUSINESS DIVISION

> Chart 2: Turnover by product area

% of total

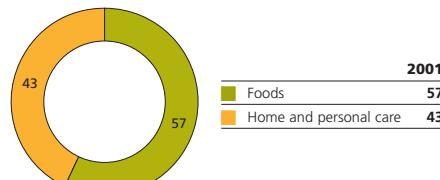
Total turnover €52 206 million



> Chart 3: Operating profit by product area

% of total (BEIA*)

Total operating profit BEIA* €7 269 million



*BEIA = before exceptional items and amortisation of goodwill and intangibles

> Chart 4: Capital expenditure by product area

% of total

Total capital expenditure €1 513 million



...AND OUR BUSINESS

Unilever is a multi-local multinational, with consumers, employees and assets on every continent. Our business is changing rapidly, in response to competitive pressures, and margins are starting to increase as our growth strategy takes effect.



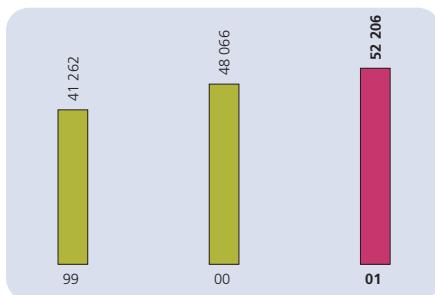
As a business, Unilever's job is to sell goods and services in the marketplaces in which we operate, at a profit. Only if we offer consumers what they want at a price that they can afford, better than our competitors, will we create the wealth that employees, business partners, governments, investors and local communities expect. These disciplines are fundamental to business success. Our aim is to achieve a competitive return for our shareholders, but not at the expense of our other stakeholders. The charts below provide the operating performance data for 2001 as the context for our CSR performance.

Unilever's business is multi-local. We have operations in around 100 countries and our products are on sale in 50 more, supported in 2001 by 265,000 employees. Each of the countries in which we operate has its own cultures and traditions. Respecting these differences, not imposing a single global viewpoint, is at the core of our business approach. This is reflected in the development of our 400 main brands, which represent a mix of those that are globally successful with regional and 'local jewels' that appeal to particular local tastes and habits.

Unilever's business strategy is aimed at achieving a performance that puts us in the top third of our peer group of companies. The Path to Growth strategy set ambitious targets, to be achieved at the same time as fulfilling our social responsibilities. During the period covered by this Review, we have integrated businesses worth €28 billion into the group, notably Bestfoods, and divested several companies, to achieve focus in our operations and comply with merger regulations. We also sold or closed 59 plants and reduced costs in our supply chains by €1.2 billion, in order to meet competitively our consumers' constantly evolving expectations.

This Review aims to give an account of how our individual companies and Unilever as a whole are living out our commitment to keep close to our consumers and stay rooted in our local communities, at a time when society's expectations of business are growing.

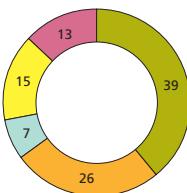
> Chart 5: Total turnover 1999-2001
€ million



2001 BY GEOGRAPHICAL AREA

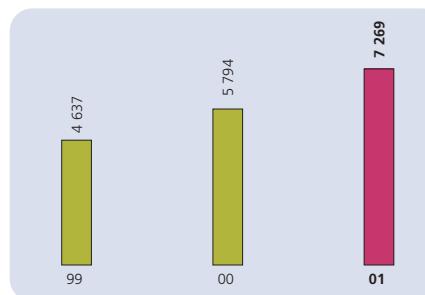
> Chart 8: Turnover by geographical area
% of total

Total turnover €52 206 million



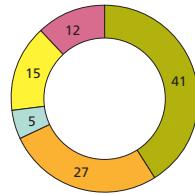
	2001
Europe	39
North America	26
Africa, M East and Turkey	7
Asia & Pacific	15
Latin America	13

> Chart 6: Total operating profit BEIA*
1999-2001 € million



> Chart 9: Operating profit by
geographical area % of total (BEIA*)

Total operating profit BEIA* €7 269 million



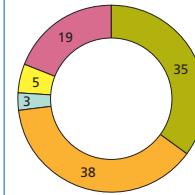
*BEIA = before exceptional items and amortisation of goodwill and intangibles

> Table 7: Number of employees by
geographical area: year end 2001 (000s)

Europe	71
North America	22
Africa, Middle East and Turkey	49
Asia & Pacific	85
Latin America	38
Total	265

> Chart 10: Net operating assets by
geographical area % of total

Net operating assets €32 330 million



	2001
Europe	35
North America	38
Africa, M East and Turkey	3
Asia & Pacific	5
Latin America	19

2. OUR CORPORATE PURPOSE AND BUSINESS PRINCIPLES...

A commitment to the highest standards of business behaviour is at the heart of our Corporate Purpose. We make explicit the standards that underlie this in our Code of Business Principles. The Code was reviewed and revised during 2001, to ensure that it reflects the changing expectations of society.

Corporate Purpose

To be successful in our business strategy, we devolve responsibility and encourage enterprise among the local managers and employees who run our businesses and grow our brands. So it is vital that everyone in the organisation shares common values and has a united vision of the company. This is articulated in our statement of Corporate Purpose. It contains a commitment to *"the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live"*.

Corporate Purpose

Our purpose in Unilever is to meet the everyday needs of people everywhere – to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

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

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

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Unilever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.

Code of Business Principles

Our Code of Business Principles sets the framework for our worldwide operational standards of behaviour on issues such as obeying the law, providing safe products for consumers everywhere and offering fair employment policies.

Guidance was first published more than 25 years ago to make explicit many of the principles that had been an integral part of Unilever's business culture since its earliest days. However, the world has changed significantly over the last quarter century. The global economy is more integrated and private enterprise is increasingly aware of the greater role it can play in society. Companies are being asked to demonstrate a commitment to core social values, such as opposition to harmful child labour. Employees want and need guidance about how to address both new ethical challenges and long-standing issues in a changing economic and social context.

Reviewing the Code

During 2001, we reviewed and restated our Code of Business Principles. We considered the latest statements by international agencies, notably the OECD's updated Guidelines for Multinational Enterprises and the new Global Compact inspired by the UN Secretary General, Kofi Annan. We also benchmarked the experiences of other international companies. Managers in different parts of the business were involved in reviewing material to test its relevance in practice. Following Board approval, the revised Code was introduced in spring 2002.

As a result of our consultation, standards of behaviour such as human and labour rights are made explicit in the Code. Clear commitments are made to each of Unilever's main stakeholder groups. Standards for business partner relations are made clear and business partners are now expected to adhere to principles consistent with our own. We believe that the review process has strengthened our approach and gives increased guidance to Unilever employees on the standards of business behaviour we believe are essential to our success.

We updated Unilever's Code of Business Principles because we believe that our reputation for high corporate standards is a key asset which needs to be fresh and living throughout our business. The main points of the Code are below; the full version is available at the Company section of www.unilever.com.

Standard of Conduct: We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees.

We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law: Unilever companies are required to comply with the laws and regulations of the countries in which they operate.

Employees: Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour.

We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association.

We will maintain good communications with employees through company based information and consultation procedures.

Consumers: Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders: Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners: Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners.

In our business dealings we expect our partners to adhere to business principles consistent with our own.

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

Public Activities: Unilever companies are encouraged to promote and defend their legitimate business interests.

Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests.

Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment: Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation: In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

Competition: Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business Integrity: Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interests: All Unilever employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the company.

Unilever employees must not seek gain for themselves or others through misuse of their positions.

...AND POSITIVE ASSURANCE PROCESS

Unilever seeks to conduct its business with honesty and integrity. A reputation for high standards in corporate behaviour is an asset just as real as our people, brands and factories. So we set rigorous standards and monitor performance carefully.

Unilever's common identity around the world is based on shared values built up over many years. These values are found in our Corporate Purpose and the standards of behaviour are set out in our Code of Business Principles. Following the review and revision of the Code in 2001, an extensive exercise is under way in 2002, called 'growth with integrity', to communicate its contents to managers and employees everywhere.



Setting standards

Training and self-assessment materials have been prepared to help our people understand the revised Code and its importance to the company. The Code is translated into local languages and communicated to all existing and new employees. Our business in India, for example, translates it into nine local languages. Detailed guidance is given to support the implementation of the Code in different cultures. For it is the operating companies themselves that are responsible for living out our values locally, just as they manage other aspects of the business.

All our Business Presidents are required to put in place and maintain procedures throughout their businesses so employees can ask questions about Unilever policy, seek guidance and report departures from the Code in confidence. For example, among our CSR pilot project countries, Unilever North America has a 24-hour 'Ethics Hot Line' and makes materials available in French and Spanish while Turkey maintains its own Business Principles Secretariat.

Assurance process

The Board of Unilever undertakes not to criticise local management for any loss of business resulting from adherence to our Code of Business Principles; and no employee will suffer from reporting any breach of the Principles. Any such breach must first be reported at the local level, where most issues are resolved. Serious issues may be referred right up to the Executive and Audit Committees of the company. Company chairmen give an assurance each year that reporting is complete and that their businesses are in compliance with the Code. Compliance is audited internally as part of our annual worldwide 'positive assurance' process and reported to the Board, which also reviews substantive issues whenever necessary.

Learning from best practice

Overarching statements of principles do not always translate into actions. And while our aims are clear, we acknowledge that at some time, somewhere, we may fall short of achieving them. When we do, we are committed to act as soon as we become aware of a shortfall, and to take steps to put matters right.

We also try to learn from best practice, both inside and outside Unilever. We are a founder signatory to the Global Compact, an important learning forum for business and international organisations. Some of our operating companies are active in contributing to and learning from specialist business ethics and social responsibility initiatives in their own countries. We are members of Business for Social Responsibility in the USA, CSR Europe and the International Business Leaders Forum, we support Philippine Business for Social Progress and are founder members of the Brazil-based Instituto Ethos.

Unilever Centre for Ethics

Our Social Review 2000 reported on our support for the Unilever Ethics Centre at the University of Natal, South Africa. Since its inauguration in 1998, the Centre has grown from 25 students to more than 200 undergraduates and has enrolled eight inaugural postgraduate students. It is now a leading centre on applied ethics for students of many disciplines, for example producing an ethics guide for 350,000 teachers.

The Centre's Director, Professor Martin Prozesky, says: "We are working to expand what we are doing into a suite of courses – a major subject in ethics, followed by an honours degree, and then, after the masters, a doctoral degree".

