

Unilever's approach to corporate social responsibility

Social Review 2000



Chairmen's introduction

Unilever's *Corporate Purpose* leaves no room for ambiguity about our commitment to corporate social responsibility: *'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.'* That is also our personal belief too.

Corporate social responsibility (CSR) in Unilever encompasses a broad range of interactions with society. It means responsibly managing a multiplicity of relationships every day with employees, consumers, shareholders, suppliers, governments, local communities and many others in wider society. Our commitment to high standards of corporate behaviour is an integral part of our operating tradition. It is spelled out in our *Code of Business Principles* and is implicit in many of our business practices.

We recognise the need to be more explicit about what that commitment actually means in practice, articulating our policies and demonstrating performance. Unilever is a decentralised company, operating in highly competitive markets around the world. Local responsibility is fundamental to our operating tradition and a cornerstone of our success. Bringing together clear social performance information from widely different societies poses many challenges in presenting a Unilever-wide account of our activities.

That is why during 1999 and 2000, nine Unilever companies in different parts of the world, accounting for more than a quarter of the whole business, tested a framework to evaluate and manage their performance in CSR.

We also recognise that society's expectations are changing – that we are increasingly being called upon to play a more active social role, to be open about our social impact and to work towards a sustainable future. The result is this first international *Social Review* of Unilever's approach to CSR.

The purpose of the *Review* is threefold. It introduces Unilever and explains what CSR means for us (*Setting the scene*). It maps current policies and practices of economic and social impact in our operations and illustrates these with examples drawn from local company activities (*A first review*). Crucially, it provides us with a baseline from which to set milestones for future activities (*Going forward*).

This *Social Review* is a companion document to our *Environmental Performance 2000* report and builds on the considerable progress made over the last five years in managing our global environmental impact. *Environmental Performance 2000* also provides information on our commitment to sustainable development, in particular, the work we do on sustainable agriculture, water stewardship and renewable marine stocks.

The milestones we have set for progress reflect the early stage we are at in reporting on our social performance. We are still learning the lessons from our project work and finding ways to develop a consistent approach that respects our multi-local operating structure. We don't claim to have all the answers, but we do aim to be as professional in our management of our social responsibilities as we are in any other area of our business. We are open to dialogue, and willing to share our experience, to listen and to learn from the many different groups who have an interest in our business.

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



Chairmen of Unilever

Antony Burgmans

Niall FitzGerald

Overview

This *Review* seeks to present Unilever's approach to corporate social responsibility, highlights key elements of our performance to date and starts to map the way forward.

Unilever is a multi-local multinational company. Our products are on sale in over 150 countries. So this *Review* can only offer an initial insight, explain our overall approach and provide illustrations of our policies, performance and local action.

Key points of our performance include:

- we meet consumers' basic needs for food and home and personal care: over 150 million consumers choose our products every day; in many countries, virtually every household uses one or more Unilever products;
- in 1999 Unilever's 255,000 employees received the largest share of the 'cash value added' created by our operations;
- accidents in the workplace have been cut by two thirds over the period 1996 to 1999; we oppose under-age working and fully comply with International Labour Organisation Conventions on Minimum Working Age;
- we encourage diversity in our employment practices: our top 300 managers are drawn from 33 countries; a growing proportion (21%) are women – up almost 100% since 1992. We recognise the need to promote more women to the most senior levels of the company;
- we are committed to the goal of sustainable development, fund research into sustainable agriculture, water stewardship and renewable marine stocks, and have been cited by the Dow Jones Sustainability Group Indexes as an 'industry group leader';

- worldwide we invest around 1% of pre-tax profits in community programmes through our voluntary contributions; we are founder signatories to the United Nations Global Compact which commits us to nine key principles in human rights, labour and environmental practice.

The detailed performance data in this *Review* refer mainly to 1999 and wherever possible relate to overall Unilever performance. The case studies are drawn primarily, but not exclusively, from a CSR pilot project conducted in nine countries during 1999 and 2000. This project tested a new framework based on a self-assessment methodology, which enabled companies to audit and report their CSR performance. In planning and executing this project, we have been assisted by The Corporate Citizenship Company, a specialist consultancy in corporate social responsibility. It has also supported the preparation of this *Review*.

We have sought to make clear the values and standards which underlie our approach, to indicate where possible our global performance, and to illustrate our activity with examples from various countries around the world.

Wherever possible, we provide links to Unilever's website – www.unilever.com – (and to external sites as appropriate) where further detailed information is available on the issues being discussed.



Contents

Chairmen's introduction

Overview

Setting the scene

- 1 **Introducing Unilever**
About the company, our history and the nature of the business today
 - 2 **Key facts about Unilever**
Business data by region and product area, showing the size, global scope and diversity of the business
 - 3 **Our Corporate Purpose and Business Principles**
The framework of values and standards on which Unilever's approach to corporate social responsibility is based
 - 4 **Unilever's approach to corporate social responsibility**
Definition of what corporate social responsibility means for Unilever and explanation of our pilot project to review management processes for CSR
- #### *A first review*
- 5 **Creating wealth ...**
Profits and a competitive total shareholder return underpin continued growth and benefit all those with an interest in the business
 - 6 **... adding value, sharing wealth**
How the cash value added by our operations is distributed among stakeholders
 - 7 **Setting high standards in corporate behaviour**
A 'positive assurance' process underpins our *Code of Business Principles*
 - 8 **A safe and secure workplace**
Global standards in safety, health and the environment have helped to achieve year-on-year improvements
 - 9 **Investing in people**
Competitive rewards, good training and support for employees are essential for future business success
 - 10 **Respect and dignity in the workplace**
Transparency and respectful behaviour are fundamental elements of Unilever's approach to corporate social responsibility
 - 11 **Valuing diversity**
With more than 100 nationalities among our employees, diversity is a cornerstone of our company
 - 12 **Meeting everyday needs ...**
Every day around the world millions of consumers choose Unilever products to meet their needs
 - 13 **... for consumers everywhere**
We offer affordable products and serve broad markets
 - 14 **Committed to quality and safety**
From manufacture, through product use to eventual disposal, human and environmental safety is paramount
 - 15 **Responsible promotion**
High standards and social sensitivity characterise our approach to product promotion
 - 16 **Working towards a sustainable future ...**
Unilever's commitment to sustainability is focused on major initiatives in agriculture, fish and water
 - 17 **... and engaging with environmental concerns**
We listen to consumers and work with industry, governments and others to address their concerns
 - 18 **Investing in communities**
Part of being a trusted corporate citizen is making a voluntary contribution to local communities through charities and not-for-profit partnerships
- #### *Going forward*
- 19 **The way ahead**
Our plans to enhance the management and reporting of corporate social responsibility
- Tell us what you think**
How to get in touch

Introducing Unilever

Unilever is a successful international company with a strong historical commitment to corporate social responsibility – a commitment we seek to honour every day through our diverse operations around the world.

Unilever is one of the largest consumer goods businesses in the world. Based on our 1999 sales of over €40 billion (\$43 billion), *Fortune Magazine* ranked us 54th by sales in its Global 500 listing. In 1999 we employed an average of 255,000 people. Today our food and home and personal care brands are on sale in over 150 countries. By the very nature of our business in cleaning, grooming and feeding people, our success depends on our companies being close to consumers and deeply rooted in the societies in which we operate.

At the global level, *Lipton* tea and *Dove* soap are among the world leaders. Other well-known brands with wide appeal are *Knorr*, *Becel*, *Magnum*, *Lux*, *Omo* and *Cif*. Worldwide Unilever has an extensive range of outstanding brands for consumers to choose from. As we go forward, we will increasingly focus on 400 leading brands that have distinctive consumer appeal.

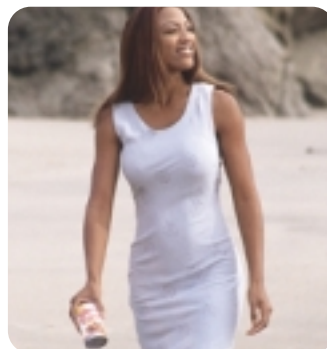
Unilever's roots go back more than a century. Margarine was first produced commercially in the Netherlands in the 1870s and by 1927 two early manufacturers, Jurgens and Van den Bergh, decided to merge their operations to form Margarine Unie. Meanwhile, in the UK, William Hesketh Lever founded his company, Lever Brothers, in 1885 and soon established soap factories around the world. In 1917, he began to diversify into foods, acquiring fish, ice cream and canned food businesses. The Unilever Group came together in 1930 through the merger of Margarine Unie and Lever Brothers. Since then Unilever has operated as one. Although there are still two parent companies, Unilever N.V. and Unilever PLC, they are linked by a series of agreements, follow common policies and have the same directors.

