

Sustainable
Development
2008: An Overview



Unilever



Adding Vitality to Life

Sustainable Development 2008: An Overview

This **Overview** explains how we are integrating sustainability into our business and brands and through them contributing to improved health, nutrition and hygiene.

We discuss how, with our partners, we are addressing some of the critical challenges facing the world today such as sustainable farming, climate change, water stress and resource use. These are the topics we have defined as our most material issues.

The Overview also provides a summary of other important aspects of responsible business behaviour, including how we respond to consumer concerns, treat our employees, work in partnership with customers and suppliers, and take part in the life of our local communities.

Sustainable Development Report 2008

Our full Sustainable Development Report 2008 can be found online at www.unilever.com/sustainability. The Report incorporates all the topics covered in this Overview and more, providing greater detail for stakeholders who have more specialist interests.

Both these publications are aimed at a broad range of audiences, including employees, customers, consumers, investors, governments and opinion formers in the fields of sustainability and business responsibility. Please contact us via our website if you have any questions or comments.

www.unilever.com



Contents

	page
2008 Highlights	1
Introduction: 2008 in review	2
Progress on our commitments	3
Our business and brands	4
An overview of our impacts	6
Building a sustainable business: strategy and governance	8
Nutrition: helping make the healthy choice	11
Health, hygiene and well-being: changing habits, saving lives	14
Sustainable agriculture: growing for the future	17
Climate change: reducing our greenhouse gas footprint	20
Water: a shared resource	22
Packaging: reducing impacts	24
Economic impacts: growing sustainably	26
Operational and performance review	28
Performance data summary	31
Our performance: an outside view	32
Awards and recognition	33

2008 Highlights



Committed to source all our **palm oil** from certified **sustainable sources** by 2015

Around 50% of the tea for Lipton Yellow Label and PG Tips tea bags in Western Europe was sourced from Rainforest Alliance Certified™ farms, making progress towards our target of buying all our **tea from sustainable sources**

All 22,000 products in our food and beverage portfolio are under regular review as part of our **Nutrition Enhancement Programme**. **43%** are now in line with internationally accepted guidelines for saturated and trans fat, sugar and salt

Lifebuooy's rural handwashing campaign in India has reached **120 million people** over 2002–2008

Our Signal/Pepsodent/Close Up toothpaste brands have reached more than **44 million children** with school-based oral hygiene programmes over 1996–2008

Achieved a 1.6%* reduction in CO2 from energy per tonne of production in manufacturing from 2007–2008, representing a **39%* reduction** since 1995

Achieved a 3%* reduction in water use per tonne of production in manufacturing from 2007–2008, representing a **63%* reduction** since 1995

Achieved a **19%* reduction** in our accident frequency rate from 2007–2008

Named food industry **category leader** in the Dow Jones Sustainability World Indexes for the tenth year running – the only company ever to have achieved this

*2008 data is preliminary – see Assurance on page 30.

Introduction: 2008 in review

As one of the world's leading consumer goods companies, it is through our brands that Unilever has the biggest potential to make a difference.

Our mission

Unilever's mission is to meet the everyday needs of people all around the world for nutrition, hygiene and personal care. We do this with products that help people feel good, look good and get more out of life.

Every day around 160 million people in 150 countries will buy a Unilever brand. Unsurprisingly, therefore, the social and environmental impacts which we have on the world around us come largely from our brands. We are increasingly embedding sustainability thinking into the day-to-day

activities of our brand management and R&D teams. We have done this through a simple tool called Brand Imprint.

Brand Imprint forces management to think carefully about both the resources they use (such as water, packaging, energy and raw materials) and the social and economic impacts that our brands have in the countries where they are sold. For example, it encourages managers selling soap to consider the positive effects which they can have on public health through improved hygiene. For those marketing tea, it prompts them to think about where they source their ingredients and how they can get value from communicating this to consumers.

Our achievements

We are making progress. Around half the tea used in Lipton Yellow Label and PG Tips tea bags in Western Europe is now sourced from Rainforest Alliance Certified™ farms. In an effort to halt deforestation we have committed to draw all of our palm oil from sustainable sources by 2015. Our Lifebuoy brand has reached 120 million people in India with its education programme about the importance of washing hands with soap. Many other examples are referenced in this Overview.

To achieve these goals we have to work in partnership with others. For example, we work with the Rainforest Alliance on tea, Greenpeace on palm oil and UNICEF on handwashing. These collaborations are bringing new insights and new thinking into the business.

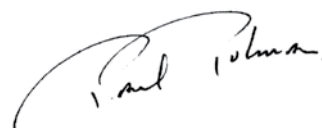
The business case

What we are learning is that operating in this way is bringing us hard business benefits. Our quest to run the company more sustainably is fuelling our innovation pipeline, delivering cost savings and helping us to 'win' with our retail and food service customers who have sustainability programmes of their own and who want to work jointly with us. Above all, it is winning the hearts (and wallets) of the growing numbers of consumers who want to be reassured that companies from whom they are buying their products are sourcing, manufacturing and marketing them in a responsible and ethical fashion.

Much of this thinking was already well embedded in Unilever when I took over in January 2009. My predecessor Patrick Cescau deserves great credit for the impetus he gave to it. It is my intention to build on Unilever's leadership in this area.

In these uncertain economic times, our core values and commitment to sustainability must remain unchanged. Indeed, now more than ever, this agenda holds the potential for the long-term and sustainable success of our business and our brands.

I sincerely believe that businesses like Unilever can be a positive force for good in the world and that such an approach is in the interests of all our stakeholders – our investors, our consumers and customers, our employees and the communities where we operate.