Encouraging ethical practice in business is an important component of the Centre's work. Professor Prozesky says: "... the purpose of business is to stay in business and this is only possible over the long haul if a business plays by strong ethical rules... But at the same time we in the Unilever Ethics Centre also emphasise the positive value of business. If conscience is to fill hungry bellies and questing minds, to beat AIDS and pollution, it needs wealth. The only basic source of that wealth is profitable business joining forces with social concern."

Unilever Ethics Centre: www.ethics.unp.ac.za

3. UNILEVER'S APPROACH TO CSR

At heart, our approach is based on 'continuous learning from practice' – as we take business decisions, we seek to live out the values that are deeply rooted in our corporate culture. We try to learn from that experience, listen to what stakeholders say and continuously improve our performance.

In our Social Review 2000 we defined what corporate social responsibility means for Unilever: "*the company's impact on, or interaction with, society in three distinct areas... the company's own operations, the company's relations with its business partners through the value chain, and the voluntary or philanthropic contributions it makes to communities*" (Figure 11).

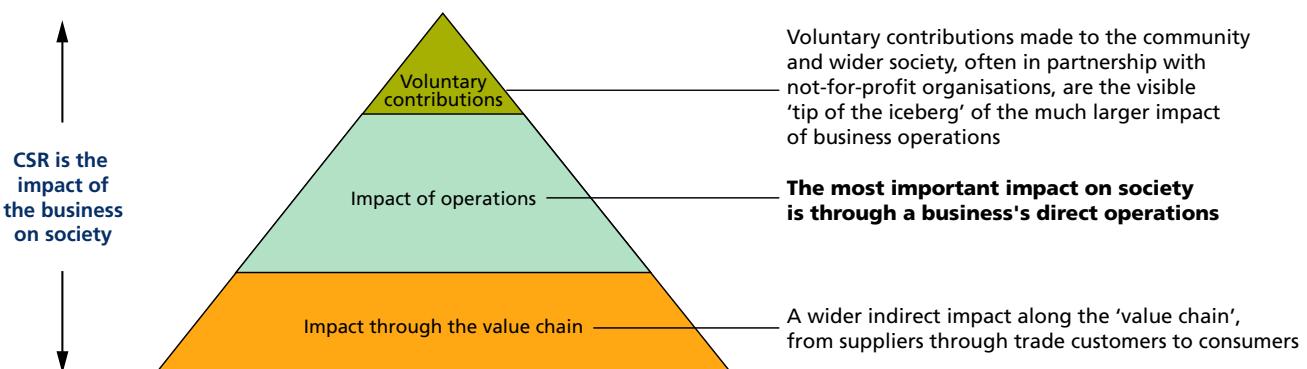
This approach is based firmly on the values enshrined in our Corporate Purpose and the standards of corporate behaviour set out in the Code of Business Principles. We believe CSR should be seen as a core business activity. So it is reflected in our internal policies and procedures. It is demonstrated through our many and varied day-to-day relationships, through everyday business practice and behaviour with our stakeholders: shareholders, employees, consumers, suppliers, trade customers, and communities and society.

Empowering managers

Our statements of values and standards are clear and consistent and provide the framework for the behaviour of our managers. They are best placed at a local level to understand the key social, economic and environmental issues in their own markets. Detailed guidance develops over time, in response to the changing world and local requirements. Ours is neither a top-down nor a compliance-driven approach; it is based on freedom within a framework, on empowering employees to apply, live up to and demonstrate our shared business principles in practice (Figure 13 overleaf).

That is why this Review contains both aggregate global data and many country-specific illustrations with local data. For it is at country level that many corporate commitments become a reality.

> Figure 11: The impact of business on society



Learning through practice

In our Social Review 2000 we reported on a CSR pilot project in nine countries, representing about one quarter of total sales. The aim was to test our CSR measurement methodology. Under the leadership of Clive Butler, Unilever Board Director for Corporate Development, we built on this learning and extended the project in 2002. The participating group of countries was increased by adding Unilever Indonesia and Unilever Home and Personal Care in the USA (HPC USA). This enlarged group represents more than a third of Unilever's worldwide sales (Figure 12).

The review of local CSR performance in the 11 countries during 2001 has added greatly to our understanding. Each business applied a common self-assessment methodology covering a broad range of issues that affect shareholders, employees, business partners, consumers, governments, communities and wider society. Measures were applied to provide:

- descriptive baseline data, such as the number of employees;
- performance data, such as accident rates; and
- perception data, for example employee attitude survey results.

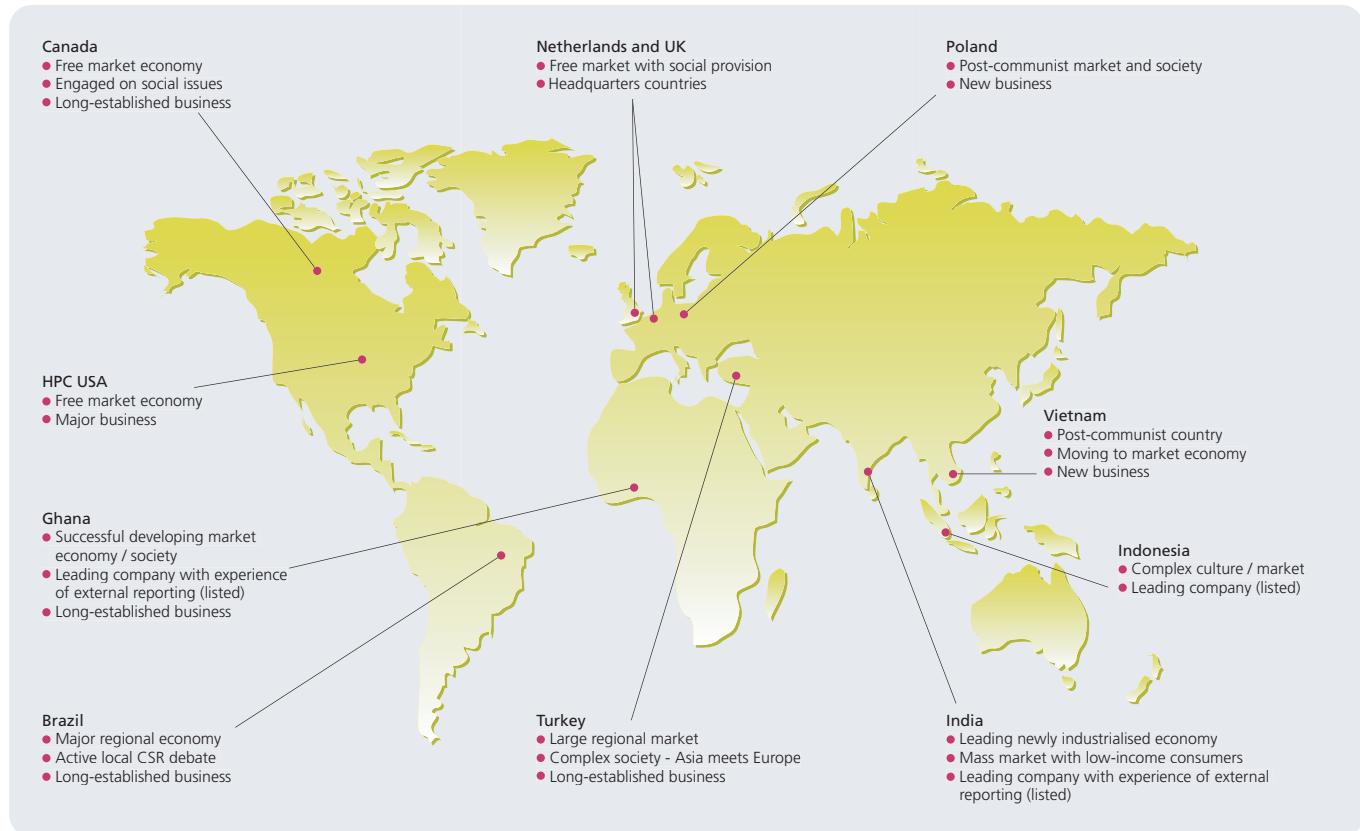
This approach provides us with more information at a group-wide level which enables us to demonstrate performance through external reports and in dialogue with stakeholders.

Setting the scene

Shareholders & wealth creation Employees Customers Suppliers Consumers Society Environment Going forward

> Figure 12: Unilever CSR pilot countries 2002

Pilot countries were chosen to reflect a cross-section of societies, economies and Unilever businesses around the world, and so provide a balanced view of performance.



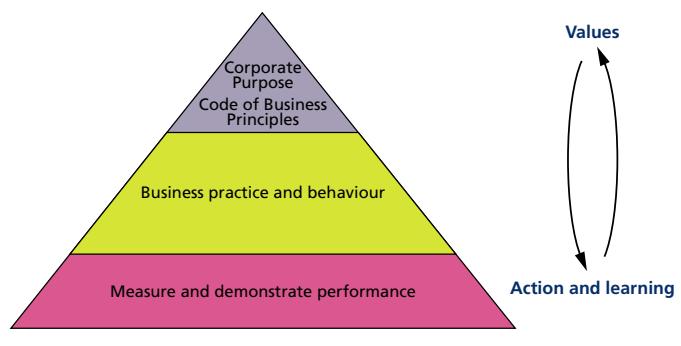
Reporting on progress

We constantly strive to maintain a balance in the requirements for global data placed on our colleagues, between an overly bureaucratic burden and one which reasonably addresses the interests of stakeholders. We are committed to being open and transparent, and to the development of performance indicators which focus effort to greatest effect. Reporting needs to develop in line with the grain of the culture of the company, working with management norms and systems, and empowering managers to achieve the desired goals.

Our approach is influenced by best practice among international companies generally and in our industry sector. We have benefited from the work of our own companies, including Ben & Jerry's which in June 2002 published its thirteenth annual Social Audit. We have learned from the approaches recommended by the Global Reporting Initiative and the Institute of Social and Ethical Accountability, and the principles of the Global Compact. We have also drawn from the experience of established standards, such as those based on the International Standards Organisation and the European Foundation for Quality Management 'business excellence' model.

We believe we are making progress, but recognise we still have much to learn about making a reality of our commitment to CSR. Our aim is to be as professional in the management of our social responsibilities as we are in any other area of business.