The founders of both the Dutch and British companies had strong values and a clear commitment to corporate social responsibility. W H Lever built a pioneering 'garden village' for his workers at Port Sunlight in the UK. He introduced a shorter working week and offered innovative welfare schemes, such as pensions, sickness insurance and paid holidays. The entrepreneurial spirit of the founders and their concerned approach to employees and their communities remain at the heart of Unilever today.

Over the years, Unilever has always operated in competitive world markets and this has necessitated continual change and adaptation. In August 2000 we announced our intention to re-organise the Group on the basis of two global divisions, one focusing on foods and the other on home and personal care products, effective from January 2001.

Within these new global divisions are the many individual operating companies which remain the fundamental building blocks of today's Unilever. They serve distinctive local markets with a wide range of consumer products and do business within a framework of considerable devolved responsibility. Their freedom to operate is set within the common values of our *Corporate Purpose* and the high standards of our *Code of Business Principles* which provide a strong commitment to ethical behaviour and social responsibility.

This *Review* aims to give an account of how our individual companies and the Group as a whole live out that commitment every day around the world.



Key facts about Unilever

Unilever is a truly multi-local multinational, deeply rooted in local cultures and with consumers, employees and assets spread around the world.

1999 by geographical area

Chart 1
Turnover %

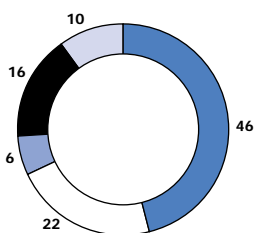


Chart 2
Operating profit %*

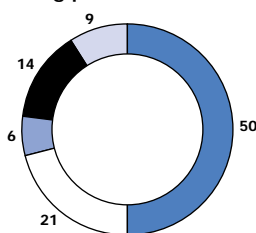


Chart 3
Net operating assets %

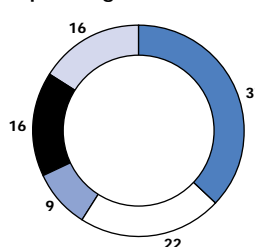
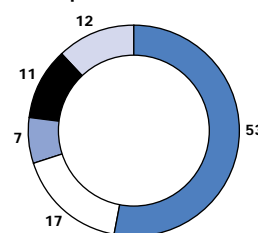


Chart 4
Capital expenditure %



Europe
North America
Africa & Middle East
Asia & Pacific
Latin America

*bei = before exceptional items

Unilever does business in intensively competitive markets for fast moving consumer goods with competitors that are local, regional and global. Employees, business assets and consumers are spread all across the world.

Charts 1-7 provide basic factual information about Unilever in 1999: our size, product profile, global scope and diversity of our employees as the context in which to understand our CSR (corporate social responsibility).

Figures are calculated at average exchange rates current for the year.

Turnover

In 1999 our turnover was €40,977 (\$43,650) million, level with the previous year (Charts 1 & 5).

Profits

In 1999 our operating profit before exceptional items (bei) was €4,572 (\$4,871) million, an increase of 5% on the previous year (Charts 2 & 6). Profit on ordinary activities before tax was €4,341 (\$4,624) million while net profit after tax was €2,771 (\$2,952) million.

Assets and capital expenditure

In 1999 the value of our net operating assets was €9,266 (\$9,308) million, while capital expenditure totalled €1,305 (\$1,390) million (Charts 3 & 4).

Employees

During 1999 Unilever had on average 255,000 employees. The steady decline in employment over the last five years is largely due to business restructuring, including the sale of our speciality chemicals business in 1997, and the impact of technical innovation (Chart 7).

1999 by product area

Chart 5
Turnover %

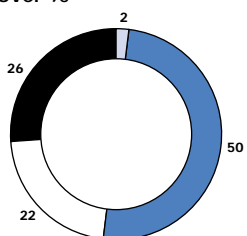
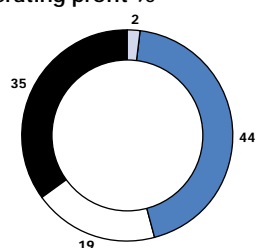


Chart 6
Operating profit %*



Foods
Home care and professional cleaning
Personal care
Trading operations

*bei = before exceptional items

Chart 7
Employees by geographical region 1995-1999 (000s)

Average number of employees in:	1995	1996	1997	1998	1999
Europe	103	102	93	83	79
North America	29	29	27	23	22
Africa & Middle East	70	68	61	58	52
Asia & Pacific	77	77	76	73	72
Latin America	29	30	30	30	30
Totals	308	306	287	267	255

Our *Corporate Purpose* and *Business Principles*

A commitment to the highest standards of business behaviour is at the heart of Unilever's *Corporate Purpose* and is made explicit in our *Code of Business Principles*.

Unilever operates a decentralised structure around the world. So it is vital that everyone who works within the organisation has a shared purpose that binds the company together and motivates all Unilever employees towards our common aims.

That is why we drew up a statement of *Corporate Purpose* – first articulated in 1996. The clear expression of our *Corporate Purpose* was not to invent something new, but rather to reveal the essence of the company. The statement of *Corporate Purpose* describes what Unilever aspires to be, as well as expressing its values and beliefs. It is a starting point that gives a reference by which we can evaluate our performance, and the direction for continually improving it.

Our *Code of Business Principles* sets the framework for our worldwide operational standards, covering issues such as employee health and safety, product quality, relations with governments, ethical behaviour and environmental impact. It is a core Unilever statement and we consider it essential that all employees understand and comply with its standards. The *Code* is currently being reviewed and will be revised to take into account, among other things, the OECD's recently updated *Guidelines for Multinational Enterprises*, published in June 2000.

Taken together, these documents provide a baseline from which we can start to give definition to our corporate social responsibility. Our approach is that first and foremost we should aim to demonstrate that we live out the undertakings of the *Corporate Purpose* and *Code of Business Principles*. We believe that these commitments are not just an expression of our values, but that in living them out they contribute to our success.

Over the years Unilever has made a number of acquisitions. Many of these have enriched our values, contributing to the evolution of our operating practice and corporate behaviour. During 2000, Unilever acquisitions included Bestfoods, Slim·Fast and Ben & Jerry's Homemade ice cream and we will take the opportunity to learn from their accomplishments in corporate social responsibility. At Ben & Jerry's we are committed to delivering on its distinctive *Social Mission* as the company grows to become an international business.



Unilever's 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.

Unilever's Code of Business Principles

Standard of Conduct

Unilever conducts its business with honesty and integrity and with respect for the interests of those with whom it has relationships.

Obeying the Law

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

Employees

Unilever companies are required to recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

Unilever is committed to providing safe and healthy working conditions for its employees worldwide.

Unilever believes it is essential to maintain good communications with employees, normally through company based information and consultation procedures.

Conflicts of Interest

Unilever expects its employees to avoid personal activities and financial interests which could conflict with their commitment to their jobs. Steps are taken to ensure that employees receive appropriate guidance in areas where such conflicts can arise.

Public Activities

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

Unilever companies are encouraged to promote and defend their legitimate business interests. In so doing they may either directly, or through bodies such as trade associations, raise questions and discuss particular government actions or decisions.

Where their experience can be useful, they are encouraged to cooperate with governments, individuals, agencies and other organisations in the development of proposed legislation and other regulations which may affect such legitimate interests.

Unilever companies are also encouraged to respond to requests from governments and other agencies for information, observations or opinion on issues relevant to business and the community in which we operate.

Product Assurance

Unilever is committed to providing products which consistently offer value in terms of price and quality, and which are safe for their intended use.

Environmental Issues

Unilever is committed to running its business in an environmentally sound and sustainable manner. Accordingly its aim is to ensure that its processes and products have the minimum adverse environmental impact commensurate with the legitimate needs of the business.

Competition

Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Employees receive guidance to ensure that they understand such laws and do not transgress them.

Reliability of Financial Reporting

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.

Bribery

Unilever does not give or receive bribes in order to retain or bestow business or financial advantages. Unilever employees are directed that any demand for or offer of such bribe must be immediately rejected.

Application

This Code applies to Unilever companies throughout the world. Where Unilever companies participate in joint ventures the application of these principles will be actively promoted; this will significantly influence the decision to enter into or to continue in any joint venture.

Compliance

It is the responsibility of the Board of Unilever to ensure that the principles embodied in this Code are communicated to, understood and observed by all employees. An independent Internal Audit function supports the Board in monitoring compliance with the Code.

The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles. Equally, the Board of Unilever undertakes that no employee will suffer as a consequence of bringing to their attention, or that of senior management, a breach or suspected breach of these principles.

Chairmen's letter of introduction to Unilever's Code of Business Principles

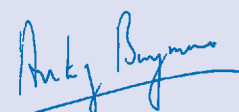
Unilever enjoys a reputation for conducting its business with integrity and with respect for the interests of those our activities can affect. This reputation is an asset, just as real as our people, factories and brands.