Paul Polman
Chief Executive Officer



Progress on our commitments

Issue/topic	Our commitment	Progress in 2008
Nutrition 	<p>Conduct regular review of our portfolio of 22,000 food products via our Nutrition Enhancement Programme.</p> <p>Meet the World Health Organization's recommended daily intake of 5 g of salt per day.</p> <p>Show percentages of Guideline Daily Amounts (GDA) for five key nutrients on pack for products sold in Europe as part of CIAA voluntary initiative.</p> <p>Deliver 15 million school meals to 80,000 children in 2008 via our partnership with the United Nations World Food Programme.</p>	<p>By end 2008, 43% of our products were in line with internationally accepted guidelines for saturated and trans fat, sugar and salt, an increase of 15% since 2005.</p> <p>Agreed further reduction targets for our food products, to reach 6 g per day by 2010 and 5 g by 2015, for implementation in 2009.</p> <p>By end 2008, 90% of eligible products labelled with GDA.</p> <p>Delivered 16 million meals to 76,000 children in 2008.</p>
Hygiene and well-being 	<p>Lifebuoy aims to take its handwashing message to 1 billion people by 2012.</p> <p>Align partnership activities with the FDI World Dental Federation to focus on day and night brushing campaign.</p> <p>Dove's Self-Esteem Fund campaign aims to share self-esteem materials with 5 million young people over 2005–2010.</p>	<p>Over 2002–2008, Swasthya Chetna rural hygiene education campaign reached 120 million people in India. In 2008, Lifebuoy ran events in 23 countries to celebrate Global Handwashing Day.</p> <p>Signal/Pepsodent/Close Up reached more than 4 million children in school-based oral health programmes in 2008.</p> <p>By end 2008, the Fund reached >3.5 million young people.</p>
Sustainable agriculture 	<p>All tea for Lipton tea bags will be sourced from Rainforest Alliance Certified™ farms by 2015.</p> <p>Unilever will purchase all palm oil from certified sustainable sources by 2015.</p> <p>Ben & Jerry's will use only cage-free eggs in its European and US ice cream products.</p> <p>Hellmann's, Amora and Calvé brands will source only cage-free eggs for products sold in Western Europe by 2012.</p>	<p>By end 2008, around 50% of Lipton Yellow Label and PG Tips tea sold in Western Europe came from Rainforest Alliance Certified™ farms.</p> <p>Purchased first batch of certified sustainable palm oil in November 2008.</p> <p>Since 2004, only cage-free eggs used in Europe and on track to achieve US target by 2010.</p> <p>From mid-2008, Hellmann's mayonnaise in the UK and Ireland used only free-range eggs. Ahead of schedule to achieve target by 2010.</p>
Climate change	<p>Reduce CO₂ from energy in our manufacturing operations by 25% by 2012 (measured per tonne of production against a 2004 baseline).</p>	<p>Over 1995–2008, achieved a 39%* reduction in CO₂ from energy from manufacturing per tonne of production. On track to achieve 2012 target.</p>
Water	<p>Continue to reduce water use in our manufacturing operations per tonne of production.</p>	<p>Over 1995–2008, achieved a 63%* reduction in water use per tonne of production.</p>
Packaging	<p>Minimise the use of PVC across our portfolio.</p>	<p>Set target to eliminate PVC from packaging – where viable alternatives exist – by 2010.</p>
Waste	<p>Continue to reduce total waste in our manufacturing operations per tonne of production.</p>	<p>Over 1995–2008, achieved a 68%* reduction in total waste per tonne of production.</p>
Economic impacts 	<p>Achieve our long-term ambition to be in the top third of a reference group of 21 consumer goods companies for total shareholder return.</p> <p>Increase the proportion of sales from developing and emerging markets.</p> <p>Our partnership for the cultivation of allanblackia trees in Africa aims to involve 200,000 farmers and plant 25 million trees by 2017.</p>	<p>Ranked 9th out of 21 in 2008.</p> <p>Sales from these markets reached 47% in 2008.</p> <p>By end 2008, around 10,500 people involved and 40,000 tree seedlings raised.</p>

*2008 data is preliminary – see Assurance on page 30.

Our business and brands

Every day millions of people around the world use Unilever products to meet their daily needs for nutrition, hygiene and personal care.

Unilever is one of the world's leading consumer goods companies with a strong portfolio of trusted foods, home and personal care brands. 13 of our brands achieve annual sales of €1 billion or more. Our top 25 brands account for over 70% of sales.

We have operations in around 100 countries and our products are on sale in about 50 more.

With consumers, customers, suppliers and shareholders on every continent, we describe ourselves as a 'multi-local multinational'. An important part of the local communities in which we operate, we bring our international expertise to the service of people everywhere.

Turnover
(millions)

€40,523

Operating profit
(millions)

€7,167



Savoury, dressings and spreads

€14,232

Turnover (millions)

7.6%

Underlying sales growth

Ice cream and beverages

€7,694

Turnover (millions)

5.9%

Underlying sales growth

Purchase of goods and services (millions)

€29,346



Employees (year end)

174,000



Our €1 billion brands*

- Axe/Lynx
- Blue Band
- Dove
- Flora/Becel
- Heartbrand ice creams
- Hellmann's
- Knorr
- Lipton
- Lux
- Omo
- Rexona
- Sunsilk
- Surf

*Some of our brands may be marketed under alternative names in certain countries.



Personal care

€11,383

Turnover (millions)

6.6%

Underlying sales growth

Home care

€7,214

Turnover (millions)

9.8%

Underlying sales growth

An overview of our impacts

Our business and brands have impacts at every stage of their lifecycle: from sourcing raw materials through to manufacture, distribution, consumer use and disposal.

We use our understanding of consumers' everyday needs for nutrition, hygiene and personal care to create high-quality branded products that are safe to use, competitively priced and accessible even to the remotest consumers.

In our own facilities, where we have direct control, we are reducing our impacts, such as using less water in our factories. In our extended supply chain, where we have influence rather than direct control, we are working with suppliers to help them meet our standards and address sustainability issues.

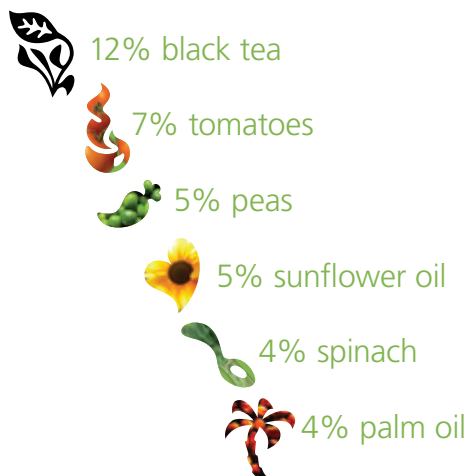
The area of our value chain where we have least control – but perhaps the greatest potential to make a difference – is in how consumers use our products. Here products, such as detergents that require less rinsing, and campaigns to promote behaviour change can help to reduce impacts.



Raw materials and ingredients

€16.5 billion spent with over 10,000 suppliers of raw materials and packaging

Our share of world volume:



Packaging

- Paper and board
- Plastics
- Glass
- Aluminium and steel
- Mixed material laminates

Manufacturing

273 manufacturing sites

Continuous improvement in eco-efficiency in factories (1995-2008*):

- CO₂ from energy –39%
- Water –63%
- Total waste –68%



Distribution and retailing

Around 1/3 of sales through 10 major retail chains

Many of our sales through millions of small shops, over 10 million in Asia and Africa alone

47% of sales from developing and emerging markets



Consumers

160 million times a day someone buys a Unilever brand

13 brands with sales of €1 billion or more per year

€5 billion invested in advertising and promotion

€927 million invested in R&D

Disposal of packaging

*2008 data is preliminary – see Assurance on page 30.

Building a sustainable business: strategy and governance

We see opportunities to grow our business by addressing some of the most important social and environmental challenges facing the world today. We call this 'doing well by doing good'.

Our values

Over 100 years ago, our founders not only created some of the world's first consumer brands, but also built businesses with strong values and a mission to act on social issues.

We continue to build on this heritage. A commitment to sustainable development and responsible business practice is embedded in our Vitality Mission and Corporate Purpose (see panel opposite).

Sustainable development is about meeting the needs of society today without compromising the ability of future generations to survive and prosper. This has become the overarching goal for governments and responsible businesses worldwide.

For us, this means understanding the impact we have on society, both in how we run our operations and across the total lifecycle of our products.