> Figure 13: Principles into practice



4. CREATING WEALTH...

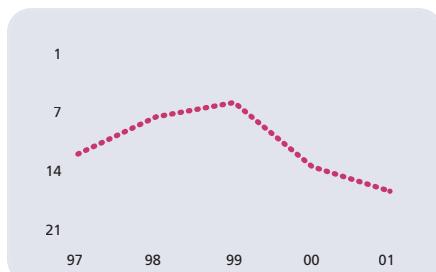
By meeting the needs of consumers around the world, Unilever sustains its profitable growth and creates wealth for all those with a stake in the business. We must offer our shareholders a competitive rate of return on their investment if we are to raise the capital necessary for future investment and growth.

Our measure of wealth created for shareholders is 'total shareholder return' (TSR) which combines share price appreciation and dividends paid. We compare our performance using a three-year rolling average against a reference group of 20 other international consumer goods companies, including Colgate, Danone, Nestlé and Procter & Gamble. Our target is to remain in the top third.

In our Social Review 2000 we reported that Unilever was seventh in the whole group. As Chart 14 shows, our position declined during 2000, and by 2001 we fell to fifteenth position, outside our target. (On a one-year basis, however, our TSR ranking at the end of 2001 was fifth.) While the absolute size of TSR varies with stock markets, the relative position reflects the market's perception of our overall performance. Our rating affects our ability to access cost effectively the capital needed to finance the growth of the business and sustain wealth creation for all stakeholders. Ultimately, the higher our cost of capital, the less wealth is available for sharing among other stakeholders.

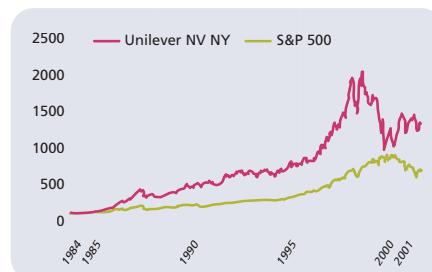
The underlying performance of the business remains strong. In 2001, earnings per share BEIA* grew by 10.6 %. Over the long term, Unilever shares have performed well compared against the market average (Chart 15).

> Chart 14: Total shareholder return 1997-2001



The reference group, including Unilever, consists of 21 companies. Unilever's position is based on TSR over a three-year rolling period

> Chart 15: Unilever NV share price on New York Stock Exchange 1984-2001



Unilever NV share price on New York Stock Exchange, Standard & Poor's 500 Market Index. Rebased to 100

> Chart 16: Unilever Indonesia (ULI) share price versus Jakarta Stock Exchange average 1999-2001



*BEIA = before exceptional items and amortisation of goodwill and intangibles

...ADDING VALUE, SHARING WEALTH

Unilever generates wealth by adding value to raw materials as they are processed into branded goods and services and effectively marketed to meet consumers' needs. This value is shared among stakeholders in the business.

Unilever's business activities have an economic impact in many countries and local communities. Through our purchases of raw materials and other goods and services, and in the distribution channels through which our products go to market, the business sustains jobs among suppliers and retailers. Employees earn their wages and governments, too, gain considerable revenues through the taxes that we, our employees and business partners pay.

Cash value added

One way to measure the distribution of this wealth is through a cash value added statement (Chart 17 and Table 18). This calculates the wealth created in monetary terms through the value that our operations add to the raw materials and services we buy in, calculated as the difference between income from customers and payments out to suppliers. The value created is then available to be distributed to employees, governments, providers of capital and local communities. Some is retained in the business or invested for future growth – that is, for the benefit of stakeholders in the future.

In 2001, employees were the largest single beneficiary, being paid more than €7 billion in wages and other benefits, equivalent to half the value added that year. The amount shown in Table 18 as paid to government (€2.2 billion) only represents corporate taxes on Unilever companies; it does not include employees' payroll taxes nor taxes on customer sales which we often collect and pay over to government. Property and other local taxes and charges for services are also excluded, as these are not separately identified in group accounts.

The amount attributed to local communities (approximately €57 million) represents only the specific contribution voluntarily made by Unilever companies. In partnership with charities and other non-profit agencies we work to tackle issues of shared social concern.

Economic impact

As part of our CSR pilot studies, we sought to assess the local economic contribution made by the 11 participating countries, using the cash value added calculation. We intend to do further work on how best to measure and report this important aspect of corporate social responsibility, as differing accounting practices made exact comparisons difficult. Furthermore, the amounts generated, and allocated, varied depending on the type of goods produced, the capital/labour mix and the degree of development in the local economy.

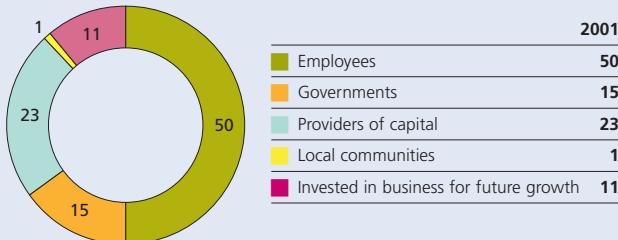
Nonetheless, some broad trends were apparent. Typically in developing countries, governments are the biggest single beneficiary of the wealth created. In Ghana, for example, in 2001 the government received 40% of the cash value added. Employees received around a fifth share (22%). In total providers of capital received a similar proportion. Of this, local shareholders received approximately half (12%), with the balance accruing to Unilever's own shareholding. In newly industrialised countries, governments gain a lower but still very substantial share (33% in Turkey in 2001, for example).

One common feature is for more than two-thirds of cash received into the business from customers to be paid out for purchases of raw materials, packaging, other goods and a wide variety of services. The exact proportion varied among the pilot countries, according to local economic circumstances: the Unilever group-wide total is nearly three-quarters (72%). This underlines the importance of suppliers as a stakeholder in our business.

The economic contribution of our operating companies to the countries in which we do business is one important aspect of our corporate social responsibility.

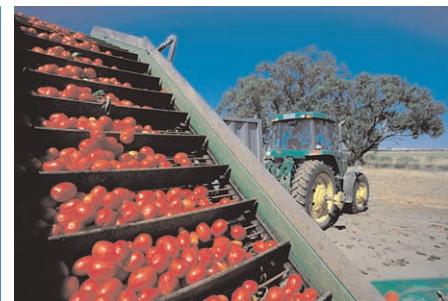
> **Chart 17: Unilever group distribution of cash value added** % of total

Total cash value added distributed €14 209 million



> Table 18: Cash value added Unilever Group 2001 € million

Cash generated	
<i>Customers and consumers</i>	
Income from sales	51 514
<i>Suppliers</i>	
Payments for materials and services:	
Raw materials and packaging	19 924
Advertising and promotions	6 648
Other supplies	10 733
	37 305
Cash value added	14 209



Distribution of cash value added	
<i>Employees</i>	
Wages and other benefits	7 131
<i>Governments</i>	
Taxation	2 205
<i>Providers of capital</i>	
Dividend and financing cost	3 307
<i>Local communities</i>	
Voluntary community contributions	57
<i>Invested in business for future growth</i>	
Capital expenditure	1 358
Acquisitions	133
Net retained in the business	18
	1 509
Cash value added distributed	14 209

**Note:**

Cash generated by business disposals	3 610
Applied to:	
Reduction in net debt	3 269
Retained in business	341

> The journey from the field to the family table generates income for many people including: our suppliers such as tomato growers, our own production employees, our business partners such as advertising and research agencies and the distributors who take our products to the retailers. Each stage in this process adds a particular value to our products before they reach the consumer

5. INVESTING IN PEOPLE

To succeed as a business in competitive markets, Unilever must attract and retain the best people. Competitive rewards linked to performance and more opportunities for personal development are increasingly important elements of our business strategy.

At the end of 2001, Unilever had 265,000 employees spread across five continents. Our policy is to offer remuneration that is competitive in local labour markets and reflects the aspirations of our workforce and new recruits. Our total worldwide expenditure on salaries and benefits reached €7,131 million in 2001 (Table 19). Since we last reported, the worldwide workforce has increased by 7%, while our overall wages bill for employees has grown 18%.

Higher performance

In 2001, Unilever globally issued a challenge to its managers around the world, based on the belief that anybody at any level, anywhere in the world, can achieve a higher performance. "How good can we be?" was the theme of a series of international training events for established and rising managers, challenging them to meet our stretching business targets. We extended our Reward for Growth programme so that more than 6,000 managers worldwide qualify for share options and a new variable pay scheme linked to growth. During 2002, the variable pay scheme was extended to a further 15,000 employees worldwide.

Pensions and healthcare

Going beyond pay, benefits such as pensions and healthcare are an important component of our total remuneration package. Each country determines an appropriate combination. Our company in The Netherlands, for example, has 6,699 workers, all of whom are covered by pension provision; a further 11,731 former employees are indirectly supported through the pension fund. Our Polish business, which is just ten years old, has no pensioners, but all 2,924 workers are covered by healthcare. Many other companies, such as those in Indonesia, India and Ghana,

not only provide pensions and healthcare, but also extend healthcare to families too, a total of about 100,000 dependants in those three countries alone.

Developing people

Much employee training is now 'on the job', as an integral part of quality management and the drive to achieve the maximum possible process efficiency. In addition, each operating company has its own formal training programme. In our Social Review 2000, we reported on how such training was provided in Poland. In Canada (a similar-sized company with 3,155 employees), there is an equitable spread of training opportunities across work levels (Table 20). During 2001, Canada spent €722,000 on training, equivalent to €229 per employee, while Poland has increased the numbers of employees it supports in their personal study from 45 to 133.

Growing numbers of employees receive training away from their home countries, despite the higher costs and practical difficulties. This is not only an investment in the individual and in Unilever's future, but represents an important transfer of skills between countries. Table 21 shows the numbers and proportion of employees that the CSR pilot project countries sent abroad for training.

Our international training college ran courses for over 3,000 employees in 2001. The Leaders into Action programme continues to grow: part residential and part online, it includes personal, business and community development elements. During 2002, the approach was extended to whole teams of managers around the world.

> Table 19: Staff costs in 2001 € million

Remuneration of employees	6 021
Emoluments of directors as managers	18
Pension costs	223
Post-retirement health benefits	103
Social security costs	766
Total staff costs	7 131

> Table 20: Training in Canada 2001

Employment level	Average days' training
Senior managers (Work levels 4-5)	6
Managers (Work levels 2-3)	7
Factories and administrative workers (Work level 1)	7

> Table 21: Training abroad in CSR pilot countries 2001

Employees receiving training abroad	% of total employees
Brazil	332
Canada	25
Ghana	35
Indonesia	55
HPC USA	32
Poland	86
Turkey	51
Vietnam	48

6. A SAFE AND SECURE WORKPLACE...

Unilever's Code of Business Principles commits us to provide safe and healthy working conditions for all our employees wherever they work. We seek continuous improvements in our safety performance, year on year.