Our first priority is to be a profitable business and that means investing for growth and balancing short term and long term interests. It also means caring about our customers, employees, shareholders and suppliers, and the communities in which we conduct our operations.

In the course of meeting our business objectives, we consider it essential that all employees understand and comply with our values and therefore share the Unilever way of doing things.

It is very easy in the realm of business ethics to make high sounding statements of little practical value. The general principles contained in this Code are the bedrock; more detailed guidance tailored to the needs of different countries and companies already exists and will be further developed.

This Code of Business Principles is a core Unilever statement and we commend it to you.



Antony Burgmans



Niall FitzGerald

Unilever's approach to corporate social responsibility

Based on our values and relationships with our stakeholders Unilever is developing a systematic approach to managing CSR across widely diverse societies.

The definitions and scope of CSR are much debated. The starting point we have taken in developing Unilever's approach is that CSR covers the company's impact on, or interaction with, society in three distinct areas. These are: the company's own operations; the company's relationships with its business partners through the value chain; and the voluntary or philanthropic contributions it makes to communities (Chart 8). We believe CSR should be seen as a core business activity.

In 1998 we began the process of developing, from this very broad definition, a methodology for measuring and managing Unilever's performance. A framework for our approach was created based on how CSR is demonstrated through our many and varied day-to-day relationships with society. Seven particular stakeholder groups were identified: shareholders; employees; consumers; suppliers and trade customers as business partners; government; the local communities and societies where we do business; academics and others with whom we conduct research.

There is also widespread interest in society in business's impact on the environment and its willingness to participate in efforts to mitigate negative environmental consequences. We have therefore included in this *Review* how we engage with society in support of our environmental commitments. (An overview of our environmental policy and performance can be found at the [Environment](#) section of www.unilever.com.)

During 1999 and 2000 we trialled the methodology in a pilot project involving Unilever operating companies in nine

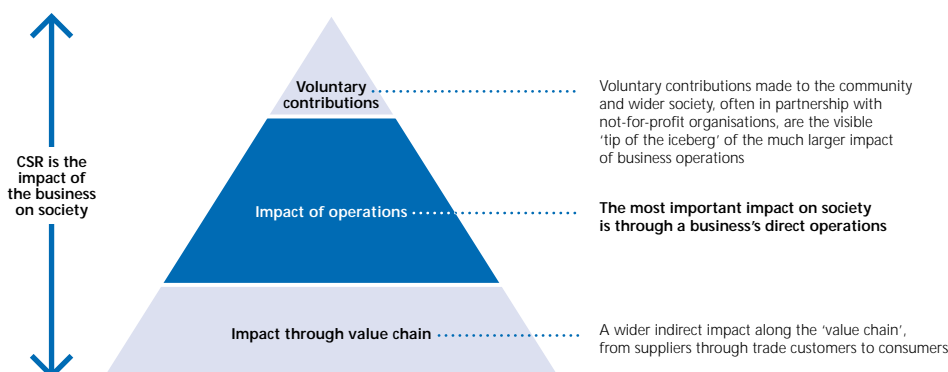
countries. Together the pilot project countries represent approximately a quarter of Unilever's worldwide sales. Countries and companies were chosen to represent the diversity of Unilever: some long-established in the developed economies, such as Canada, the Netherlands and UK; others from the newly industrialised economies, such as Brazil and Turkey; significant businesses in the developing world were represented by Ghana and India; and Poland and Vietnam were included as new companies in societies moving from 'command' to 'free market' economies.

Each country completed a comprehensive self-assessment manual, which enabled it to review in depth how it lives out Unilever's values in practice, measuring, benchmarking and critically assessing its performance.

This *Social Review* draws on data which Unilever regularly collects and aggregates on a worldwide basis, supplemented by information and case studies taken from the pilot countries. The following section *A first review* takes a broad look at Unilever's performance in the context of our relationships with our stakeholders. It maps out our major areas of social interaction: wealth creation; employment values and practices; consumer commitment; and our responsibilities towards the environment and the communities in which we operate.

We are still learning from the findings of the pilot project, and will continue to experiment with how and what we measure, what is usefully monitored and reported at an international level, and what is best kept local. The concluding section *The way ahead* describes how we plan to go forward, building on our learning and improving our performance.

Chart 8
Three levels of corporate social responsibility



Creating wealth ...

Unilever's continued profitable growth creates wealth for all those around the world with a stake in the business. Among them, international and local shareholders must receive a competitive return if we are to raise the funds needed for investment – in our brands, innovation, our people and factories – and so sustain our growth.

By meeting the needs of our consumers worldwide, Unilever's branded products and services help to raise living standards and improve the quality of life. Our activities create wealth for the many hundreds of thousands of people with a stake in the business, including our direct employees, suppliers and customers. They also include our shareholders, whether direct private investors or individuals benefiting from pension funds and other institutional holders of our shares.

Shareholders need to receive a competitive rate of return on their investment, otherwise we will not be able to raise capital cost-effectively to invest in sustaining the growth of the business and the livelihoods of those working for us. We have set ourselves the target of being in the top third for total shareholder return (TSR) compared to a reference group of 20 other international consumer goods companies. TSR combines share price appreciation and dividends paid to show a total return to the shareholder, calculated over a three-year rolling period.

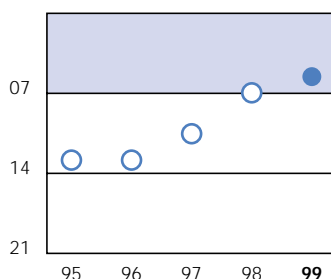
During 1999 we met this performance goal (Chart 9). However, in 1999 share prices in our sector as a whole suffered as investor interest focused on technology and internet stocks. In addition the market marked us down because of our response to competitive moves in the laundry market in south Latin America. These factors led to a particularly sharp decline in the Unilever share price during the fourth quarter. If measured over the single year, we would be below our TSR benchmark. We continue to focus our efforts to enhance shareholder value.

Most companies in the Unilever Group are wholly owned. However, in around 20 countries Unilever shares ownership with local partners and investors, itself directly owning between 40% and 90% of the equity.

In nine of these countries, including Ghana, Indonesia and Nigeria, shares in local Unilever Group companies are quoted on the national stock market, so many individuals directly share in the wealth created in their country. In India, Hindustan Lever Ltd (HLL) is quoted on the Mumbai stock market and had 360,000 shareholders during 1999, with equity evenly distributed between individuals and institutions (Chart 10). Over 12,000 shareholders attended HLL's 1999 Annual General Meeting (AGM), while in Ghana, AGM attendance was over 3,200.

The shares of the Unilever parent companies are listed on several international stock exchanges. Unilever N.V. shares are listed on the Amsterdam, London, Swiss and other European stock markets; PLC shares are listed on the London market; and both companies have listings in New York. It is estimated that two thirds of Unilever shares (N.V. and PLC combined) are held in Europe, with one in five held in the USA (Chart 11). The proportion of Unilever shares estimated to be held outside the four countries in the chart has almost doubled since 1995, from 7% to 13%, reinforcing in its shareholding the international nature of the company.

Chart 9
Unilever's TSR position relative to the reference group



The reference group, including Unilever, consists of 21 companies

Chart 10
Distribution of Hindustan Lever equity 1999

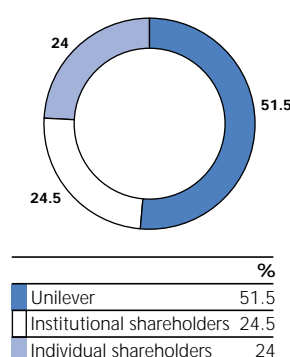
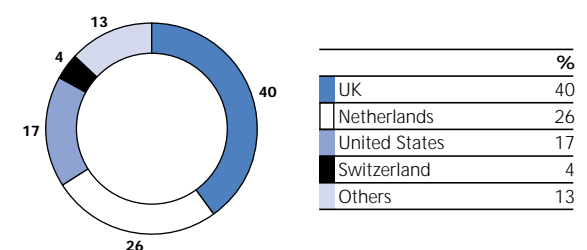


Chart 11
Geographical distribution of Unilever's combined shares in 1999 (estimated)



... adding value, sharing wealth

Unilever's operations add value by efficiently processing raw materials and effectively marketing branded products and services to meet consumers' needs. This value is shared among our many stakeholders worldwide: shareholders, employees, governments and local communities.

Companies such as Unilever are legally required to publish financial statements including a profit and loss account, which presents the success of the business in terms of profits generated and dividends paid to shareholders. However, such statements cannot show the breadth of our economic impact around the world nor the extent to which other stakeholders share very considerably in the wealth we create.