As the sustainability agenda has evolved, so has our approach. We are increasingly seeing

the case for integrating the sustainability agenda into our brands. Our Vitality Mission defines the many ways our brands help people get more out of life and is core to our growth agenda. It reaches across our whole organisation and provides the basis for our category strategies. This is taking us in a new direction with new opportunities – but always keeping our values at the heart of everything we do.

Bringing our approach to life

In 2005 we developed a process called Brand Imprint to help our marketing teams consider how social, economic and environmental issues present risks and opportunities for the business.

For each brand a multidisciplinary team conducts a detailed assessment, looking first at the direct and indirect impacts of our products, or their 'imprint', across the value chain. The team then gathers insights about the external influences on the brand's future growth, drawing from consumer and stakeholder research.

Our major brands and categories have now completed a Brand Imprint. This has resulted in important commitments and inspired new ideas for addressing social and environmental issues. For example, the process helped Lifebuoy and Signal/Pepsodent/Close Up develop their social missions.

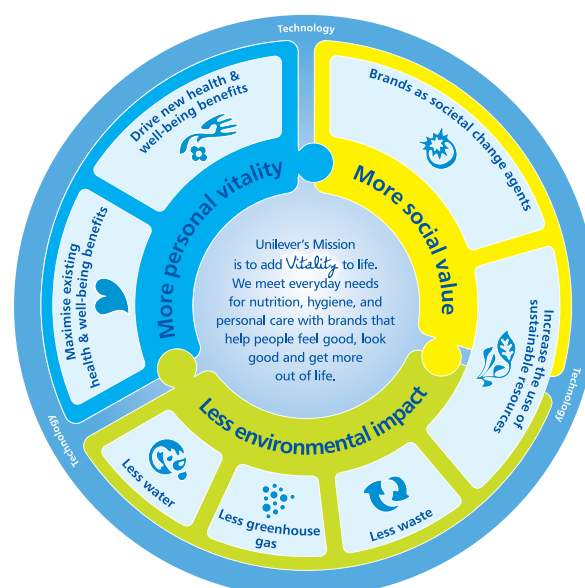
The experience we gained through the Brand Imprint process helped us develop the next stage of our approach. In 2008 we finalised a Vitality Framework to help us deliver our Vitality Mission in a systematic and measurable way. It sets out an approach to help brand managers explore opportunities to innovate and improve their brands in three ways:

- boosting people's personal vitality and well-being
- addressing social issues
- reducing environmental impacts.

Our Brand Imprint process



Our Vitality Framework





Measuring progress

We aim to grow our business in a sustainable and environmentally responsible way through focusing on cutting water consumption and waste, reducing our carbon footprint and obtaining more materials from sustainable sources.

We have developed a set of 'vitality metrics' that measure the environmental element of the framework. There are four indicators covering our priority issues:

- greenhouse gas emissions
- water
- waste
- sustainable sourcing.

The metrics seek to measure the impacts of our brands when used by consumers. The first three metrics provide an estimate of each element per consumer use, such as grams of greenhouse gas per single usage occasion of shampoo. The greenhouse gas metric takes into account impacts across a product's lifecycle, including:

- direct manufacturing impacts, which we have managed and reported on for more than a decade through our eco-efficiency programme
- indirect impacts such as sourcing of raw materials and the quantity of energy and water required for consumer use.

In 2008, we piloted these metrics in selected geographies and with certain products. During 2009 we will be refining these metrics and reviewing how far we can use them to shape future brand development and to set a baseline to track progress across our portfolio.

The Brand Imprint process provides the building blocks for brand teams to understand and assess how sustainability issues impact and are impacted by our

products. The Vitality Framework and metrics help integrate sustainability considerations into the everyday business processes of our categories and brands. This helps us drive a common, aligned plan across our brands.

Together, these tools help us integrate social and environmental sustainability into the heart of our business strategy.

The role of the corporate brand

Since 2002, the Unilever brand has become more visible to shoppers, with our corporate logo appearing on the back of all our product packs. All our companies are now called Unilever.

Most consumers still do not connect our individual brands with our corporate brand. But we see the growing importance of ensuring alignment between the two on sustainability issues.

With individual product brands taking a stronger stance on social and environmental issues, consumers will look at the corporate brand for its values and approach. Product brands can only communicate effectively and credibly on these issues if they have a firm foundation in the company's overall approach and commitment.

As the 'corporate brand', Unilever is in a strong position with its long-standing sustainability commitments. In future we will work harder to harness the trust and relationships we have built up through our corporate initiatives, to engage directly with consumers on this agenda and support our individual brands in their efforts.

Our Corporate Purpose

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

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

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

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

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

Governance and management

Independent oversight

We have a Board committee of Non-Executive Directors – the Corporate Responsibility and Reputation Committee – which is charged with ensuring that we conduct our business responsibly. It ensures that our Code of Business Principles and Business Partner Code remain fit for purpose and are properly applied.

The Board's Audit Committee considers the application of the Code of Business Principles as part of its remit to review risk management.

Governance of our codes

Our Corporate Code Committee, chaired by our General Counsel, oversees implementation of the Codes on behalf of the operational leadership of the business, the Unilever Executive.

Executive management

The Unilever Executive, led by our Chief Executive Officer, is responsible for managing profit and loss and delivering growth. It is supported in matters of sustainability by our Corporate Responsibility, Issues, Sustainability and Partnerships (CRISP) leadership team (formerly our Corporate Responsibility Council). This comprises senior leaders from across the business. Their role is to review our strategy to ensure its alignment with our business and sustainability priorities.

External insights

Our strategy benefits from the insights of the Unilever Sustainable Development Group (USDG) – five external specialists in corporate responsibility and sustainability who guide and critique the development of our strategy. To ensure alignment between these groups, both our CRISP team and the USDG are chaired by a member of the Unilever Executive.

Specialist input

Our work is supported by specialist teams within Unilever, such as our Safety and Environmental Assurance Centre, Unilever Food and Health Research Institute, the Partnership Development Group, the Sustainable Agriculture Steering Group and the Global Health through Hygiene Programme. These teams also obtain external input, for example, through the Foods Advisory Board and the Sustainable Agricultural Advisory Board.

Addressing our material issues

Our sustainability strategy and reporting are increasingly focused on our most significant or 'material' issues. We define materiality by:

- the degree to which an issue is aligned with our business, brand portfolio and geography
- the extent of Unilever's influence on the issue
- the potential impact on our operations, sourcing or consumers
- the importance of an issue to our key stakeholders.

We keep these material issues under review as their effective management is critical to the success of our business and our reputation. We use a process we call 'issues management' to do this, which complements our business risk assessment process. Issues management brings together senior business leaders and experts from different functions and regions. It enables us to develop appropriate strategies and policies based on our tracking of current and emerging trends.

Sustainable sourcing is one of the many issues we keep under review. The deforestation caused by palm oil cultivation, and its potential to limit our supplies and harm our reputation, drove us to seek more sustainable options. In 2008 this resulted in our commitment to source all our palm oil from sustainable sources by 2015 (see page 19).