Unilever's commitment to provide a safe and secure workplace is overseen by specialists from the Safety and Environmental Assurance Centre (SEAC). This central corporate resource provides advice and assessment of risks independent of commercial concerns.

Local operating companies are responsible for implementing Unilever's global standards. Every year they are required to undertake a review of their health and safety risks and performance as part of their 'positive assurance' report to the Unilever Corporate Risk Committee. Making all managers accountable for corporate behaviour within their units is the best way to drive up performance standards in this area.

Working to prevent accidents

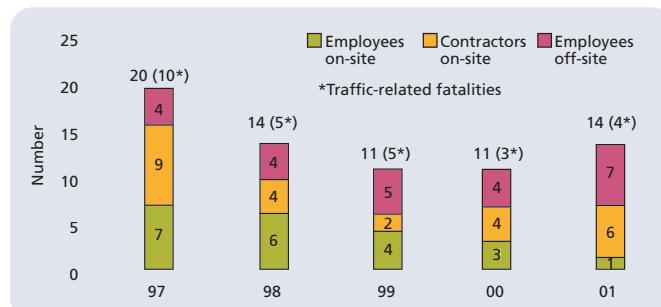
The goal we are striving to achieve is zero accidents. Charts 22 and 23 show that in recent years we have made progress in reducing the overall accident rate and fatalities in particular. However, in 2000 this trend reached a plateau, and worsened in 2001 when regrettably fatal accidents among contractors on-site and employees off-site rose.

The trend was identified as a major cause for concern in mid-2000. To reverse it, a comprehensive review of our global standards was undertaken. This resulted in a new approach to safety management systems from January 2001 – the Occupational Health & Safety Framework Standard, which sets higher performance levels and a commitment to continuous improvement. Based on OHSAS 18001, it mandates global standards for all Unilever organisations. Our target is to be fully compliant by year-end 2003.

Training for safety

The competence of our employees underpins workplace safety, and training is routinely delivered on a local and regional basis. Safety is also an integral part of our Total Productive Manufacturing policy, which seeks to engage employees at all levels in improving the performance of the business through empowerment, problem solving,

> Chart 22: Fatal accidents 1997-2001



training and coaching. The benefits of this strategy can be seen in many of our locations. Hefei Lever Detergent Co in China, Unilever Andina in Colombia and Unilever Thai Holdings have each achieved over three million working hours without a lost time accident. In 2001, 67 of our 472 sites achieved awards for improvements in their occupational safety performance.

Contractors working on Unilever sites are expected to conform to Unilever standards, with particular importance given to contractors in contact with hazardous materials such as enzymes for soap powders. While contractors are not integrated into all aspects of our employee training programmes, we are increasingly taking special measures to improve their safety while on-site.

Promoting safety in India

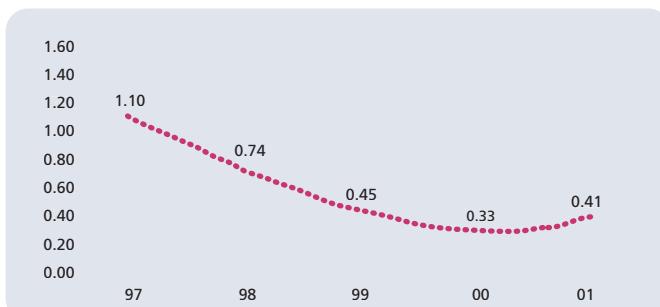
In early 2001, two fatal accidents occurred in Hindustan Lever factories at Haldia and Pondicherry in India. In each case a contract worker lost his life. These incidents were a cause of deep concern for the company. Following a detailed review of the two cases, a major new safety initiative was developed and quickly launched.

On 2 May 2001 production at all factories was stopped for six hours (two hours in each of three shifts) for an urgent communications exercise for all employees and contract workers. The details of the accidents were described and illustrated, and workers were then engaged in discussions about what went wrong and how safety performance could be improved.

In the first week of June 2001, all manufacturing units conducted a further exercise in safety awareness for Unilever employees and contractors together. Potential hazards were identified and work to address them undertaken. Now a key performance indicator for each manufacturing unit is to identify new safety hazards every week, so as to reduce risks and maintain awareness.

> Chart 23: Unilever accident frequency rate 1997-2001

Lost time accidents & restricted work cases per 100,000 hours



...AND HEALTHY WORKERS

In Unilever, employee health is a universal concern. Our clear corporate commitment, coupled with targeted implementation, ensures differing needs are properly addressed.

Our occupational health strategy commits us to maintain consistently high standards all around the world, but recognises that individual countries have different health priorities. Our teams of doctors in each of our five regions are responsible for determining the mix of provision on every Unilever site. Our strategy is based on four key components.

Ensuring access to primary healthcare

Primary healthcare for employees and their families is essential for a fit and healthy workforce. Provision varies according to circumstances: in Europe, there is a mix of national schemes (as in the UK and Scandinavia for example) to semi and full private health insurance systems, as in the USA and Canada. In contrast, we make direct provision for primary healthcare through our hospitals and clinics for the 62,000 men and women who work on our estates, and for their dependants.

Protecting health in the workplace

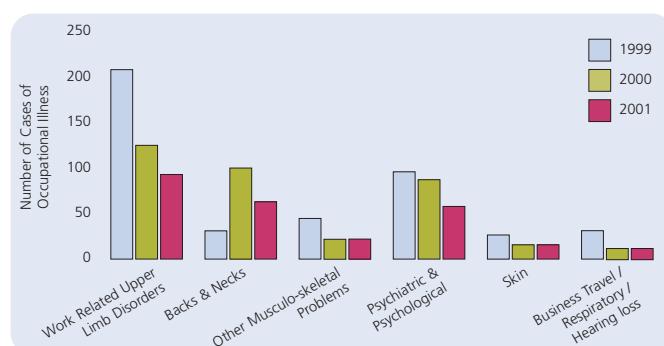
Protecting employee health from hazards in the workplace is a universal obligation. We monitor three key occupational health indicators worldwide. During 2001, no cases of occupational asthma occurred, but musculo-skeletal disorders accounted for 30-40% of occupational illness. The potential for noise-induced hearing loss remains a concern that we are working to eliminate.

Chart 24 shows the performance of the UK business from 1999 to 2001 on eight key indicators affecting its 13,000 employees: this shows success in stabilising or reducing work-related problems.

Ensuring the medical fitness for the job

Ensuring employees are fit to work makes good business as well as sound medical sense. Where needed, employees have regular medical checks to assess their state of health in relation to their job, and advice and guidance is offered.

> Chart 24: Effects of work on health in the UK 1999-2001



Actively promoting employee health and well-being

Our promotion of health and well-being covers a wide range of issues which vary by region – from AIDS awareness in South Africa to dental care in Romania. During 2001, we began benchmarking our occupational health practices, aimed at sharing learning with other companies. This will continue throughout 2002 and will help us to develop standards in implementing well-being programmes.

Fighting HIV / AIDS in Africa

Today one in ten people in sub-Saharan Africa are thought to have HIV/AIDS. In response, Unilever's Africa region has put in place comprehensive programmes for all its businesses based primarily on education, prevention, treatment and care.

For example, in the early 1990s, Brooke Bond Kenya – whose clinics serve around 100,000 people – began educating its 19,000 workers, as well as their families and the nearby communities. Health campaigns have reduced the rate of sexually transmitted diseases seen at its clinics from around 4.4% of outpatient attendance to 1%. Similar campaigns, often led by employee 'peer' educators, have been run in other countries such as Tanzania, Ghana and South Africa.

In some locations, Unilever is already using resource-intensive interventions, including anti-retroviral drugs (ARVs) in the prevention of mother-to-child HIV transmission and for the treatment of those with AIDS. We plan to extend this, but recognise that their effective use needs treatment to be sustainable. This requires local healthcare resources and a wider infrastructure to be in place. Unilever is working with NGOs, donors and governments to help build local capacity to handle the epidemic. In addition, the business is promoting a range of alternative interventions which can significantly enhance the well-being of AIDS sufferers, including enhanced nutrition, the provision of prophylactic treatment for opportunistic infections and care programmes.

7. PROMOTING HUMAN RIGHTS AND DIVERSITY AT WORK

Unilever's core values encompass the importance of human rights and the value of diversity at work: putting these into practice means being clear that we do not use forced and child labour, respect the right to freedom of association amongst employees and promote equality of opportunity at work.

During 2001 we revised and strengthened our Code of Business Principles to include explicit reference to human rights. We made clear that we will not use forced, compulsory or child labour. Our operating companies have systems in place to check the age and status of all employees where legally appropriate. Where families may benefit from teenage children being involved in holiday work, such as helping their parents pick tea, this is permitted only subject to clear rules based on ILO standards.

Freedom of association

Unilever fully recognises the right of our employees to join trades unions. Companies in all 11 countries in our CSR pilots report that trades unions actively represent sections of their workforces. Based on available data, Table 25 shows that our trades union membership in industrialised countries is broadly in line with the national average. In developing countries, such as Indonesia, it can be very much above the average.

In addition to bilateral relations with trades unions, Unilever has other systems of collective representation. Our European Works Council is the largest example: it embraces employee representatives from all Western European countries as well as 'observer status' representatives from four Central and Eastern European countries. One of its main tasks is to inform and consult on significant transnational restructuring operations. In 2002 a brochure on responsible restructuring was issued by management after extensive discussion with the Council.

Promoting diversity

As a multi-local multinational, Unilever embraces diversity around the world. Our firm principle is to provide equality of opportunity at work which operating companies apply within their widely diverse cultural contexts. Aggregate global data on ethnicity or religious affiliation cannot be

> Table 25: Trades union membership across Unilever companies 2001

	<i>% of Unilever employees in trades union membership</i>	<i>National average of workforce in trades union*</i>
Canada	36	37
Ghana	91	N/A
Indonesia	77	3
HPC USA	14	14
Netherlands	25	26
Turkey	61	N/A
UK	42	33

*From ILO World Labour Report 1997-8, based on 1995 estimates

> Table 26: Women in the workforce and their promotion rate 2001

	<i>Women as % of all employees</i>	<i>Women as % of all employee promotions</i>
Canada	43	51
Ghana	5	18
Indonesia	17	26
HPC USA	42	46
Turkey	18	30
UK	42	42

presented here, not least because in some countries there are legal restrictions on data collection.