A cash value added statement looks at the wealth created by the business after subtracting the cost of bought-in goods and services from total sales. It shows how the cash generated is distributed amongst our stakeholders.

The cash value added statement shown in Chart 12 gives a snapshot of the value which our operations add to the raw materials, goods and services we purchase from suppliers. It shows how that cash value is distributed during the year to employees, governments, providers of capital and local communities. Some is retained in the business or invested for growth – that is, for the benefit of stakeholders in the future.

In 1999, Unilever's employees worldwide received the largest share of our cash value added, while shareholders and lenders received one eighth through dividends and interest paid (Chart 13). The share attributed to local communities represents only our voluntary community contribution and not, for example, local taxes (see *Investing in communities*).

Our full economic impact in countries and local communities is extensive, encompassing taxes paid to governments and the many jobs supported in the supply and distribution chains. The €1,443 (\$1,538) million shown in Chart 12

as contributed to government revenues is a considerable understatement of the total amount governments receive as a direct result of Unilever operations. For example, sales taxes on many products and payroll taxes are also collected and paid to governments at a local level; they are not included in this analysis.

Unilever companies spent €29,423 (\$31,347) million on purchasing raw materials and services. This expenditure supported several hundred thousand jobs in the supply and distribution chains beyond our own direct employees. In the pilot country studies, efforts were made to calculate the full extent of these indirect jobs but the results were not robust enough to make firm extrapolations. We plan to work further on this issue.

At present, much Unilever purchasing is from suppliers in the countries where we do business. In future, this economic impact will tend to be more concentrated at regional level, as manufacturing responds to intensive competitive pressures and is reordered into integrated regional networks behind our brands.

Our manufacturing is being focused on around 150 key sites with others producing mainly for local markets. As a result, the number of existing manufacturing sites is likely to be reduced by around 100. Such restructuring has been a fact of business life for some time and we seek to mitigate its personal impact by promoting the long-term employability of people through training and the provision of extensive consultation and support at closure (see *Respect and dignity in the workplace*).

Chart 12

Cash value added Unilever Group 1999 € (\$) million

Cash generated

<i>Customers and consumers</i>		
Income from sales ¹		40,977 (43,650)
<i>Suppliers</i>		
Payments for materials and services		
raw materials & packaging	17,531 (18,677)	
advertising & promotions	5,345 (5,695)	
other supplies	6,547 (6,975)	
		29,423 (31,347)
Cash value added		11,554 (12,303)

Distribution of cash value added

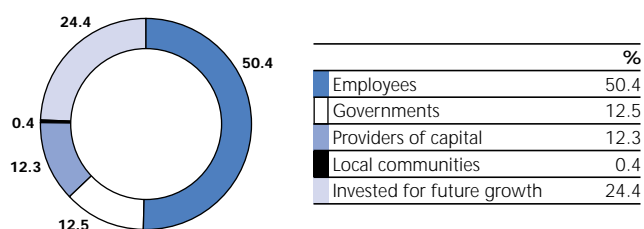
<i>Employees</i>		
Wages and other benefits ²		5,828 (6,209)
<i>Governments</i>		
Taxation ³		1,443 (1,538)
<i>Providers of capital</i>		
Dividend and financing costs ⁴		1,422 (1,515)
<i>Local communities</i>		
Voluntary community contributions		44 (47)
<i>Invested in business for future growth</i>		
capital expenditure	1,501 (1,599)	
acquisitions and disposals	362 (388)	
net retained in the business	954 (1,007)	
		2,817 (2,994)
Cash value added distributed		11,554 (12,303)

Notes

- 1 Excludes sales and value added taxes collected from customers and consumers and paid to governments.
- 2 Includes payroll taxes collected from employees and paid to governments.
- 3 Mainly tax on corporate profits.
- 4 Excludes a special dividend declared in 1998 but paid in 1999 (effectively a return of capital arising from the sale of Speciality Chemicals in 1997).

Chart 13

The distribution of Unilever's cash value added 1999



Setting high standards in corporate behaviour

Unilever seeks to conduct its business with honesty and integrity. Maintaining a reputation for high standards in corporate behaviour is an asset just as real as our people, factories and brands.

The Unilever *Code of Business Principles* sets the framework for our worldwide operational standards and covers a range of social and ethical issues such as obeying the law, competition policy, product assurance and bribery.

All chairmen of Unilever operating companies and the presidents of our Business Groups are required to give positive assurance each year that the standards set out in the *Code of Business Principles* are adhered to. Compliance is regularly audited by Unilever's internal audit function.

Around the world the *Code of Business Principles* is translated into many local languages, given to new and existing employees, and prominently displayed. Distribution procedures vary to meet local circumstances: for example, some require all employees to sign on receiving a copy; others require managers to pass on an understanding of the *Code*.

Where issues arise they are referred to operating company chairmen for resolution. Where suspected breaches of the *Code* are identified, each local company has its own local procedures for identifying and dealing with them. In the United States, a free and confidential phone line enables employees to raise suspected breaches of the *Code* and any other ethical issues. In Turkey, a separate Business Principles Secretariat oversees the management of values across the business.

The Board of Unilever undertakes that no employee will suffer as a consequence of bringing to their attention, or that of senior management, a breach or suspected breach of the *Business Principles*.

Unilever companies do business in some countries where ethical standards in society and business can be poor.

As a consequence we are continually working to improve internal and external standards.

In a number of countries our companies are active in developing an understanding of the need for responsible and ethical corporate behaviour as an important part of social development. For example, in Brazil Unilever has become a founder member of *Instituto Ethos*, a new business-led organisation which seeks to promote ethical business behaviour and wider corporate social responsibility. In South Africa, Unilever has funded the creation of an ethics centre at the University of Natal, inaugurated in May 1999.

Managing values in Turkey

Unilever Turkey is one of many Unilever companies to have translated the *Code of Business Principles* into the local language. It is distributed to all employees and new recruits who are informed that they are personally responsible for reporting incidents or suspected breaches of the *Code* to their superiors or to the Business Principles Secretariat (BPS). The Secretariat is a small group of senior managers, operating within a regime of strict confidentiality and reporting directly to the chairman who has ultimate responsibility for ensuring compliance.

The BPS meets quarterly to:

- support the chairman and Board in addressing policy issues;
- evaluate audit reports from an ethical perspective;
- review and advise on specific issues as they arise.



Professor Martin Prozesky, Director of the Unilever Foundation for Education & Development, South Africa



Unilever's *Code of Business Principles* sets the framework for our worldwide operational standards

A safe and secure workplace

Unilever seeks to achieve the highest standards of corporate behaviour towards employees. That means providing uniformly safe operating conditions, which are also free of health risks, for all our employees wherever they work around the world.

Unilever's Safety, Health and Environment Action Committee (SHEACO) mandates global standards in safety, health and the environment. It aims for continuous improvement in performance year on year. The Committee draws on expertise from all parts of Unilever, thereby achieving a balance between our innovation process, supply chain and geography, and appropriate corporate functions, for example occupational health, insurance and our Safety and Environmental Assurance Centre (SEAC).

SEAC supports the implementation of these standards and other policies in all parts of Unilever. It operates worldwide and is staffed by specialists in risk management, not employees involved in developing products or technology. This helps to ensure their decisions and support are independent of commercial considerations. In addition, our Occupational Health Service works with human resources and line management to ensure employees' safe and effective working without risk to health. In 1999 key indicators such as musculo-skeletal disorders, asthma and noise-induced hearing loss were collected to enable us to monitor employee work-related health worldwide.

The global SHEACO standards require that preventive action, reporting and regular auditing procedures are implemented and maintained. Performance on key indicators is rigorously tracked as we strive towards a goal of zero accidents. In pursuit of this goal our worldwide accident frequency rate (which is a broad measure defined as lost time accidents plus restricted work cases per 100,000 man hours) improved every year from 1996 to 1999: in 1999, the accident frequency rate was at one third of the 1996 level (Chart 14). Fatal accidents, among the company's own employees on- and off-site and contractors' workers on-site, have halved over the same period (Chart 15).

These and other indicators are tracked in each facility. For example, in 1999 India's Chhindwara factory won the Unilever Premier Safety Award for the third time. This detergents factory operates around the clock and has achieved continuous production for more than 5.62 million man hours – over eight years – without a single lost time accident. From 1996-2000 three Unilever factories in the UK have won business journal *Management Today's* 'Factory of the Year' award. 2000's winner – Elida Fabergé's deodorants factory – was particularly commended by the judges as having the best safety induction video they had ever seen.