Working with others

Across all our activities we seek to engage with stakeholders to help us identify issues of concern, guide our reporting and provide feedback on specific areas of activity. Working in partnership is crucial in developing and delivering some of our major sustainability commitments.

Our partners bring expertise on specific questions as well as the networks to deliver practical initiatives on the ground.

Our principal global partnerships are with:



UN World Food Programme: to feed hungry children and improve their nutrition



World Heart Federation: to promote heart health



Global Alliance for Improved Nutrition: to co-create new approaches in food fortification to address malnutrition



FDI World Dental Federation: to improve oral health



Global Public-Private Partnership for Handwashing: to promote handwashing with soap



UNICEF: to combat child mortality through nutrition and hygiene initiatives.

As a signatory to the United Nations Global Compact, Unilever is committed to living out the Compact's ten principles on human rights, labour, environment and anti-corruption in



our everyday business operations. Our own Code of Business Principles has long reflected the Compact's goals. We provide an annual update in our Global Compact Communication on Progress, explaining how we are implementing the principles across our business. ■

Nutrition: helping make the healthy choice

We continue to innovate and enhance the nutritional quality of our foods portfolio. Through communication with consumers we can encourage changes in everyday behaviour, resulting in healthier lifestyles and improved diets.

What we eat can have both positive and negative impacts on our health and well-being. There is growing concern about the role that diet and nutrition play in public health.

The rise in obesity indicates that there is a growing imbalance between calorie intake, energy expenditure and physical activity. The risk of heart disease and other chronic diseases increases when a large proportion of calories comes from saturated fats and added sugar, and is further increased by too much salt in the diet.

Under-nutrition – not getting enough of the right type of nutrients – remains a critical issue facing individuals and communities around the world. According to the United Nations World Food Programme, more than 920 million people are undernourished. Developing countries suffer from the double burden of under- and over-nutrition.

These issues are high on the agendas of governments and regulatory agencies who expect food companies to improve the nutritional quality of their products and be more transparent and responsible in their communications and marketing.

We recognise the potential to make a positive contribution to healthy diets and lifestyles. This presents a clear business opportunity to develop nutritionally balanced, 'good for you' foods. We also recognise that if we had not responded to these global challenges and the expectations placed on us, we would have faced lost sales and market share, and the potential for increased legislation and damage to our reputation.





Our approach

As a food manufacturer and one of the world's largest advertisers, what should our role be? For Unilever, it is about how we formulate our products and then how we communicate with consumers.

Our approach is therefore to:

- make improvements in nutritional quality across our portfolio
- focus our innovation efforts on products that deliver positive health benefits
- expand consumer choice.

Ultimately, eating a healthy diet and living an active lifestyle is a matter for individuals, but we can help consumers make the right choices. In our marketing and communication, we:

- provide simple, clear nutritional labelling and consumer information
- market our products responsibly, particularly to children
- encourage changes to everyday behaviour to promote a balanced diet and an active lifestyle.

Enhancing nutritional quality

The aim of our Nutrition Enhancement Programme is to improve the nutritional quality of our food and beverage products by assessing levels of four nutrients: saturated fat, trans fat, salt and sugar.

In 2005 we started a fundamental review of our entire portfolio. By 2007 we had assessed all our 22,000 products. The exercise identified clear opportunities for reducing levels of fats, salt and sugar for more than half our portfolio.

Our initial review showed that over a third of our products were in line with internationally accepted guidelines for saturated and trans fat, sugar and salt. With the additional improvements we have made, this increased to 43% by the end of 2008, representing an increase of 15% since 2005.

Currently, many countries recommend a daily salt consumption of no more than 6 g, whereas the World Health Organization recommends a daily intake of 5 g per day. We recently committed to a strategy to further reduce the salt content of our global foods portfolio. We have translated this daily target into specific reductions for our entire portfolio of food products, aiming to reach

6 g per day by 2010, with a further reduction to 5 g per day by 2015.

In making reductions, we have to balance the optimum nutritional content with consumers' taste preferences. This is a delicate balance to achieve since blind tasting shows that consumers often prefer well-salted products to those with reduced levels of salt.

We keep our portfolio under regular review and will explore opportunities for increasing healthy offerings as new technologies emerge.

Developing new products and increasing choice

Our innovation is increasingly focused on new products that make a positive contribution to people's diets, for example by helping meet daily requirements for fruit and vegetables or increasing intake of fibre or other important nutrients. Around three-quarters of the products in our foods R&D pipeline have what we call 'vitality benefits' – such as specific nutritional or health benefits.

In Europe we have launched a spread and a fruity shot specifically developed to help manage blood pressure. Flora/Becel pro-activ Blood Pressure products are enriched with potassium. Studies show that a high potassium intake lowers blood pressure as it removes excess salt from the body, protecting it from the harmful effect of too much sodium.

This builds on the success of Flora/Becel pro-activ Cholesterol, which is the leading cholesterol-lowering brand with sales of over €345 million in 2008.

Moo/Milk Time is a range of ices made with milk (pictured page 11). Available in Australia, Thailand, South Africa and Europe, they

provide around a third of the recommended daily intake of calcium.

To increase choice, we also provide variants of many of our products, for example, full fat and low fat recipes, sweetened and unsweetened options and smaller portion sizes.

Innovation also carries uncertainties and does not always lead to a positive outcome. During 2008, having invested €20 million in R&D, Unilever abandoned plans to use the slimming extract hoodia in a range of diet products. We stopped the project because our clinical studies revealed that products using hoodia would not meet our strict standards of safety and efficacy.

Improving consumer information

Clear and easy-to-understand information is essential if consumers are to make healthier choices. Our labelling policy commits us to:

- provide information on eight key nutrients (energy, protein, carbohydrates, sugars, fat, saturated fat, fibre and sodium) on our packs
- present nutritional information on a per portion basis, where possible, as well as per 100 g/ml
- show calorie content on the front of packs either as a total amount or as a proportion of guideline daily amounts (GDA).

In some countries we go beyond these standards. For example, in Europe we are participating in a voluntary CIAA (Confederation of Food and Drink Industries of the European Union) initiative, which commits us to show percentages of GDA for five key nutrients on pack. By the end of 2008, around 90% of eligible products were labelled.



Choices front-of-pack stamp



The Choices Programme, co-founded by Unilever in 2006, uses a front-of-pack stamp to enable consumers to identify healthier products – food and

beverages that are in line with internationally accepted dietary guidelines on saturated and trans fats, sugar and salt and in some cases energy and fibre too.

Choices complements our own labelling approach. It is open to all companies and is governed by the Choices International Foundation. An independent Scientific Committee periodically reviews the nutritional benchmarks. Over 120 companies in 50 countries now participate in the programme and the stamp appears on around 3,000 products.

Responsible marketing

Our Food and Beverage Marketing Principles provide guidance to our brand managers. Any advertising to children under the age of six is prohibited and advertising to children aged six to 12 is limited to products that meet strict nutritional criteria. Specific guidelines for school education programmes ensure that food products will not be promoted as part of these programmes.