We monitor equality of opportunity for women. In our Social Review 2000, we reported that we were failing to promote women to the most senior of management positions; since then, some progress has been made. The proportion of women at operating company chairman and equivalent level was 4% in 2001 and as yet none of the company's eight Executive Directors or 14 Business Presidents is a woman. Our commitment is to increase the proportion of women in senior management positions. We have started a comprehensive programme to address the barriers to advancement of all talented employees.

At middle management levels, results are better. Over a quarter of managers worldwide are women, approximately double the proportion in 1992. The promotion of women is monitored and substantial progress is being made. In all the CSR pilot study countries, women are being promoted at a rate equal to or above their proportion of the whole workforce (Table 26). In 2001 we launched our 'open job posting' programme to increase transparency and openness in the selection process.

International exchanges

Our wide geographic spread of operations gives us the opportunity to promote from a broad range of nationalities. The Board of eight Executive Directors comprises six nationalities. Our top 300 managers are drawn from 33 nationalities and fewer than half are now Dutch or UK nationals. Multinational experience is fostered through international project teams, networked communities of interest and regular exchanges between operating companies. Worldwide, Unilever has 1,600 expatriates from over 70 countries. 40% of exchanges are between countries in the same region.

8. PARTNERSHIP ROUTES TO MARKET

All around the world Unilever's branded goods reach our consumers through networks of wholesalers and retailers – these businesses are our customers. Just as we rely on them for our sales, so they benefit from consumer demand for our products.

Our relationships with wholesalers and retailers are key links in the value chain that connect us with our consumers. We have a joint interest with them in offering for sale strong brands that provide outstanding value. The investment we make in research and development supports our business partners as much as it secures our future prosperity.

Developed markets

These distribution channels to market vary greatly in character around the world. The industrialised nations typically have consolidated retail chains. Our Home & Personal Care USA business has 25 key accounts that take 87% of production, while the top 50 customers take almost 99% of our output. Of the large customers, only eight are wholesalers; the others are large retailers such as Wal-Mart and Target stores. Similarly in Canada, 13 customers account for over 90% of our business, and 119 customers for the rest of the trade.

We are increasingly working with them to serve the end consumer better and more efficiently. Sharing warehouse space, for example, can reduce stock costs, freeing capital for other investments. By sharing consumer insights, we can better tailor our product offering and increase choice, availability and value.

Developing markets

In developing nations, the retail sector can be more fragmented and informal, and some Unilever companies are helping to develop distribution and retail systems. In Vietnam, for example, 97% of all retail sales during 2001 were generated from traditional small-scale trade outlets. In the last five years, we have developed innovative ways to serve them and expanded coverage from 20,000 to 150,000. Now our products reach 95% of the population and extend deep into the countryside.



> Without creative distribution processes and partners our products could not reach the many consumers who rely on small shops such as this one in Vietnam for their everyday needs

In our Social Review 2000, we reported on the success of our 'bicycle brigades' initiative to take products to rural consumers by bicycle in Tanzania. The importance of branded goods to the small retailers of Africa and elsewhere is immense. The case study of shopkeepers' views in South Africa (see Box) shows how we have mutually dependent relations with customers of all sizes.

PartnerShops

Ben & Jerry's in the USA has 250 scoop shops run by franchisees. When the company was acquired by Unilever, we pledged to maintain its distinctive partnership approach: today 11 scoop shops are PartnerShops, such as the one in Rockefeller Center in New York, which is run by a charity called Common Ground. The standard franchise fees are waived for PartnerShops and, with further support from Ben & Jerry's, Common Ground uses the shop to provide training and employment for people who face barriers to employment.

"Without these brands, my business would be nothing"

Unilever South Africa asked Dave Basckin, a well-known local journalist, to visit some small retailers in and around Durban to find out about their business and what Unilever's branded goods mean to its success. He spoke to Reshaad Hoosen, the owner of the Eyethu Minimarket, a family business. Hoosen says he carries bulk washing powder that is "...a hell of a lot cheaper than the branded lines yet I cannot get anyone to touch it." His customers prefer chiefly branded goods such as Unilever's Surf and Omo.

This may seem paradoxical in a very poor community, but another contact, Jayesh Gounden, who owns a tuck shop in the sugar lands explains it this way. "My customers are poor people. But probably because they are poor, quality means a great deal to them. They've got no time for unfamiliar brands, wanting only the big names like Glen Tea, Rama, Surf, Omo. Without these brands my business would be nothing."

Owners of small kerbside vending stalls at Durban's busy Warwick Triangle told a similar story. To them, brands like Vaseline, Pond's and Close-Up are vital parts of what traders offer consumers. One trader said "Without the known brands on my shelves, without the big brands, even my oldest and most faithful customers would just get up and go".

From 'The Big Brand Role in Small Business' by Dave Basckin in the Unilever South Africa Social Report "Touching the Lives of All South Africans, Everywhere, Every Day" www.unilever.co.za

9. PARTNERS IN THE LOCAL ECONOMY

Unilever's local economic impact extends beyond our direct operations into the many suppliers and sub-contractors who provide our raw materials and other purchases. Increasingly we are sharing best practice, setting standards and monitoring performance.

Since Unilever's earliest days, we have had manufacturing operations around the world. Today we have operations in nearly 100 countries and continue to invest significant resources in these facilities. Over a third of our capital investment in 2001 took place outside the industrialised markets of Europe and North America (Chart 27). Unilever is highly integrated into the local economies of many developing countries which represent around a third of our total sales.

Our factories have extended supply chains that have an even wider economic impact. Like us, our suppliers create jobs and pay taxes. As the Cash Value Added analysis has shown (see page 9), nearly three quarters of our income from worldwide sales goes out again to purchase goods and services from suppliers (€37,305 million in 2001). More than half of this expenditure is spent on raw materials and packaging (Table 28).

Partnerships

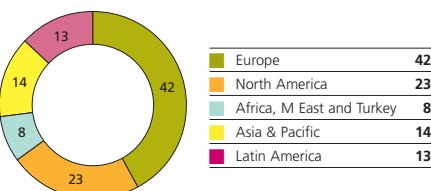
Unilever companies rely on their local suppliers to deliver quality ingredients at the right time, place and price. To achieve this, we must maintain close working partnerships with suppliers. But the type of business and the structure of the local economy vary greatly around the world.

In North America, for example, our HPC company spends €1.6 billion on bought-in goods and services. The largest single purchase is plastic packaging, representing 14% of the total. By contrast, in Indonesia, chemicals are the largest item, representing 9% of purchases, whereas in Ghana palm oil accounts for 60% of the total.

Unilever Ghana, for example, has 70 major suppliers, of which 86% are located in the country. The economic impact of local supply chains is especially important in developing countries (see Box on Indonesia's economy). When we work closely with suppliers on production standards, there is often a direct benefit in the transfer of internationally advanced skills and technology. This enables our suppliers to improve their production and increase sales to other customers, so growing within their local market.

> Chart 27: Capital investment by geographical area % of total

Total capital investment €1 513 million



> Table 28: Payments for materials and services 2001 € million

	% of total
Raw materials and packaging	53
Advertising and promotions	18
Other supplies	29
37 305	

Supplier performance

Unilever has extensive systems in place to monitor supplier performance on a range of issues. Typically an operating company such as Unilever Indonesia will conduct a full audit of all its suppliers on a rolling programme; 30% were audited in 2001. The audit covers quality, health, safety, environment and labour law issues. In North America, our HPC business collected audit data on 50 suppliers and 120 supplier sites during 2001. The audit did not include labour conditions as local laws set high standards for all companies that are effectively enforced.

During 2002, we have been exploring how to make the standards in our supply chains more transparent. We are developing a supplier code which can be used in supplier selection and eventually to support contract terms. The tea case study (see Box overleaf) illustrates our approach, and demonstrates how we work with others to raise performance.

Developing Indonesia's economy

In support of national aspirations to develop a local manufacturing sector, Unilever Indonesia has worked since the early 1980s to develop in-country suppliers for its manufacturing operations. As a result, today the large majority of major suppliers are domestic, with only 11% of the company's supplies being sourced overseas.

Close partnerships have been formed with local firms to help them develop their capacity to meet the demanding international standards that we set. Unilever Indonesia estimates that in addition to its own 3,000 employees, around 20,000 jobs are supported in the supply and distribution chains; an additional eight jobs for each one in Unilever.

Based on this experience, Unilever Indonesia is now supporting small and medium-sized business development more widely. In April 2001, it signed a memorandum of understanding with the national Department of Industry and Trade to help provide new firms with market access, technical support, coaching and access to finance.

Tea: Setting standards in the supply chain

Much of Unilever's business is based on agricultural produce: one important crop is tea. We set high standards in our direct production and also seek to play a role, by example and exchange of best practice, in raising standards more broadly in the industry.

Unilever sells some of the most successful tea brands in the world. Our *Lipton* and *Brooke Bond* brands are market leaders. Social and environmental standards in the tea supply chain are an integral part of our management approach. We continue to maintain our own tea estates, although these provide only a small share of the tea we need. Direct involvement in production gives us a good understanding of the technical and management issues relevant to the industry and helps us to innovate. Through building our own experience base, and putting into action our standards, we seek to play our part in working towards best practice with our business partners and the industry generally.

Upholding standards

On our own tea estates, quality, social and environmental standards are a living example of our Corporate Purpose and Code of Business Principles. Rates of pay are set through trades union and industry agreements. Unilever's worldwide standards of occupational health and safety are applied to our 62,000 employees and seasonal workers. The standards achieved on our estates are amongst the best in the industry; an accident frequency rate of 0.10 per 100,000 working hours in 2001 compares favourably with Unilever's worldwide average of 0.41.

Our estates in both East Africa and India provide extensive social infrastructure – housing, schools, hospitals and day-care centres – for more than 200,000 people, including employees and their families. The children of all employees benefit from access to primary school education and school meals, which are designed to ensure that essential nutritional needs are met. Health programmes include water purification schemes, family planning, immunisation and a strong emphasis on HIV/AIDS awareness and prevention.