Safe driving

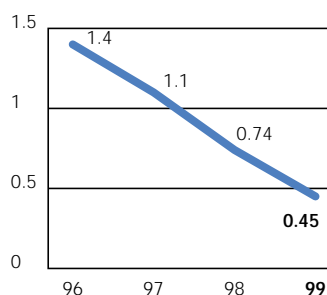
Road traffic accidents, whilst on Unilever business, are a significant contributor to the overall fatal accident numbers. During 1996-1999, driving-related fatalities accounted for 24 (36%) out of the total of 66. Consequently, SHEACO issued a new mandatory standard in November 2000, the 'Safe Travel in Vehicles' programme, to be applied everywhere in the world. It requires that:

- All vehicles driven by employees on Unilever business must be in a safe and roadworthy condition with seat belts fitted for the driver and passengers.
- All employees must wear the seatbelt(s) provided whilst on Unilever business.
- Each Unilever organisation must implement a programme of defensive driving training for all employees required to drive on Unilever business.
- Employee work schedules, remuneration and incentive schemes must be kept under review to ensure that they encourage safe driving patterns and practices.



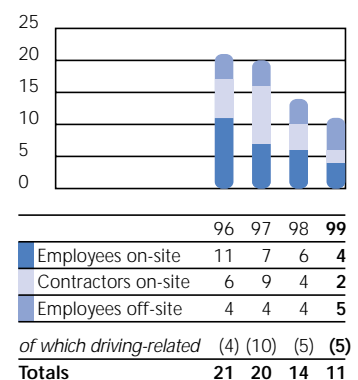
Award-winning Chhindwara detergents factory, India

Chart 14
Accident frequency rate 1996-1999



Accident frequency rate = lost time accidents + restricted work cases per 100,000 man hours.

Chart 15
Fatal accidents 1996-1999



Investing in people

Competitive rewards, good training and proper support to employees are essential for Unilever's continuing success.

At Unilever we are committed to creating an environment, at all levels in the organisation, in which people can grow and reach their full potential. Fundamental to this are remuneration practices which attract, reward and retain the calibre of people necessary to deliver on our consumer promise in the highly competitive markets in which we operate.

Worldwide in 1999, Unilever employees earned €4.9 (\$5.2) billion in pay, with additional benefits through pension contributions, health insurance and social security payments (Chart 16). Unilever companies develop their own employee remuneration strategies in line with national and local market practices, monitoring pay and benefits provision in the industry and beyond.

Some of our long-established companies in the developing world provide extensive healthcare provision for employees' families. India's Hindustan Lever had 41,259 workers in 1999 and also provided for some 90,000 employee dependants; Unilever Ghana had 1,738 employees with 3,500 dependants. Worldwide in 1999 Unilever had over 400,000 pension scheme members; India supported 11,226 pensioners and Ghana 514. Practice varies considerably around the world, depending on the different social systems. Comprehensive employee healthcare is normal practice for companies operating in the USA and Canada, for example, but not in other countries such as the UK where public sector provision is extensive.

The willingness of our employees to embrace new ideas and learn continuously are the foundations on which Unilever's continuing success is built. Our integrated approach drives investment in the personal and professional growth of all our employees, through development of individual skills and

competencies. Formal training and development takes place at country and Business Group levels, and at our own international management training college in the UK.

Unilever in Poland is characteristic of our operating companies. It has its own training plan in place for all employees, whatever their level in the business (Chart 17). In 1999, the total direct cost of investment in training for around 3,000 employees was €735,000 (\$783,000). Over 100 employees received training overseas, and time off and financial support were given to others seeking to further their personal education – 45 people took advantage of this provision.

Investment in skills is also pursued at Business Group level. Our Home & Personal Care Europe Business Group has built its operations on the European Foundation for Quality Management (EFQM) 'business excellence' model. Unilever's Greek company, Elais, won an EFQM European Quality Award in 1999 for its pursuit of quality. Since 1991 all Elais employees have received regular training in Total Quality Management and in 1994 it achieved the ISO 9001 quality standard certification.

Our international training college runs 21 courses open to managers worldwide. They cover topics as diverse as enterprise skills, advanced marketing, managing integrated supply chains and strategic information technology. In 1999, nearly 3,000 employees attended such courses, over 85% coming from outside the UK.

One course, our new 'Leaders into Action' programme, focuses on building the leadership capability of employees moving into senior management roles. Among other tasks, participants must implement their own community service events.

Chart 16
Staff costs and employees 1999

Staff costs	€m	\$m
Remuneration of employees	4,898	5,218
Emoluments of directors as managers*	11	12
Pension costs	169	179
Post-retirement health benefits	59	63
Social security costs	691	736
Total staff costs	5,828	6,208

*Details of directors' remuneration are given in the Unilever Annual Accounts

Chart 17
The distribution of training days by grade in Poland 1999

Employment level	Number of employees	Average training days per person
Senior managers	9	1.5
Managers	281	10.8
Factory and administrative workers	2,728	5
Total	3,018	

Respect and dignity in the workplace

Transparency and respectful behaviour towards employees are fundamental elements of our approach to corporate social responsibility – especially at a time when business conditions require us to restructure operations.

Promoting effective dialogue with employees is essential at all times. Our companies use many channels to achieve this: employees regularly receive workplace briefings, newsletters and electronic bulletins. Intranets and email help share information rapidly around the world. Employee climate surveys systematically feed back the views and concerns of employees.

Consultation is widespread and takes many different forms. In Canada, the Netherlands and Ghana for example, formal joint consultative bodies of a 'works council' type enable employee representatives to meet jointly with management. In 1996 Unilever was one of the first companies to set up a Europe-wide works council, providing a framework for effective exchange of information and consultation on transnational issues in all EU member states and Switzerland. Unilever fully respects the right of employees to join trade unions where they wish and we work with unions when they are formed and formally recognised as negotiation partners.

Today few companies can guarantee lifetime employment and we seek to handle restructuring and any necessary plant closures with great care. In February 2000 we announced a five-year restructuring programme that will lead to a worldwide reduction of approximately 25,000 workers, mainly in manufacturing. Some production capacity will be sold to other companies.

Such restructuring has been a fact of business life for some years. We have sought to promote the long-term employability of people working for Unilever, so they have marketable skills and a portable benefits package. In countries as diverse as Canada and Brazil, when plant closures occur Unilever's compensation package typically exceeds both the minimum required by national law and the collective agreements with

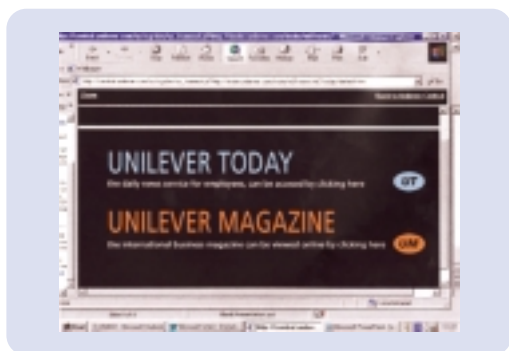
trade unions. All employees leaving Unilever receive counselling on issues such as financial management, training and career skills.

To evaluate the success of such support, in the Netherlands employees' destinations were tracked at point of departure: from 1996 to 2000 employment at a major plant was reduced from around 1,250 employees to around 550 but only 5% became unemployed (Chart 18).

In addition to making provision for employees, in Brazil, the community was involved in finding alternative uses for a Rio factory site after closure. In India, a redundant site at Narendrapur was donated to the community.

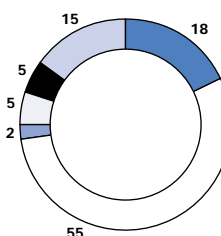
Respect for the dignity and human rights of employees extends to protecting workers and their families from wider public health threats, such as HIV/AIDS in high incidence regions. In Africa we ensure that appropriate guidance, medical supplies and support are available to employees and dependants. In a number of countries, including Kenya, Nigeria and Botswana, we also work with others to share our experience and expertise with the wider community.

Similarly, under-age working is an issue of serious concern in many countries. Unilever's policy fully supports the International Labour Organisation Convention on Minimum Working Age and its new Convention 182, banning the worst forms of child labour. Unilever Business Groups around the world regularly assess their operations against this policy and have confirmed compliance. In India, for example, we operate a minimum working age policy of 18 years, and contractors and licensed manufacturers are also required to comply with this standard.



Electronic media enable rapid information sharing with colleagues around the world

Chart 18
Netherlands factory restructuring 1996-2000:
destination of employees at point of departure



Employees going to:	%
another job in Unilever	18
employment elsewhere	55
self-employment	2
training and education	5
unemployment	5
not seeking employment/early retirement	15

Valuing diversity

For Unilever, the free exchange of knowledge and experience among people of different nationalities is key to our success. We seek to be fully part of the diverse societies and cultures where we do business, and to bring the wealth of our international expertise to the service of local consumers.