Encouraging behaviour change

Brand communication can be a powerful force for behaviour change. Through it, we have the opportunity to promote healthy lifestyles among our millions of consumers.

In 2008, Becel in Canada became the founding sponsor of the Canadian Heart and Stroke Foundation's Heart Truth initiative. The campaign specifically aimed to reach women through TV advertisements and sponsorship of the Red Dress Fashion Show. In three months, awareness of heart disease among women nearly doubled. The campaign also drove up sales of Becel by 10%.

In the UK and Ireland, Flora has worked with cholesterol charity, HEART UK, on a range of initiatives to encourage people to make heart-healthy choices. Results from Flora pro-activ Testing the Nation roadshows were analysed and published in 2008 by Oxford University under the auspices of HEART UK. The findings helped to inform the development of national policy on cardiovascular health.

STAKEHOLDER VIEW

"We applaud Unilever UK and Ireland's industry-leading efforts to cut trans and saturated fats from its products and to raise consumer awareness about the risks of raised cholesterol."

MICHAEL LIVINGSTON DIRECTOR,
HEART UK – THE CHOLESTEROL CHARITY

Addressing under-nutrition

Tackling under-nutrition is a complex challenge with a range of socio-economic causes. Rising fuel and commodity prices in early 2008 exacerbated the difficulties, making food less affordable for millions of people.

Unilever provides products that make up an important part of people's everyday diets, such as spreads, cooking oils and stock cubes. Our brands can play a role in tackling under-nutrition and in particular, micronutrient deficiencies.

For example, our Rama/Blue Band spreads are a good source of vitamins A, D and E and our Amaze products contain important nutrients for children's mental development. Annapurna iodised salt helps prevent iodine deficiency-related diseases.

However, selling fortified products at affordable prices while maintaining adequate margins is not always easy. Such constraints led us to cancel some new fortification projects, but we will continue to explore innovations in local sourcing, manufacturing, packaging and distribution, in partnership with others. We are a board member of the Global Alliance for Improved Nutrition and we chair its Business Alliance. Through this partnership we are exploring a range of fortification initiatives and new business models to combat micronutrient deficiencies.

Unilever is financing the Micronutrients and International Health Chair at Wageningen University in the Netherlands for five years. This is to support research on micronutrient deficiencies in the developing world. As part of this research programme, we also fund three PhD and six master's level scholarships for students from developing countries, helping them to become future nutrition experts in their home countries. ■

Tackling obesity

Each aspect of our approach to nutrition is crucial in the fight against obesity: nutritional improvements, labelling, product innovations, promoting behaviour change and responsible marketing.

In 2008 Unilever was highly rated among the world's top food companies for our work to combat obesity: JPMorgan and Insight Investment's The Proof of the Pudding report benchmarked ten of the world's largest food companies' responses to obesity and related health concerns. The analysts gave us a score of more than 70%, noting particularly that:

"Unilever appears to have integrated concern about obesity centrally into its core business strategy. ...the radical reformulation of its whole portfolio, bringing as many products as possible in line with FDA/EU nutrition standards, illustrates how it is delivering its Vitality mission. ... Unilever has responded to threats to restrict food marketing by publishing a strong set of responsible marketing principles, especially with respect to children."

Working with others

In December 2006 we joined the UN World Food Programme in a three-year partnership, Together for Child Vitality, which aims to improve the health and nutrition of school children in developing countries.

We are providing funding and product donations for school meals. Brands such as Rama/Blue Band margarine are also raising funds and increasing awareness about child hunger in nine countries.

During 2008 the partnership extended its scope from four countries to six and delivered 16 million meals to 76,000 school children. The rise in commodity prices increased the cost of school meals by 25%, so that despite raising significantly more funds, we fed 4,000 fewer children than in 2007.

However, providing meals is just the first step; meals must also offer the nutrients that are essential for children's growth and health. Unilever has been supporting WFP in a scientific review of the nutritional needs of school children, as well as a study of the nutrients that school meals currently deliver. This research is expected to lead to innovative product development to improve the nutritional value of WFP's school meals globally.

Unilever has also worked with WFP to develop school nutrition and hygiene education programmes for piloting in Colombia, Kenya and Indonesia.

Health, hygiene and well-being: changing habits, saving lives

Our home and personal care brands can make a positive difference to people's health and well-being. But achieving lasting improvements depends on people changing their everyday habits.

Preventable diseases, resulting from poor hygiene and sanitation, still pose a significant global health challenge. Every year over 3.5 million children die before the age of five because of diarrhoea. One billion people lack access to safe drinking water. Tooth decay and gum disease affect the majority of people in both developed and developing countries. Up to 90% of school children have cavities.

Simple changes can prevent much of this. Helping people access the right products, such as soap and toothpaste, is an important first step. Yet this is not enough. Encouraging people to change their habits, like washing hands with soap before touching food and after going to the toilet, is essential. This is what our health and hygiene programmes set out to achieve.

Our approach

Our brands have recognised the potential difference they can make to people's health. Our approach is to:

- make effective products that deliver health benefits and promote well-being
- transform people's everyday habits through effective behaviour change campaigns
- work with partners to achieve wider improvements in health and well-being.



Promoting good hygiene habits

Studies show that handwashing with soap is one of the most effective and inexpensive ways to prevent diarrhoeal diseases. This simple habit could help cut deaths from diarrhoea by almost half and deaths from acute respiratory infections by a quarter.

Nearly half of Lifebuoy sales are in rural Asia and Africa, where many people live on less than US\$1 per day and basic hygiene is vital to good health. Lifebuoy's social mission is to bring safety, security and health to 5 billion people through the active promotion of handwashing with soap. The brand has long-standing programmes to support this ambition.

At the same time, we have been at the forefront of developing techniques to monitor and evaluate the effectiveness of such programmes.

Hygiene education

In India, Lifebuoy's hygiene education programme, Swasthya Chetna (Health Awakening), has touched the lives of millions of people in rural areas. Over 2002–2008 the campaign reached 120 million people in nearly 51,000 villages. It has also delivered commercial benefits for the brand, driving up sales of soap in districts where the campaign has run. We have also reached a further 13 million people since 2002 through similar programmes in Bangladesh, Pakistan, Sri Lanka, South Africa, Vietnam and Indonesia.

A study of our Berbagi Sehat (Sharing Health) programme in Indonesia, which is aimed at mothers and children, showed that 84% of those we reached now reported washing their hands with soap after using the toilet, compared to an average success rate of 58% in other programmes of this type.



Lifebuoy co-founded the first-ever Global Handwashing Day on 15 October 2008. We worked closely with

NGOs, governments and other companies to launch the day in 75 countries around the world. Lifebuoy teams co-ordinated a range of activities in 23 countries to raise awareness of the importance of handwashing. In Bangladesh we worked with the government and others to create handwashing activities in 75,000 schools across the country, in the process breaking the Guinness World Record for the highest number of people washing their hands with soap at one time.