> The school at Valparai on our Stanmore group of Indian tea estates provides primary and secondary education for nearly 200 estate workers' children and a further 100 children from nearby villages. Unilever funds administration and infrastructure costs and receives reimbursement from the government for some maintenance costs and the salaries of 8 teachers

Sustainable agriculture

Our estates have also undertaken pioneering work in developing sustainable agricultural practices. The wide range of initiatives has included reductions in the use of chemical fertiliser and an increase in the use of organic manure, promotion of bio-diversity through indigenous tree planting and greater emphasis on the use of renewable resources, such as firewood in place of coal or oil as a source of fuel. Good agricultural practice guidelines have been prepared for roll-out more widely in the tea industry, including a separate booklet for smallholders.

Sharing good practice

On a broader front, Unilever is committed to playing its part in promoting standards through our membership of groups such as the UK-based Tea Sourcing Partnership. The Partnership promotes learning across the industry and action on the ground amongst growers. As a member of the UK's Ethical Trading Initiative, the Partnership engages in dialogue about social and related environmental issues with governments, NGOs and other stakeholders.

The Tea Sourcing Partnership also communicates to consumers a clear, factual understanding of conditions on tea estates and seeks to validate its information by a continuous verification process, carried out by experienced, independent monitors. It checks that tea estates are run ethically and comply with all relevant social legislation and standards in five specific areas of activity: terms and conditions of employment; health and safety; maternity provision; education; and housing.

10. MEETING EVERYDAY NEEDS...

Unilever's purpose is to meet the everyday needs of people everywhere. We seek to anticipate the aspirations of our consumers and respond creatively with branded products.

Unilever offers a portfolio of brands to meet consumers' everyday needs (Table 29). At the global level, *Lipton* tea and *Dove* soap are among world leaders. Other brands with wide appeal are *Knorr*, *Magnum*, *Lux*, *Omo* and *Cif*. As part of our CSR pilot studies, we examined the extent to which our local companies are responding to their consumers' diverse and distinctive tastes in food and personal care items. In Ghana, for example, many households rely on our company for such essential products as salt and laundry and personal soap.

Listening to consumers

In Turkey, our business carried out three consumer surveys involving 1,500 consumers in 2001. This research was confirmed by the results from direct contact through 12 brand telephone 'carelines' that generated over 132,000 calls about our products. The vast majority asked for information, some gave suggestions and others offered praise; only 2% of them were complaints.

Brand carelines are widespread. In Canada, 53 of our 62 brands have such carelines. They generated 105,000 consumer contacts in 2001, with another 13,000 received via email. Unilever Brazil received more than one million calls from consumers. Carelines have also been established in Poland, Indonesia and Ghana to broaden our interaction with our consumers.

Brand innovation

Our insights into consumers' needs drive the process of product and services improvement and innovation, within an overall framework of commitment to care and safety for people and for the environment (Table 30). During 2001, Unilever worldwide spent 2.3% of turnover on research and development. We filed 450 patents during the year. Fifteen thousand people, in more than 100 countries make up our innovation community, sharing

consumer insights, technical understanding and knowledge of international brand practice across product ranges and around the world. This network ensures consumers are able to benefit from our expertise wherever they are.

In our markets, consumers' purchasing decisions continue to be driven by value, performance, convenience and choice. The added dimension that is not always articulated is the expectation that manufacturers have a duty to behave responsibly in producing and distributing their products. We accept this responsibility and recognise that failure to meet these expectations incurs risks to our brands and to the integrity of our corporate reputation. We have sustainability guidelines for home and personal care innovation in Europe and work from the basis that consumers expect us to fulfil their needs with products and services that have the lowest environmental impact. Programmes of continuous improvement are widespread, for example, in packaging to reduce its weight and increase recycling and re-use. In Europe, we have been a member of the group that has led the development and implementation of the Washright campaign, an industry initiative to promote environmental care, helping people to save money by using less energy and less washing product.

Responsible innovation also involves working with others. In Europe, Unilever is a founder member of HERA, the Human & Environmental Risk Assessment project launched in 1999. Working through HERA's management and technical teams, Unilever contributes to the pooling of expertise and knowledge, from suppliers and users of chemical ingredients in household cleaning and detergent products, to deliver practical guidance on risk assessment. This understanding is contributing practical information and processes to the emerging European Union strategy for a future Chemicals Policy.

> Table 29: Households using Unilever products 2001 (estimated)

	Number of households in the country (millions)	% of households using one or more Unilever products
Canada	11.9	99
Ghana	3.5	100
Indonesia	42	95
HPC USA	106	93
Netherlands	6.9	99
Poland	13.1	85
Turkey	14	93
UK	26	99
Vietnam	17	95

> Table 30: Brand innovations 2001

	Total number of innovations*
Canada	25
Ghana	24
Indonesia	35
HPC USA	259
Netherlands	78
Poland	27
UK	50
Vietnam	51

*including incremental improvements

...FOR CONSUMERS EVERYWHERE

To fulfil our commitment to meet everyday needs of people everywhere, we tailor our products to different markets and distinctive tastes, and offer affordable sizes. In this way we seek to raise the quality of life for consumers and their families.

Consumer preferences, especially for food and drink, are very local in character, and we adapt our products to suit their tastes. For example, Unilever produces 18 separate blends of black tea precisely because tastes differ so widely. Likewise, products such as ice creams, bouillon cubes and tomato sauces are developed to please local palates.

The situation is no different in our home and personal care markets. Our brand managers, coming from almost as many countries as we do business in, are themselves sometimes surprised to find how different local habits are. For example, in Iceland the great majority of people take a bath; in Israel they prefer a shower; while in Cambodia around half the population washes in a river. In each case how a shower gel or soap bar is designed will need to be different, but world-class understanding of dermatology and bactericides is still needed, as is cost-effective manufacturing. We cannot succeed with our consumers if we do not understand and respect their differences. This is the key to our success, even as we offer all consumers, wherever they are, an equal guarantee of brand quality, integrity and safety.

Accessible and affordable

Meeting such diverse tastes is only the starting point: our products must also be accessible in terms of price and availability. In the low inflation economies of industrialised countries, consumers benefit from great choice and enjoy price falls in real terms for some products, due to the availability of innovative products, large pack sizes and market promotions. In newly industrialised countries such as Turkey and in developing countries such as Ghana, high inflation and currency devaluations have squeezed consumer purchasing power. Here the priority is on innovative approaches to ingredients and adjusting unit sizes to maintain price accessibility.

We reported in our Social Review 2000 on the personal hygiene and food products developed in India to serve the needs of low-income consumers. One of these, *Annapurna* salt, is enriched with iodine K-15, which plays a very positive role in preventive healthcare for pregnant women in particular. Our Ghanaian business built on this experience to launch *Annapurna* in its local market, in partnership with the Ministry of Health and UNICEF. By 2001 a major consumer education campaign had established it as a leader in packaged salt in urban markets. The company now plans to carry the campaign to rural areas where raw salt is still most commonly used.

Another example is *Knorr*, which was already the country's leading packaged soup when Unilever Turkey decided to strengthen the brand range by fortifying the product with a rich mix of vitamins. The choice of vitamins included was based on research into those most needed in, and frequently absent from Turkish diets.



> **Knorr's new range of fortified soups meets 30% of the recommended daily allowance of A, B group, C, D, and E vitamins**

Connecting with consumers in Ghana

In Ghana about 19 million consumers use our *Key* soap for laundry, over 15 million use *Lux* for personal wash and six million use *Blue Band* margarine. Unilever Ghana has responded to consumer concerns about prices in a high-inflation economy by producing small-sized products to keep them affordable for consumers.

Unilever also engages directly with consumers in their own communities in countries with large rural populations, low levels of literacy and little access to telephones. Unilever Ghana has run a direct consumer contact programme since 1996. Employees travel out to villages and suburbs, to meet groups of consumers in small grass-roots organisations such as ladies' forums, homemakers clubs and village meetings. The programme includes a popular concert party roadshow, which explains the health benefits, for example, of using iodised salt. It reached over 400,000 consumers in 2001.

This promotional work has an added benefit as it helps to achieve Ghana's public health goals for disease prevention through simple means, such as regular handwashing and maintaining a balanced diet.

11. COMMITTED TO QUALITY AND SAFETY

Unilever is committed to the human and environmental safety of all our products, from manufacture, through use, to eventual disposal.

Providing consumers around the world with the same level of protection in terms of product safety, and advising them on correct product use, are basic responsibilities of a manufacturer of products that are an intimate part of consumers' lives. Consumers trust Unilever to provide them and their families with food, personal and home care products that are safe for their intended use. Our safety policy applies equally to all our products, wherever in the world they are manufactured. We design our products to be safe; we consistently strive to control ingredients, supply chain and manufacturing processes; and then to ensure the traceability of our products in the distribution chain to the retailer.

Safety by design

Unilever's approach to consumer protection is one of preventive safety assurance or 'safety by design'. We set universal standards on critical safety issues for products and ingredients which have to be taken into account in all product development work. Our global Safety and Environment Assurance Centre (SEAC) plays a central role in assuring human and environmental safety, independent of commercial considerations. In 2001 SEAC reviewed over 10,000 applications for safety approval from Unilever companies around the world.

Our standards are closely aligned with those of international agencies such as ISO 9000, the World Health Organisation and the Codex Alimentarius. We also collaborate closely with the WHO to offer training in food hygiene in developing countries. This training is open to all interested parties.

Business units maintain procedures for self-assessment of compliance with Unilever corporate safety standards.



> The role of SEAC specialists is to review the safety of products including their ingredients, design and production

To support them, during 2001 SEAC ran over 25 'train the trainer' sessions for more than 600 Unilever staff and suppliers. This global network of trained champions then cascaded the training within their own business areas.

Animal testing

We are committed to eliminating animal testing from our business. Equally, we must uphold our commitment to consumer health and safety, and to the safety of our workforce and the environment. So we apply the strictest internal control procedures to ensure animal testing is only carried out when no alternatives are available. We also invest in developing and applying alternative methods. In this way, we advance the elimination of animal testing, reduce the number of tests to the absolute minimum and provide transparency about our use and approach. The vast majority of Unilever products have in the past, and will in future, reach consumers without any testing of any material on animals.

Traceability

An essential component of consumer protection is ensuring the traceability of products in the marketplace, so that we can recall products if ever needed. We can ensure 100% traceability in industrialised countries such as Canada and the USA where distribution channels are highly sophisticated. In developing countries we are making progress in building this capability: for example, in Ghana we can achieve 100% traceability of food products, and 50% in home and personal care products.