To succeed as a multi-local multinational we must be sensitive to local markets: our brands are on sale in 150 countries. People from over 100 nationalities work for the company: the more variety we have in our employees and the more we see the world through their eyes, the closer we become to our consumers and the better equipped to understand their needs. A rich mix of people, skills and cultures brings about a greater range of inputs, viewpoints and experiences to generate more ideas and competitive innovations. So we value diversity as a cornerstone of our success.

Our starting point is to ensure equality of opportunity in the workplace. In line with the ILO Declaration on Fundamental Principles and Rights at Work, our *Code of Business Principles* requires our companies 'to recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed'.

Each Group company strives to implement this policy as far as it possibly can within the local social and legal context. In some countries, national and religious laws affect our ability to apply equal opportunities principles. For example in the Kingdom of Saudi Arabia, we respect and comply with the local religious culture and laws, the application of which today makes it impossible in practice to employ women in our business.

In the UK, we have a detailed policy statement on the value of diversity and we monitor ethnicity, gender and other diversity issues. In 1999 43% of the workforce were women. Among managers 23% were women, compared with an average for UK industry of around 18%, as estimated by the British Institute of Management.

Overall in 1999, Unilever had 18,906 managers worldwide; of these 4,099 (21.6 %) were women, compared to 2,110 in 1992, an increase of 94%. During the same period, the female senior management numbers doubled. On a regional basis the number of women in management varied between 18% and 25% (Chart 19).

Unilever is determined to improve the proportion of women getting into senior positions in the company, especially at the highest levels. Progress has been made, but this is not yet fast enough nor comprehensive enough.

Equally we seek a spread of nationalities among our senior management group and have made progress in recent years. The top 300 managers in Unilever are drawn from 33 countries around the world; of this total, fewer than half are UK or Dutch nationals. In 2000 our top Executive Committee of eight comprised five nationalities. To embed exchange between cultures, one in ten of national management in a given country will normally be expatriate. Unilever companies are constantly exchanging staff; for example, in 1999 Brazil had 52 expatriates working in-country, while 50 Brazilians worked overseas. India had ten expatriates working in-country, while 60 Indian nationals were on assignments abroad.



Roxanne Aquino, Senior marketing manager

Chart 19

Managers 1999 (18,906):
% who are women

Region	% women
Europe	22
North America	25
Africa & Middle East	18
Asia & Pacific	18
Latin America	23

Meeting everyday needs . . .

Every day around the world 150 million consumers choose Unilever products. Our local companies always seek to connect with their consumers, anticipating their needs and bringing innovative products to market.

From tea and ice cream to shampoo and toothpaste, Unilever has a comprehensive portfolio of brands to meet consumers' everyday needs. We estimate that worldwide around 1 billion households use our products; in Turkey some 82% of households use one or more Unilever products regularly; while in India the figure for urban areas rises to virtually 100%.

Our foods business comprises five main categories: tea-based beverages; culinary products; ice cream; spreads and cooking products; and frozen foods. Our home and personal care business comprises seven categories: deodorants; hair care; household care; laundry; skin care; oral care; and fragrance products. These products meet a vast range of requirements and conditions from laundry soap bars for consumers using river water, to detergent tablets for the most advanced washing machines.

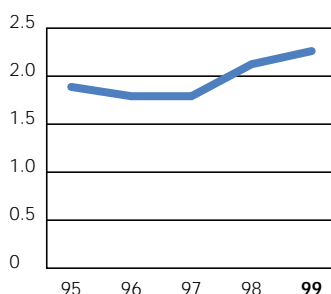
Like many companies, Unilever invests heavily in traditional market research; but really to connect with our consumers' needs, we must go further. From our chairmen to the newest recruit, Unilever people stay in touch with consumers' evolving aspirations. In 2000 in Indonesia, every single Unilever employee along with others from our partner companies – nearly 20,000 people in total – took part in a record-breaking one-day consumer research study in 500 local markets. In Brazil in 1999, not only were 219 market research projects initiated, but brand managers also spent up to 15 days each living with low-income consumers so as to better understand their lives and needs. In India all graduate recruits are required to spend a fixed period living with rural consumers.

The electronic media offer new ways to listen. Unilever has set up three **Interactive Brand Centres** in New York, Amsterdam and Singapore. We have more than 200 brand websites in multiple languages and committed €200 (\$210) million in 2000 to e-business initiatives, helping us to talk with and listen to our consumers better.

Our many telephone 'carelines' give us a special opportunity to connect directly with our consumers – to listen to and learn from their views; to identify future product innovations; and to offer advice, for example on conserving water when washing. In 1999, Unilever Brazil answered nearly three quarters of a million calls to its various brand carelines. In Sweden, Finland and Denmark, our *Via* laundry careline was initiated in 1997. With 70,000 calls a year, consumers mainly ask for advice, but also give suggestions. As a result we have launched three new *Via* products, including a travel wash version and environment-friendly washing tablets.

Innovation comes from anticipating consumer needs: in 1999 Unilever spent a total of €935 (\$996) million on research and development – 2.3 % of our turnover (Chart 20). Through six **international laboratories** on three continents and 71 innovation centres around the world, we translate our research into marketable brands and services for our consumers. In Vietnam, for example, Unilever brought 28 new products to market in 1999; half were incremental improvements on established product lines and half distinctive innovations for the local market.

Chart 20
Research and development
as % of turnover



Chairman Niall FitzGerald tests new recipes at the European Culinary Innovation Centre, UK



Chairman Antony Burgmans (right) checks out products on sale in a Johannesburg supermarket, South Africa

... for consumers everywhere

In meeting the everyday needs of consumers everywhere, Unilever must meet their aspirations and ensure the wide distribution of affordable products.

We tailor products to different markets, to suit local tastes, preferences and habits, based on our understanding of the societies in which we operate and our policy of listening to consumers. Worldwide consumers drink almost 200 billion cups of Unilever tea each year and we produce 18 separate brands of black tea. These 'local jewels' are specifically blended for consumption in different markets.

In Brazil, our *Ala* brand detergent was created specifically to meet the needs of low-income consumers in the north east of the country, where laundry is often washed by hand in river or lake water. Especially in developing countries, we seek to meet the basic household and personal needs of consumers on some of the world's lowest incomes with products whose brands guarantee quality. In India Unilever's sales are evenly spread across the country and across all social classes: in the four largest business categories, sales in rural areas represent as much as 55% of turnover. Also in India, we have:

- developed specifically affordable products such as a low-cost tooth powder;
- developed fortified staple foods, such as flour enriched with extra iron and vitamins – because six in every ten women and children in India are deficient in iron;
- provided a range of pack sizes for products such as salt enriched with iodine K-15 that can be bought in affordable units as small as 200g packs.

In some countries, simply distributing products to densely populated urban districts and far-flung rural areas represents a major challenge. Tanzania has 100,000 retail outlets across a country with more than 9,000 villages. Half the population lives below the poverty line and earns less than a dollar a day. Our newly established company set up an innovative 'bicycle brigade' of sales people, drawn from local unemployed young people, to supply small shops with products such as *Key* laundry soap, sold in small units for a few pence. A year after its launch in November 1999, its affordability and availability earned it an estimated 10% market share.

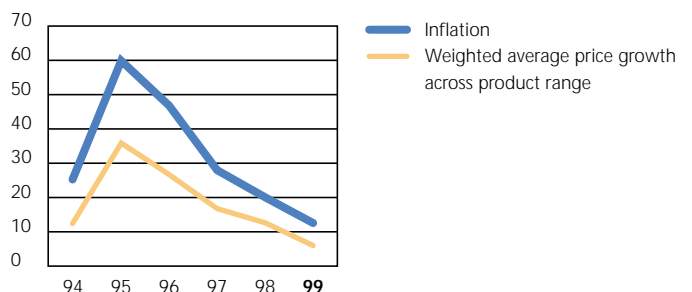
Across our broad range of products, we are committed to offer consistent value in terms of price and quality. For example, in Ghana, a high inflation economy, overall price rises between 1994 and 1999 were carefully monitored and were consistently less than annual inflation (Chart 21).

Unilever believes in vigorous competition, and that is the reality we face in our markets around the world. In addition to several international competitors, there are many regional and national firms against which we compete in local markets. However, it is not just competitive pressures which shape the pricing and presentation of our products. Our own efforts to innovate and use new technology creatively help to ensure we continue to meet the everyday needs of consumers everywhere.



Innovative distribution systems make our brands accessible to remote rural consumers in Tanzania

Chart 21
Inflation vs Unilever price growth in Ghana 1994-1999



Committed to quality and safety

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

For more than 30 years formal internal clearance has been required before any new product can be placed on the market by a Unilever company anywhere in the world. For today's consumer, concerned about the integrity of the food chain, this assurance is vital. Our Safety and Environment Assurance Centre plays a central role in assuring human and environmental safety, ensuring decisions are made regardless of commercial considerations.