Evaluating effectiveness

Unilever's distinctive approach is to put the monitoring and evaluation of behaviour change at the heart of our programmes. We have greatly advanced our understanding through our partnerships and innovative measurement techniques.



Our Global Health through Hygiene Programme comprises a team of experts from across the business. It works with our brands and partner organisations to improve our technical capability, particularly in evaluating behaviour change.

Our smart sensor technology is now widely regarded as the best way of measuring handwashing behaviour. By placing a sensor inside a soap bar researchers can gather accurate data unobtrusively during handwashing trials and thereby monitor the extent to which different types of awareness-raising initiatives actually lead to changes in behaviour in people's homes.

In Bangladesh in 2008, we carried out a study using this smart sensor technology, with funding from the Gates Foundation as part of our involvement with the World Bank's Global Public-Private Partnership for Handwashing with Soap.

We used the same technology in a project in Uganda, in partnership with UNICEF. We wanted to test whether working with children through school-based hygiene awareness programmes was an effective way of delivering handwashing messages to families. The results were very positive. Families whose children had been through the awareness programme increased their use of soap by almost a third compared with families of children who had not.

Our partnership with UNICEF, launched in 2004, aims to develop hygiene education and awareness initiatives for children, thus contributing to Millennium Development Goal 4 to reduce infant mortality.

We continue to work with Water & Sanitation for the Urban Poor (WSUP), a partnership of public and private sector organisations, to look at water, sanitation and hygiene issues in poor urban areas, particularly slums in developing and emerging countries.

We have designed an approach to test whether improved water and sanitation conditions delivered in conjunction with a hygiene behaviour programme are better than infrastructure improvements alone.

Sharing our marketing skills

Following successful workshops in East Africa and Vietnam, we took our In Safe Hands programme to Indonesia in 2008. This programme teaches marketing skills to public sector health professionals and is designed to help them develop effective handwashing and behaviour change campaigns for their local communities. To date it has reached nearly 300 health professionals and made an important contribution to national health campaign development.



Improving oral health

Tooth decay and gum disease are one of today's most common ailments. The World Health Organization has identified oral health as a neglected area of general health. Around the world, over 1 billion people do not brush their teeth with a fluoridated toothpaste at all, while over 2 billion do not brush twice a day. In developing countries, where there is low awareness of oral hygiene and poor healthcare infrastructure, 90% of dental caries remain untreated.



Signal/Pepsodent/Close Up's mission is to improve oral health by getting children and their families around the world to brush day and night using fluoride toothpaste.

Here, too, changing everyday habits is critical. As one of the market leaders in toothpaste, we have the opportunity to make a difference. Every year through school-based oral hygiene programmes, Signal/Pepsodent/Close Up reaches more than 4 million children.

The campaigns emphasise the importance of twice daily brushing with a fluoridated toothpaste as this has the greatest impact on improving oral health around the world. We have also decided to focus on children since we believe that brushing habits that last are best forged during childhood.

This mission is at the heart of our partnership with the FDI World Dental Federation which now covers 40 countries.

Safe drinking water

In India we sell a unique water purifier, Pureit, that provides water that is 'as safe as boiled' without needing electricity or pressurised tap water. The purifier (pictured page 14) removes harmful germs. Trials in India have shown that use of Pureit can halve the incidence of diarrhoea.

During 2008, the product was rolled out to 23 states in India, and reached all 28 states by early 2009. It is now bringing safe drinking water to more than 5 million people in a million households.

UNICEF and Hindustan Unilever are working together in a project in southern India to bring Pureit's safe drinking water to 15,000 children in 100 schools and 100 day-care centres in low-income communities.

Enhancing self-esteem and well-being

Many of our brands help people feel good and look good every day, which can enhance both physical and emotional well-being. Some have dedicated campaigns on empowering and raising the self-esteem of women. This continues a tradition going back as far as the 1890s. The vision of one of our founders, William Lever, was to improve women's well-being by making everyday household care products more affordable.

Today, poor self-image affects the confidence and well-being of many people, especially young girls and women. How a person feels about their personal appearance and hygiene can boost their self-esteem and confidence. This is true in all communities around the world – in developing as well as developed countries.



Dove's Campaign for Real Beauty aims to improve self-esteem among young people by

challenging traditional stereotypes of beauty. Dove's Self-Esteem Fund aims to reach 5 million young people over 2005–2010. In 2008 it reached over 1 million people in 27 countries, taking the total to date to over 3.5 million. Examples of the campaign include BodyTalk workshops addressing body image and self-esteem which reached 69,000 people in the UK, and similar workshops delivered by our partner, the Girl Scouts of the USA, which reached another 240,000.



Skin conditions such as eczema often cause great discomfort and can have a negative impact on people's

well-being. Our Vaseline skin care brand has set up the Vaseline Skin Fund to focus the brand's ambition to improve the lives of those affected by skin conditions. The Fund aims to benefit 3 million people worldwide by 2012, by providing better access to knowledge, advice, and support to those affected.

In 2008, the Fund supported projects such as the Eczema and Sensitive Skin Education programme, a website created in partnership with the National Eczema Association in the USA. The site offers practical information on the care and treatment of eczema and sensitive skin. ■



Sustainable agriculture: growing for the future

In 2008 we committed to purchase all our palm oil from certified sustainable sources by 2015. This marks another milestone in our decade-long efforts to source agricultural raw materials sustainably.

Agricultural crops make up two-thirds of our raw materials. Our business is linked to a complex network of thousands of smallholder farmers, large agri-businesses and third-party suppliers. We also buy ingredients from the agricultural commodity markets.

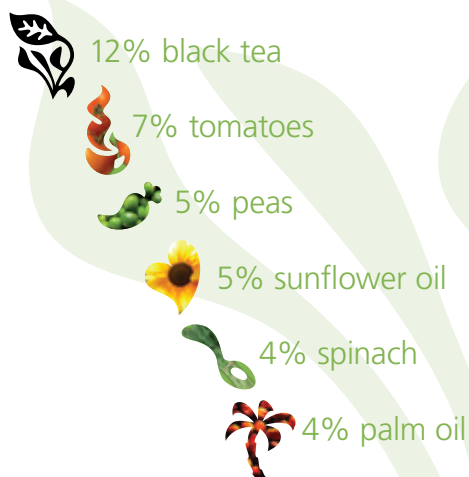
Security of supply is therefore a core business issue, especially when agricultural production is under threat from changing weather patterns, water scarcity and unsustainable farming practices.

Governments, consumers and campaigning organisations are also increasingly interested in where food comes from and how it is grown. They are looking to companies to take responsibility for a range of issues in the supply chain, such as working conditions and fair incomes for growers, deforestation and animal welfare.

We have an important role to play. A lack of action on these issues will have serious repercussions on the environment and in grower communities. This presents an operational and reputational risk to our business.



Our share of world volume 2008 (estimate)





Our aim

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

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

Caring Dairy

Ben & Jerry's Caring Dairy, which began in 2003 in Europe, has expanded to include 500 farms and 25,000 cows. This initiative, along with a sister project in the United States, works with farmers to integrate sustainable dairy farming practices on their farms – using fewer pesticides, converting bio-gas into energy and maintaining high standards of animal welfare.