To enhance this capability, each year all Unilever operating companies are required to perform a mock product recall to test our systems; in 2001 Unilever Canada achieved a 100% performance in its recall. The same year, our Home and Personal Care division in the USA implemented a real-life recall, after a consumer reported that a piece of the promotional toy teddy bears for *Snuggle* fabric softener could become detached, creating a potential choking hazard to children. Upon further investigation, we took immediate action to recall toys from the marketplace.

12. RESPONSIBLE ADVERTISING AND PROMOTION

Unilever is committed to high standards in its advertising. Balancing creativity and social sensitivity requires an open approach and a willingness to respond if and when we get it wrong.

The communication process is a vital link in the chain of meeting consumers' needs. In mass markets, advertising provides the channel through which to inform people about our brands, quickly and succinctly. It is only by knowing what is available that the consumer can exercise his or her right to choose. Continued product innovation depends directly on being able to promote and advertise the results, providing information on performance and alerting consumers to new features and functionality. As part of our strategy to focus on fewer and more powerful brands, we expect to increase our investment in advertising and promotion by 2% of sales. We invested 12.7% of sales revenue in advertising and promoting our brands in 2001.

Open and transparent

Unilever is committed to a responsible approach to marketing, conscious that freedom to advertise can too easily be taken for granted. As advertising is created, tested and rolled out, any mistakes are by definition made in public and subject to ready criticism. Self-regulation of the advertising industry has proved a transparent and effective process.

All 11 of our CSR pilot projects provided evidence of their monitoring of concerns about advertising. In Poland, no complaints were received. However Canada had a total of 20 complaints to the advertising standards authority; eight related to *Imperial* margarine and were upheld under a clause of Advertising Standards Canada which covers "unacceptable depictions and portrayals". The advertisements contained an unacceptable portrayal of an 'animated potato' and were swiftly withdrawn.



> We seek creative ways to promote our brands to our consumers: in Germany a 60 metre high bottle of Culinessa cooking liquid was seen by the 1.4 million people who visited Hamburg Harbour's anniversary celebrations in 2001

Ghana was the only country to face a formal complaint from public authorities concerning claims made for certain natural ingredients in products; this complaint was dismissed at a public hearing.

Respecting consumers

Issues of taste are a particularly contentious area, with different perspectives not only between cultures and societies, but within them as well.

In Unilever we develop our advertising campaigns with great care, paying particular attention to local differences of perception as they are made available worldwide. In advertising to different consumer groups, creative communication pushes at the boundaries of what is acceptable. We try hard to maintain the balance between what is highly appealing to young adults, for example, and what is acceptable to the adult population generally. Concepts of what is appealing and acceptable are constantly evolving over time. We do not succeed in getting the balance right every time, but where we get it wrong, we listen to concerns and respond.

One way to help us get it right is to consult. When our spread brand *Flora* introduced its new cholesterol-lowering low fat spread *Flora pro•activ*, great care was taken to ensure legal guidelines were followed and that there was acceptability of its claims for health promotion. In addition to our usual in-depth focus groups and quantitative research with consumers themselves, we held extensive discussions with dieticians, nutritionists, medical experts, consumer organisations and representatives of heart health organisations.

William Lever: Pioneer of modern advertising

In 1850, the Liberal government in the UK repealed the tax on soap, previously considered a luxury item used only by the rich. This gave William Lever, one of Unilever's founders, the incentive and opportunity to mass-produce soap, with all the health benefits for individuals, families and society that come from washing, clean hands and disease prevention. At the same time, the government repealed the tax on paper and advertisements, which immediately boosted the popular press through reduced cover prices. As a consequence, Lever and other manufacturers were able to communicate the value of their brands to the inhabitants of the country's new industrial cities and beyond.

13. CIVIC RESPONSIBILITY

Our own standards commit us to operate within the letter and spirit of laws and regulations, and to compete fairly with others. Whilst not supporting party political interests, we seek to co-operate and engage transparently with governments, and to contribute to wider society.

Unilever's Code of Business Principles specifically commits its individual operating companies to comply with the laws and regulations of the countries in which they operate. We strive to maintain a proper balance of our rights and responsibilities: promoting and protecting our legitimate business interests within the boundaries of the Code.

Our operating companies are required to submit all their statutory returns, taxes and duties on time and in full, everywhere they do business. In some countries, complying with the law is the very minimum expectation, so obvious as not to merit mention. In others, norms are very different. There, the very functioning of government can depend on companies behaving responsibly.

Relations with governments

Our Code stipulates that Unilever does not make donations to political parties, although we do believe we should voice our views in relevant national and international debates. Where we have useful insights from our business experience, we seek to share our knowledge and contribute to governments' thinking as they develop law.

For example, we reported in the Social Review 2000 that Unilever Ghana was the first in its industry to install a treatment plant for water discharges. That learning has now been shared with the Ghanaian government, and our experience is contributing to the drafting of national environmental legislation in this area.

In the UK, the government appointed our country chairman to chair the governing council of the new National College for School Leadership. The appointment recognised Unilever's experience in sharing leadership development practices between business and education.

In India, Hindustan Lever Ltd (HLL) has seconded a sales and marketing manager to the state of Madhya Pradesh for a year, to help the state create linkages between rural producers and urban consumers. Madhya Pradesh spends around \$100 million a year to help small-scale producers establish production units in rural areas, which often fail because of a lack of marketing expertise. HLL and the state are working together to create Vindhya Valley, an umbrella brand for food products. Vindhya Valley will bring together HLL's marketing skills with Madhya Pradesh's investment to support brand building. The brand will be franchised to small-scale producers at a nominal fee, providing a ready-made marketing mechanism that small producers would otherwise be unable to sustain.

Transfer pricing

An issue of concern to national governments is the way in which multinational companies account for the value of sales between their operating subsidiaries. Such transfer pricing policies can substantially effect a company's local tax liability. To be transparent, Unilever's approach is to determine prices for our own manufactured goods at open market rates. Where there is no market price, operating companies follow established guidelines or engage in 'arm's length' negotiations to reflect as far as possible a market price.

Fair competition

We operate in highly competitive consumer markets. For our employees it is important for them to understand that competition, while vigorous, should also be fair. By equipping them with training on what competition law means, we seek to maintain our own standards and meet the requirements of competition authorities. None of the companies in our CSR pilot group reported any prosecutions or rulings against Unilever on competition matters.

Extending our principles to our partners

We apply the principles of the Code to joint ventures, and contracted third party suppliers are expected to adhere to business principles consistent with the Code. In Vietnam, a country adjusting to a market economy, our contracts require manufacturers and suppliers to comply with state regulations on minimum working age and wage rates. Applying our principles in this way enables us to build quality into our supply chain and helps to raise awareness of standards in our industries.



> The innovative Vindhya Valley brand will provide a quality label for small, rural food producers to help them reach urban consumers.

14. INVESTING IN COMMUNITIES

Unilever is deeply rooted in the communities where it does business, and as a local corporate citizen seeks to play its part in supporting community activities.

Our business success is built on understanding people, not simply as consumers who buy our products, but as citizens with common concerns. Unilever companies are engaged in their local communities in a broad range of activities in health, education and community projects, sharing skills and responding to local needs.

But community involvement is delivered not only through our brands and company activities. Employees' desire to 'put something back' into society is often the catalyst that leads to social involvement. In Durban, a group of Unilever South Africa employees decided to volunteer their Saturday mornings to teach disadvantaged children in a local school. In Canada, over 650 employees took part in a volunteers' afternoon for community projects.



> Two of Unilever Canada's team of employee volunteers enjoy helping to decorate the Massey Centre, a centre for young mothers in Toronto

With support from the new Unilever Canada Foundation, their combined 2,600 hours achieved the planting of over 3,000 wildflowers and shrubs, painting a childcare centre and sorting of food for donations.

Overall in 2001, Unilever spent approximately €57 million on community initiatives, which at around 1% of our pre-tax profits, puts our spending on a par with good practice among leading international companies. We see this expenditure as an investment and seek to measure its results, using the London Benchmarking Group approach.

Community involvement is not only money spent; increasingly we are learning that results for communities

can be achieved by routes other than cash donations. The particular value that we can add comes from our employees' involvement in projects – for example by offering practical business advice; extending company practices on good hygiene or AIDS counselling to the wider community; developing creative marketing initiatives; or simply by donating their time, skills and enthusiasm. It also calls on our people's ingenuity. For example, instead of leaving derelict a redundant site, Unilever Brazil donated an old ice cream factory to the local community. We helped to renovate it and through the local education board it now offers 21,000 places to low-income students on courses as diverse as computing, hotel management and tourism.

This engagement brings results for our business through new partnerships and ways for us and our brands to connect with our consumers. It enhances employee motivation and the development of new skills. This value has been acknowledged by the inclusion of a community element in our senior leadership training, so helping to create a more enterprising culture within Unilever and raising awareness of pressing issues in society.

Pepsodent oral health campaign in India

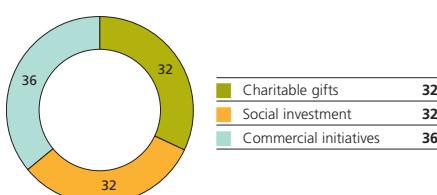
In India, toothpaste is used by only half of the population and people may have little access to dentists or oral healthcare. In 2001 *Pepsodent* oral health education campaigns reached around 700,000 children in 864 schools across the country, working through dental associations and dental colleges to improve standards of oral care.

Ending child hunger in the USA

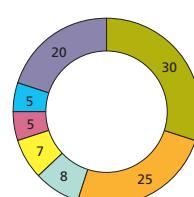
12 million children in the USA suffer from hunger. Unilever Bestfoods worked with Hunger Free America to produce 'Cooking up an end to Childhood Hunger', a cookbook which contains recipes and statements from celebrities to help generate involvement in ending this deprivation within five years.

> Chart 31: Community spend by motivation 2001 %

Total spend €57 million



> Chart 32: Community spend by subject 2001 %



Health	30
Education	25
Environment	8
Community sport	7
Economic development	5
Arts	5
Other	20

15. WORKING TOWARDS A SUSTAINABLE FUTURE...

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer term goal of developing a sustainable business.