A major and continuous research programme underpins this clearance process. In 1999, Unilever invested €420 (\$450) million in fundamental research, of which nearly 90% was spent at our research laboratories in the Netherlands, UK, US, India and China and the remainder with external research institutes, including a number of universities.

As part of our research commitment to health, safety and the environment, some animal testing remains necessary for now. However, we are pledged to eliminate this as quickly as possible and are spending more than €1.5 (\$1.6) million a year to have suitable alternatives accepted. Before any animal testing is carried out, senior management is required to certify that there is no other way of proceeding. We do not test finished cosmetic products unless demanded by the regulatory authorities in the few countries where this is law, and we are working in partnership with others to change these laws.

Securing the safety and quality of product ingredients from our suppliers is a vital task that requires very close working relationships to achieve the exacting and consistent standards promised by our brands. It is an area of continuous development.

We also strive to ensure product quality and safety in our distribution chains, and work to achieve full traceability in the unlikely event of needing to recall a product. In developed countries, our major customers are mainly large sophisticated retailers. In such countries we are able to achieve close to 100% traceability.

Although this level of traceability is not yet possible in developing and emerging markets, we are continually working to improve our performance. In India, where we supply more than 480,000 retailers, we have achieved around 80% traceability of major brands to retailers.

Jinghua jasmine tea

In August 1999, Unilever bought the Beijing Tea Company and with it the *Jinghua* brand of jasmine tea. During the purchase, we identified that 80% of the tea samples received by the company were unusable due to pesticide residues higher than the safe levels permitted by the Chinese government. So after acquisition we:

- identified bulk suppliers who could meet the national standard;
- offered them a premium price for a quality product which they in turn passed on to the tea growers;
- provided technical assistance on reducing pesticides and detecting residues.

These improvements meant that by the end of 1999, 80% of samples received met the standard, rising to 95% by mid 2000.



Jinghua tea factory, China



New biosciences laboratory, UK

Attention to quality and safety is inherent in the development and production of our brands

Responsible promotion

As one of the world's leading advertisers, Unilever aims to be 'legal, decent and honest' in its brand communication. We support initiatives to enhance best practice standards of self-regulation and ensure social sensitivity in diverse cultural contexts.

Unilever has more than 100 years' experience in brand communication. Lever Brothers' founder William Hesketh Lever made his name by taking anonymous bulk soap and transforming it into *Sunlight* soap through lively brand name advertising, colourful packaging and novel promotions – all highly innovative in the 19th century. Today we continue to invest significant expenditure in marketing when measured as a percentage of our worldwide turnover (Chart 22). In many countries we are the largest single corporate spender on brand advertising.

Consumers encounter our brand communication in many areas of their daily lives, whether on television, radio and the internet, via print, posters and direct mail, or through sponsorship and public relations. Television is still the primary medium for brand advertising, but print also forms a crucial part of many communications strategies. In the developed world, the internet is growing rapidly as a medium and increasingly marketing campaigns integrate all these communications channels and disciplines.

Unilever is committed to social responsibility in advertising and promotions. In short, all our brand communications aim to be 'legal, decent and honest'. Where possible Unilever companies around the world support initiatives in the self-regulation of advertising practices, developing robust mechanisms to set standards, judge complaints fairly, publish findings openly and require errors to be corrected.

For example, Advertising Standards Canada is the industry body committed to creating and maintaining community confidence in advertising. Unilever Canada is a member company and seeks to abide by its code. This body receives complaints, reviews adverts and publishes its verdicts. Like similar bodies in many countries in Europe and North America, its aim is to address issues such as accuracy, tastefulness and appropriate presentation of gender and ethnicity. In 1999, Advertising Standards Canada received a total of 1,075 complaints. Of these, fewer than 30 concerned Unilever brands and none was judged to have contravened the code in any way.

Industry associations also work to recognise high standards in advertising. Unilever Canada has been recognised in this way. It has received several advertising awards for creativity and effectiveness for such brands as *Dove*, *Becel* margarine and *Sunlight* laundry detergent. It is also actively trying to reflect the country's ethnic identity, to be close to its consumers and cultural base and to present positive images in its advertising.

In developing countries such as Ghana, systems of self-regulation are just being established. We have taken a lead in establishing the Ghana Advertisers Board, where in 1999 a senior Unilever executive served as its vice-president. Unilever Ghana has sought to use best practice from Europe and other parts of Africa to shape its approach to advertising. Likewise, in Brazil and India, a system of advertising self-regulation has been developed with the active participation of the local Unilever company.

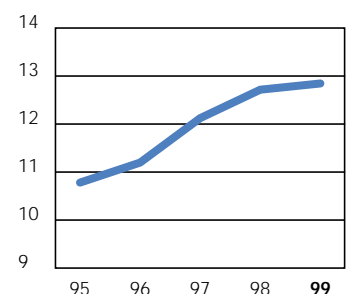


W H Lever led the way in creative brand advertising



Becel margarine, 1999 winner of Canada's CASSIE Gold award for advertising

Chart 22
Advertising and promotions as % of turnover



Working towards a sustainable future . . .

If we are to continue meeting our consumers' needs, Unilever's actions must be aligned with the principles of sustainable development: ensuring we meet the needs of today without jeopardising the ability of future generations to meet their own needs.

In Unilever, sustainability is not an abstract global issue but a current pressing concern. Our starting point is to improve the environmental impact of our own operations, through eco-efficiency in manufacturing. This is reported in detail at the [Environment](#) section at www.unilever.com. One example of reducing environmental impact in manufacturing is at Unilever Ghana, which is the first company in the growing industrial centre of Tema to take the initiative in building an effluent treatment plant. This has been referred to by the government as a model for other industries in Ghana to emulate.

The scope of sustainability takes us further than [eco-efficiency](#). For example, agricultural crops account for more than two thirds of our raw materials. Unilever is a major buyer on world markets of agricultural goods for processing. In line with the overall environmental impact of our business, we have focused on three sustainability initiatives in the areas of agriculture, fish and water.

In [agriculture](#), we are conducting pilot projects to test best practice guidelines in nine countries on five of our key crops: palm oil, tomatoes, peas, spinach and tea. In the UK, for example, we now have a partnership with pea growers on 20 farms to develop these guidelines, so that they can be of wider application. Our long-term aim is to develop market mechanisms that allow customers and consumers to influence the sourcing of agricultural raw materials through their buying habits.

Our second major initiative is sustainable fisheries. A key part of this initiative has been the establishment of the [Marine Stewardship Council](#) (MSC), which Unilever worked with the

World Wide Fund for Nature to create in 1996. As one of the world's leading users of fish, we have a clear commercial interest in preserving fish stocks. Our [commitment](#) is to progress towards sourcing all supplies from sustainable fisheries by 2005.

The third major initiative concerns the more sustainable use of [water](#). It is essential in agriculture and in the manufacture and consumption of Unilever products. Detailed work with external partners runs alongside internal actions such as increasing water recycling in our factories from 40% to 70% over the last five years. Our support for more than 20 water stewardship projects is led by our global support for the [Living Lakes](#) programme. For example PAGER (potable water supply to rural populations) in Morocco is sponsoring a government-run programme to build wells in rural areas, reaching 30,000 villages over eight years. Our scientific work with Rhodes University in South Africa will give support to our work on water imprint studies.

Unilever's commitment to sustainability was again recognised in 2000 with our inclusion as an industry group leader in the foods products sector of the Dow Jones [Sustainability Group Indexes](#), which track the performance of the top 10% of the leading sustainability-driven companies in the Dow Jones Global Index of 2,000 firms. The Dow Jones report states that 'Unilever not only focuses on its own production but extends its environmental perspective to the whole life cycle of its products. Unilever has well-defined corporate social responsibility standards and gives high importance to individual development programmes'.



Unilever Ghana's Tema effluent treatment plant, setting standards in Ghana



For the second year running, Unilever has achieved industry group leadership in the Dow Jones Sustainability Group Indexes

... and engaging with environmental concerns

As part of its commitment to sustainability, Unilever is working with industry bodies, government agencies, business partners and other concerned organisations, to promote environmental care, increase knowledge and disseminate good practice.

Our consumers trust us to supply them with high quality goods that are produced and can be consumed in an environmentally and socially responsible way. Unilever companies throughout the world have continuously raised their environmental performance by reducing their overall impact. We are also playing our part in the global debate about sustainability, because we want to share our experience and learn from others.

Unilever played a major role in the preparations for the Second World Water Forum in The Hague held in March 2000. The Forum involved more than 3,500 participants from the public and private sectors as well as politicians and scientists. The international business panel was led by Unilever. The panel conclusions included raising public awareness about water, sharing technology in ways that can be readily adopted by local communities and building partnerships where everyone can enjoy sustainable access to water.