Our approach

We established our Sustainable Agriculture Programme over ten years ago. In that time we have developed detailed guidelines on what sustainable agriculture means for our key crops – what we call Good Agricultural Practice Guidelines.

Working in partnership with an external advisory board and expert agronomists, we based these Guidelines on 11 indicators including water, energy, pesticide use, biodiversity, social capital and animal welfare.

We have also been engaging with our growers and third-party suppliers on implementing these Guidelines.

Increasingly, we see the necessity of connecting this work more closely into our brands and communication with shoppers and consumers.

Progress in 2008

Sustainable tea

Lipton has committed to source the tea for all its tea bags from Rainforest Alliance Certified™ farms by 2015. We are working with Rainforest Alliance, an international environmental organisation, to ensure that all the farms we source from are certified. Although the pledge was only announced in 2007, more than 30 estates have already achieved this certification, including Unilever's own estates in Kenya and Tanzania and third-party suppliers in India and Argentina. By the end of 2008 around 50% of Lipton Yellow Label and PG Tips tea sold in Western Europe came from Rainforest Alliance Certified™ farms.

Eight South Indian farms and four estates in Indonesia are the latest to gain certification. These are typically family businesses of around 300 to 500 hectares and together support 3,500 workers and their dependants. To achieve certification, the farms invested in a range of improvements, including protective suits for workers, waste water treatment equipment and micro hydro electric schemes. In South India, workers also benefit from free housing, medical facilities and school education for every child.

The Rainforest Alliance seal was instrumental in winning a contract to supply tea for McDonald's in several European countries.

Cage-free eggs

Ben & Jerry's has used only cage-free eggs in its European ice cream since 2004 and has undertaken to extend this commitment to all US-sourced eggs by the end of 2010.

In 2008 our Hellmann's, Amora and Calvé brands announced their commitment to source only cage-free eggs for products sold in Western Europe. This equates to removing over 1.7 million hens from battery cages. From mid-2008, all Hellmann's mayonnaise on sale in the UK and Ireland was made with cage-free eggs and we are on track to achieve our target by 2010, two years ahead of schedule. Animal-welfare NGO Compassion in World Farming awarded Unilever two Good Egg Awards in recognition of this move.

STAKEHOLDER VIEW

"Unilever's move to cage-free eggs in all sauces and dressings in Western Europe is fantastic. It shows real leadership and commitment to high standards and ethical sourcing. Acting on egg ingredients is especially important as consumers often forget to look for cage-free egg in the products they buy."

PHILIP LYMBERG CHIEF EXECUTIVE,
COMPASSION IN WORLD FARMING

Supplier assessments

We are asking our third-party suppliers of fruit and vegetables to complete self-assessments against our Guidelines. In 2008, 74 of these (around a third of the number we expect to work with by 2010) registered on our electronic system to store and track their performance against our 11 sustainable agriculture indicators.

We also implemented a new online tool to help our supply managers assess sustainability-related risks and opportunities in different countries when making decisions about sourcing.

Breaking the link between the cultivation of palm oil and deforestation

Unilever is one of the world's largest buyers of palm oil. We purchase 1.5 million tonnes a year for use in products as diverse as margarine, ice cream, soap and shampoo.

Rising population, together with the growing affluence of India and China, is creating unprecedented demand for palm oil – a phenomenon exacerbated by the rush into biofuels.

Palm oil is one of the drivers of deforestation. Around three-quarters of the world's oil palm is grown in Indonesia and Malaysia where much of the recent expansion of the industry has been onto peat land and into tropical rainforest. The clearance and burning of South-East Asia's peat forests release 2 billion tonnes of greenhouse gases every year. According to some estimates, deforestation in Indonesia alone accounts for 4% of global greenhouse gas emissions – making it the third-highest emitter behind the US and China.

Unilever is convinced that we have to break this link between cultivation of oil palm and climate change. We want to create a market for palm oil that is sustainable and certified.

We have been working to promote sustainability in palm oil cultivation for a long time. In the mid-1990s, as part of our Sustainable Agriculture Programme, we started developing Good Agricultural Practice Guidelines for oil palm. In 2004 we became a founding member of the Roundtable on Sustainable Palm Oil (RSPO) – a body which we currently chair. At the end of 2007 the RSPO launched a certification programme, making it possible for the first time to grow certified sustainable palm oil.

In May 2008, following a public challenge from Greenpeace, we formalised our commitment to draw all our palm oil from certified sustainable sources by 2015. We also agreed to support a moratorium on any further deforestation in South-East Asia.

To achieve these goals our approach has four parts.

- First, we have assembled a large international coalition of some 50 companies, banks and NGOs who share the same goals as us. The purpose of the coalition is to campaign for change among palm oil growers.
- Secondly, we are working within the institutional framework of the RSPO to effect this change. At the November 2008 meeting of the RSPO, we supported resolutions from WWF and Oxfam which put pressure on suppliers and users of palm oil to change their ways.
- Thirdly, we are conducting an independent audit of our own suppliers to ensure that all of them are respecting the principles and criteria of the RSPO.
- Finally, we are working closely and productively with Greenpeace and other NGOs to promote change within the industry.

Much remains to be done to turn our commitment into reality. The creation of a market for sustainably cultivated palm oil is complex and will take time since it involves a multiplicity of stakeholders – governments, NGOs, processors, manufacturers, large growers and smallholders.

We have made a start. In November 2008 a ship carrying the first supplies of RSPO-certified palm oil docked in Rotterdam, the Netherlands. Unilever bought a part of the consignment – the first step on a long road.



Working with smallholder farmers

In addition to our large suppliers, many smallholder farmers form part of our agricultural supply chain. These farmers are often on uncertain incomes, and struggle to access capital and the right information to improve the efficiency of their growing techniques. They are also subject to price volatility and varying demand. Given our experience of sourcing from around 100,000 such farmers, this is an area where we can make a difference.

Training smallholder tea farmers

Unilever participated in a joint initiative with the Kenya Tea Development Agency (KTDA), the UK's Department for International Development and Wageningen University in the Netherlands to train smallholder farmers

in sustainable tea cultivation. The three-year project concluded in December 2008, showing that there is the potential for a 5–15% improvement in profitability through increased yields and reduced farm inputs.

The KTDA has now taken the lead in rolling out the learnings from these farmer field-schools to all its 57 factories and 438,000 small-scale tea farms. Around a third of its factories will be reached by the end of 2010, along with many thousands of farms using each factory.

The training has also encouraged participants to apply for Rainforest Alliance certification and the initial four factories and 36,000 farms are on track to achieve this by spring 2009.

Creating new sources of supply

Allanblackia trees grow largely in the wild in Central, East and West Africa and have traditionally been harvested on a subsistence basis. Allanblackia seeds produce an oil that is ideal for use in our spreads. We invested in a programme to scale up production in partnership with non-profit groups and local government. New trees were planted on small rural farms, boosting local incomes and creating a completely new source of supply for our business (see page 27). ■

Climate change: reducing our greenhouse gas footprint

Despite continuing reductions in our direct emissions, the scale of the climate change challenge demands urgent action across our whole value chain, including suppliers and consumers.