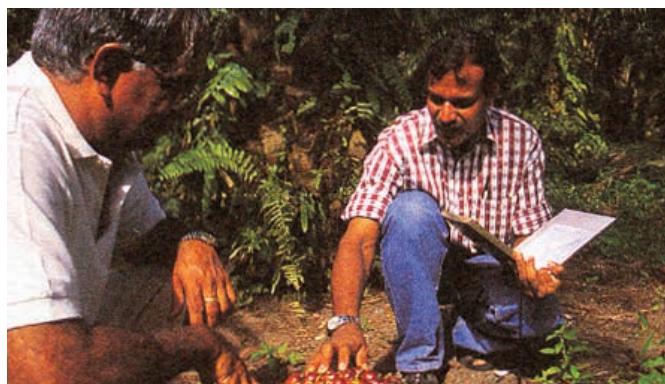
Our social contribution to sustainable development comes from our understanding and anticipation of the everyday needs of people – as consumers and as members of communities – and the recognition that needs can be met more sustainably. In our approach to the environment, we use a life-cycle approach to assess our overall impact. This helps us to analyse our imprint and to concentrate on those areas where we can bring the greatest benefits. Going beyond improvements in the environmental performance of our own manufacturing operations, we focus on three areas that are directly relevant to our business: agriculture, fish and water.

Agriculture

More than two-thirds of our raw materials come from agriculture and we have always aimed for a responsible approach to farming. But recent environmental and social pressures on agriculture demand a more stretching approach. Through our Sustainable Agriculture Initiative, we are developing standards for sustainable agricultural practice, in co-operation with a wide group of stakeholders.

In 2001 we published a guide to good agricultural practice for sustainable palm oil production, based on our experience from a pilot project in Malaysia. The guidelines are supported by the Malaysian Palm Oil Association and have also been rolled out to Unilever's West African palm oil operations. Guidelines have also been agreed for tea, and guidelines for peas, spinach and tomatoes are in progress.

We also support good practice in other areas of agriculture, for example in animal husbandry. Unilever Bestfoods Germany has started a project to develop best practice standards based on sustainability principles, which include standards for animal welfare, for the sourcing of meat for our *Du Darfst* brand.



> Research shows that a well-managed oil palm plantation can be highly sustainable, needing fewer inputs and causing less pollution

Fish

The world's major fisheries are under threat and catches of the most important species for human consumption are at historically low levels. In 1996 in recognition of our position as a leading frozen fish company, we made a pledge to buy all fish from sustainable sources by 2005. Together with WWF we also set up the Marine Stewardship Council (MSC) to establish a certification process for sustainable fishing practices. Connecting to the marketplace in this way encourages and helps harness consumer support for a sustainable industry.

By applying for MSC certification well-managed fisheries can seek market recognition for the investment that governments and fishery companies make in research, stock management and better fishing methods. In 2000 we launched our first MSC-certified Alaskan salmon product in Switzerland. In 2001 we introduced MSC-certified hoki from New Zealand into several European markets.

Water

Water is essential to agriculture, to our manufacturing processes and to consumers' use of many of our products. Working with the UK sustainability organisation, Forum for the Future, in 2001 we published our Sustainable Water and Integrated Catchment Management (SWIM) principles. Developed with international water experts, this is a practical tool for sustainable management of water catchment areas. An example of SWIM in action is our Village Adoption Programme in the polluted Brantas River basin in Indonesia. Unilever staff and volunteers work with local stakeholders to help the community improve water quality, sanitation and income generation and to adopt healthier life styles. This 'bottom-up' approach involves the community as a key stakeholder in planning and implementation, helping to empower its members and to build self-sufficiency that is sustainable.



...BY ENGAGING LOCALLY, NATIONALLY AND GLOBALLY

Unilever is working with consumers, industry bodies, government agencies, business partners and other concerned organisations, to understand what sustainability means for our business.

A key learning from Unilever's work on sustainability is that openness to working with others, as well as clear values and technical expertise, is essential to finding effective, lasting outcomes. Through sharing our experience, listening and learning from others, we can progress our own and others' contributions to sustainable development. Cross-sector dialogue takes time to develop, and is often difficult and lengthy, but is key if we are to move forward in addressing the social, economic and environmental challenges that our business faces.

Engaging with different interest groups – including those with different points of view – is integral to the way we operate. We do this at central and local management levels. For example, the Unilever Environment Group (our environmental strategy and policy-making body) is advised by five independent experts from different parts of the world, while the board that advises on our sustainable agriculture initiatives has 11 members drawn from outside the commercial world. These people bring an independent and highly informed perspective.

Local

At the local level, Unilever UK's involvement in the Mersey Basin Campaign, a European special protection area, has been co-ordinated with over 700 local public sector and voluntary organisations that are co-members of the project. As a local manufacturer and the main industrial sponsor, we are working together with them to make progress to reduce the contamination of the 2,000 km of watercourses throughout the Basin.



> **Volunteers from Lever Fabergé in the UK tackle woodland conservation work at Dibbinsdale Brook, a nature reserve which is one of the Mersey Basin Campaign's partnership projects**

National

As a consumer-focused business our success is based on listening to our consumers' views. Our approach to modern biotechnology is an example: we support its responsible use because we believe that it can improve food crops to bring important benefits to society. However, we acknowledge that the public's view of biotechnology, particularly the use of genetically modified ingredients in food, is still evolving and that the debate and public acceptance differs around the world. The decision to use ingredients that have passed our own internal and national regulatory clearance procedures in specific products is taken in our operating companies, in response to local consumer and customer views.

Regional

A fundamental requirement for our business is communication with our consumers. We are increasingly engaging with them in our product development, and are beginning to tackle the dimensions of more sustainable consumption in brand marketing. In Europe we have led the move to unit dosing of wash loads, through powder tablets and liquid capsules, which combine simplicity, convenience, and reduced environmental impact. It is estimated that tablets alone have contributed to an industry-wide reduction in detergent usage of up to 250,000 tonnes per year with an additional packaging saving of more than 25%. But our research shows that consumers do not yet have a good understanding of sustainability and the role brands can play. So we intend to take gradual steps towards engaging consumers, as acceptance develops in the marketplace, always ensuring that progress towards sustainability is demonstrable.



> **Sustainable consumption of detergents has been promoted by linking it to other consumer benefits. Tablets and liquid capsules offer convenience while avoiding using 'that little bit extra'**

16. LOOKING FORWARD, CONTINUING PROGRESS

This Review is the story of a journey. It has sought to show how we are listening, learning and making progress as we live out Unilever's Corporate Purpose and Business Principles in day-to-day business decision-making.

Unilever's social responsibility pervades our whole enterprise – from meeting people's everyday needs for food, home and personal care products, to creating and spreading wealth, to conducting our operations in accordance with our values and standards both within our business and in our local communities. We are working on how we demonstrate and continually improve our performance. We are improving the transparency of our activities, learning from previous work by our environmental colleagues, from our businesses around the world and from our external stakeholders. We do not claim to have all the answers, but we are committed to increasing openness, to sharing good practice and to managing our social responsibility as professionally as any other area of the business.

In this Review we have described our business activities as they impact on our stakeholders, illustrating key points with material taken from around the world and from data that is aggregated and audited globally. The intention has been to build up a picture of Unilever's social impact as it goes about its business, in a way that is informative and accessible to the lay reader. We will continue to develop our reporting, while endeavouring to avoid the pitfalls of bureaucratising the process. Performance measurement needs to develop in line with the grain of corporate culture, acknowledging its norms and empowering managers to achieve the desired goals.

Empowerment goes beyond managers to include all our employees, who are as concerned about responsible corporate behaviour as other citizens, for, of course, they are members of society too. As we increasingly discuss CSR within Unilever, employees will feel more able to contribute their ideas and share best practice with colleagues, and this in turn will improve our performance.

> Table 33 Continuing progress...

Objective	Year
Consolidate learning from self-assessment to identify select indicators for future reporting	2004
Issue CSR roadmap of good practice, drawing on internal and external expertise	2003
Expand local reporting and support local managers to include self-assessment indicators in reports	2003-2004
Issue guidance for managers on standards for contracted suppliers	2003

We will build on the pilot project findings with the objective of distilling a core set of performance indicators for general application across the business in 2004. This will support the integration of the self-assessment process into mainstream reporting. It will also underpin the development of a roadmap of good practice in CSR, which will be developed with input from local managers from around the world. We will work with them to improve local performance where necessary. We will also support local managers to increase the number who publish social reviews of local Unilever companies. Following the roll-out of our Code of Business Principles, we will develop further guidance for managers on the standards expected of our contracted suppliers, and will work with them on making performance more transparent.

We value our relationship with the Global Compact and will continue to participate actively in its projects. Our target will be to increase our participation in social partnerships and to spread learning by sharing information about good practice.

Tell us what you think

We remain committed to sharing our experiences, to listening to the response from all those with an interest in our activities, and to making further progress. This Review is just one way to continue this process. Please tell us what you think. We can be reached via [Contact Us](#) at the Society section of www.unilever.com, where you will also find more information about our brands and activities around the world. Alternatively, send your comments direct to society.info@unilever.com.

...and increasing engagement 2003-2004

Objective	Year
Increase transparency of performance information on www.unilever.com	2004
Increase participation in social partnerships, through the Global Compact and directly	2004
Engage with stakeholders to share and keep abreast of best practice in CSR	Ongoing

EXTERNAL ASSESSMENT

The Corporate Citizenship Company acts as a specialist adviser to international corporations that seek to improve their economic, social and environmental performance and reporting. We have advised Unilever since 1999 on the development of its CSR strategies, notably in assessing performance through the pilot project 'self-assessment' process and in preparing this Social Review.

As part of that work, we have checked that the contents of this report are consistent with data supplied by operating companies or derived from audited financial systems. We have assessed the correctness of data trends and received satisfactory explanations where necessary. We have not, however, verified otherwise unaudited data.

In our opinion, this Social Review presents a fair and balanced account of the progress being made by Unilever companies to live out its Corporate Purpose and Code of Business Principles in diverse societies around the world. We note, in particular, the rigorous approach to employee health and safety, training and communication, to engagement with consumers and to relations with governments and local communities.

On some issues, Unilever lacks the necessary data to demonstrate performance, such as its economic impact in developing countries or in managing CSR through complex supply chains. We note that work is under way to address these issues and others where performance can be improved, particularly on diversity among senior managers.

Overall we believe that Unilever's commitment to CSR is substantial and sustained. The company aims to be a responsible corporate citizen. This Review achieves a good standard of transparency and the available data shows that the company's performance is creditable.

David Logan
The Corporate Citizenship Company
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