Another issue of current concern in some markets is the use of genetically modified organisms (GMOs) and we have engaged in this debate with a broad range of public interest groups. Our full corporate policy is set out at the [Environment](#) section of www.unilever.com.

Unilever companies are free to include such ingredients where they are shown to be safe, are approved by regulatory authorities and are wanted by consumers. Where identifiable ingredients derived from or containing GMOs are included in food products, we label products in an informative and fair way. We continue to work with relevant authorities and others from our industry to ensure this is the case. The guiding principle is our commitment to serve our consumers.

To bring a consumer perspective to the public debate, in 1996 Unilever in the UK funded an independent, in-depth study of attitudes to GMOs by Lancaster University. The research was

stimulated by a partnership between the Green Alliance and other non-governmental organisations.

Our commitment to engage in the debate about sustainability extends to getting involved with many environmental initiatives at the local, national and global levels. We also work with employees, in local communities and through national initiatives.

In Canada, for example, employees are informed about the causes and dangers of urban smog and encouraged to leave their cars at home. A car-sharing programme at Unilever Research in Port Sunlight, UK, was part of the strategy to achieve ISO 14001 certification. In countries such as Brazil, India, Ghana and Turkey, elements of environmental and safety management in the home and in the community are integrated into employee training programmes, and ways to take action are highlighted.

In Valinhos, Brazil, the Unilever factory has already markedly reduced its own environmental footprint. Now it is working with the mayor's office and other businesses to improve environmental performance by public and private sector organisations in the town.

In India, around 80% of our 109 sites are involved in improving their local environment through tree planting and other means. Some are engaged in very substantial integrated rural development programmes that include environmental issues alongside the needs of women and community education. At [Khamgaon](#), where one of our large soap factories is located in a very dry area, employees are leading a major soil regeneration and watershed conservation programme.

In the Netherlands, Unilever is the main sponsor of a new [Oceanium](#) in Rotterdam, a national and European resource for public education about sustainable maritime ecosystems.



Khamgaon soil regeneration programme, India



The Netherlands' Oceanium, raising public awareness of the need for sustainable seas

Investing in communities

As an integral part of society, Unilever always strives to be a trusted corporate citizen, fulfilling our responsibilities to the communities in which we operate.

Worldwide in 1999, Unilever companies invested around €40 (\$42) million in community involvement. In addition, more than €4 (\$5) million was contributed to disaster relief projects in countries as far apart as Turkey, Taiwan and Colombia. This total equates to around 1% of pre-tax profits, on a par with best practice among leading international companies. It takes the form of charitable gifts, strategic contributions to social investment projects and commercial initiatives in the community such as cause-related marketing (Chart 23). We are committed to working directly and in partnership with public authorities and a range of not-for-profit organisations to address important social, economic and environmental challenges.

In keeping with our multi-local multinational approach, local Unilever companies invest in key issues of long-term importance to society, for example to further sustainable and economic development or to raise standards of education and health (Chart 24). We are now seeking to develop stronger global themes in our community contributions to maximise their impact.

In the Philippines, we are working in a multi-sector partnership to rehabilitate Manila's polluted Pasig River, while Unilever China's Clean Water and Green Mountains initiative includes planting half a million trees. In Greece our foods factory recycles its hot water to heat a local school complex. In Ghana, the Unilever Foundation for Education and Development provides educational funding and supports research, social and enterprise development projects and

contributes to effective rural health delivery. In London's inner city borough of Tower Hamlets, seven schools have joined in a partnership with Unilever aimed at supporting and motivating staff and pupils to help raise educational standards.

Our brands also undertake commercial initiatives, such as cause-related marketing, to bring benefits both to the brand and our partner organisations. In Cote d'Ivoire our Belivoir soap brand runs a programme of visits and competitions to promote personal and domestic hygiene among school children, while in Vietnam our P/S joint venture company works with the Ministry of Health to promote better dental care to children through free check-ups and education programmes.

To reinforce our brands' health messages we sponsor major community events, such as the Becel Ride for Heart in Canada and the Flora London Marathon. The Flora Marathon has over 30,000 entrants and is the world's biggest fundraising marathon. In 2000, 300 Unilever employees from Brazil, South Africa, Europe and the US competed, helping to raise the race's target of €36 (\$39) million for charity.

In supporting our communities, Unilever benefits too. Our employees enjoy and gain motivation from 'making a difference', develop new skills and stay connected with real social issues, while our brands become better known and increase their sales.



Reading partner schemes pair Unilever staff with pupils at London's Tower Hamlets schools

Chart 23
1999 community spend by motivation

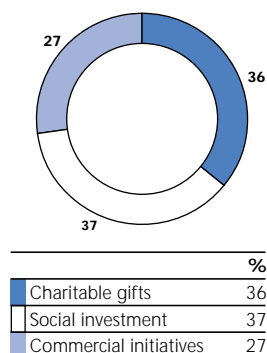
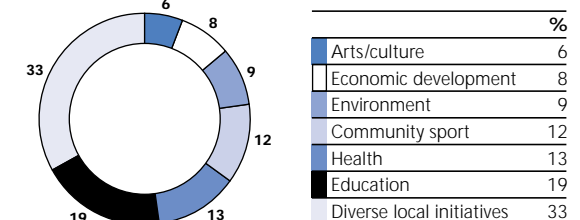


Chart 24
1999 community investment by subject area



The way ahead

Companies have a duty to manage all aspects of business in a responsible and sustainable way. In so doing, they make a substantial contribution to society.

Every day, around the world, in many different cultural contexts, Unilever people are carrying out their responsibility to the societies in which we operate. They ensure the safety of our brands, not just once, but every time each individual product rolls off the line, is packaged and distributed, via the largest or smallest outlet, into the hands of our consumers. They operate complex manufacturing sites, conscientiously, with care for their fellow workers, the environment and the neighbouring community. They innovate, listening to consumers, learning about emerging technologies and working to bring new solutions to consumers' aspirations and needs in a cost-efficient and effective way. In short, for Unilever, the very business of doing business, responsibly and sustainably, makes a substantial contribution to society.

The behaviour expected of Unilever people is described in the values set out in the *Corporate Purpose* and the standards given in the *Code of Business Principles*. While these statements may be adjusted over time to reflect evolving expectations, fundamentally they set out values which have been the foundation of Unilever's way of doing business since the company began.

However, overarching statements of principles do not always translate into actions, and while our aims are clear, we acknowledge that sometimes we may fall short of their achievement. There is always room for improvement in performance.

The CSR projects run during 1999 and 2000 explored new ways to measure and evaluate our social responsibilities. From them, we have learnt how to improve the assessment of our

performance against our standards. We are now considering what is appropriately monitored and reported at an international level, and what is best kept local. The challenge is how to share leading practice and bring greater clarity, while still retaining our commitment to a locally tailored approach.

During 2001 we will build on the pilot projects and re-work the measures of performance we use. We will continue our efforts to identify trend data and external benchmarks against which we can assess our performance. We are also developing a road map of best practice and milestones for CSR management, so our companies can make progress within a consistent framework and with a common sense of purpose, whatever their current size and stage of development (Chart 25).

The nature, extent and management of corporate social responsibility is also being actively debated outside Unilever, internationally and locally. At the international level we will continue to learn from organisations such as Business for Social Responsibility and the Global Reporting Initiative, contributing, from our own experience internationally, to the development of understanding in this field. We will continue to support actively the UN Global Compact.

Of equal importance is our ongoing work with local organisations such as Instituto Ethos in Brazil, where useful and practical skills and techniques are being developed. These activities create opportunities to share experience and learn from others. They complement the commitment our businesses have to the local societies and communities in which we operate.

Tell us what you think

The purpose of this *Social Review* has been to provide a broad perspective of Unilever, and to show how we go about meeting the values and standards we set ourselves as we carry out our daily business. No single document can completely cover all aspects of our relationships with society. Our aim has been to give you a first introduction and opportunity to understand what we do, why we do it and how we plan to go forward.

Please let us know what you think – we welcome your comments on what you have read. We can be reached via [Contact Us](#) at the Society section of www.unilever.com, where you will also find more about our brands and activities around the world. Alternatively send your comments direct to society.info@unilever.com.

Chart 25
Unilever's CSR target milestones

Milestone	Year
Publish first <i>Social Review</i> on website	2000
Complete review of <i>Code of Business Principles</i> and roll-out worldwide	2001
Embed learning from 2000 project into CSR self-assessment methodology	2001
Complete CSR road map and roll-out worldwide	2001-2003
Effective external engagement	ongoing
Complete local CSR reports	2001
Define international themes	2001