Climate change is one of the most serious issues facing the world. Extreme weather patterns and water scarcity will affect people everywhere, with developing countries likely to be among the most vulnerable.

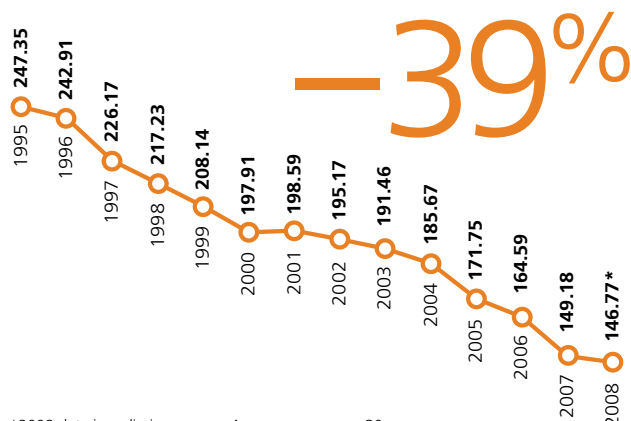
There will be serious consequences for our business operations, including threats to our agricultural supply chain and the availability of water in some of our markets.

The costs of addressing climate change now, while considerable, are likely to be far less than waiting and allowing the problem to get worse.

We have joined business coalitions endorsing the need for action. In July 2008 we supported a new climate policy at the G8 Summit, calling for a 50% emissions reduction by 2050. We signed a communiqué to the UN climate change conference in Poznan, also calling for emissions reduction targets. We support the European Union's climate change package which aims to ensure Europe meets its climate targets by 2020.



CO₂ from energy 1995–2008 (kg/tonne of production)



*2008 data is preliminary – see Assurance on page 30.



Our approach

Our approach to reducing our greenhouse gas emissions addresses both our direct and indirect impacts.

For our direct impacts we seek to:

- reduce CO₂ from energy in our manufacturing operations by 25% by 2012 (measured per tonne of production against a baseline of 2004). This builds on our reductions to date.

For our indirect impacts we seek to:

- improve the footprint of our existing product portfolio, using our new vitality metric
- assess innovations using our greenhouse gas profiling tool
- work with our customers and suppliers to address our wider impacts.

Our direct impacts

Greenhouse gas emissions from manufacturing

Since 1995 we have achieved a 39%* reduction in CO₂ from energy per tonne of production (equivalent to a 43% reduction in absolute terms). In 2008 we reduced our CO₂ emissions by 1.6%* per tonne of production compared to 2007. This keeps us on track to meet our 2012 target.

We are investing in more efficient power and steam generation technology and the development of less energy-intensive manufacturing processes. Our approach has been to target the sites which emit the most CO₂.

In Europe, we now have three combined heat and power plants which are more efficient as they fully utilise waste steam and hot water from electrical power generation. We are planning to install additional co-generation facilities in Europe to reduce regional greenhouse gas emissions.

We are exploring alternative technologies in other regions too. For example, at our Cu Chi factory in Vietnam, we installed solar panels to preheat water for steam generation.

Non-manufacturing impacts

We are also seeking improvements in the impact of our IT infrastructure. Measures such as consolidation of data centres, energy reduction targets, new procurement guidelines, recycling and reuse of equipment will reduce our footprint and help us save over €6 million a year in Europe by 2010.

Climate-friendly refrigerants

Unilever has been working in close co-operation with Greenpeace on climate-friendly refrigerants in an alliance called Refrigerants Naturally! This multi-stakeholder initiative aims to promote HFC (hydrofluorocarbon)-free refrigeration technologies.

We own over 2 million point-of sale ice cream freezer cabinets worldwide. As part of our commitment we have been replacing these with more energy-efficient and climate-friendly alternatives, although for technical and legislative reasons it is not possible to replace them all. Having made good progress in Europe, we extended the roll-out to China and the US during 2008. By early 2009 we had over 400,000 hydrocarbon refrigerant cabinets in use.

STAKEHOLDER VIEW

"Greenpeace appreciates Unilever's efforts to start replacing fluorinated gases in ice cream cabinets. A world without the harmful climate-changing effects of these gases is entirely possible. Greenpeace encourages Unilever to accelerate its replacement programme worldwide and calls upon other companies to do the same."

DR GERD LEIPOLD INTERNATIONAL EXECUTIVE DIRECTOR, GREENPEACE INTERNATIONAL, THE NETHERLANDS

Our indirect impacts

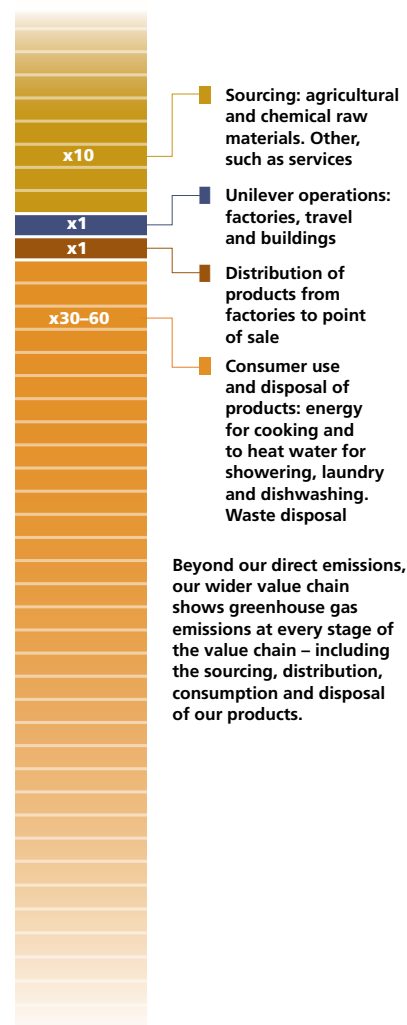
Use by consumers

For many of our products, the largest emissions of CO₂ occur during their use by consumers. This is particularly true for those home and personal care products that are used with heated water, such as laundry, bath or shower products.

One way we reduce the footprint of our products is in their formulations. For example, our concentrated laundry detergents such as Omo/Persil use fewer raw materials and packaging, are less energy intensive to manufacture, cost less to transport and are effective at lower wash temperatures.

We can also make a difference by raising awareness with consumers. Ben & Jerry's has done so through its Lick Global Warming campaign and ice cream flavours such as Fossil Fuel (left).

Our carbon footprint



Sourcing

We estimate that greenhouse gas emissions in the supply chain are approximately ten times those in our own manufacturing impacts.

We are founding members of the Carbon Disclosure Project's Supply Chain Leadership Collaboration. During 2008 we helped develop a supplier questionnaire and tested it with a selection of our suppliers.

Distribution

We estimate that the impact of transport and distribution of our products is around 4 million tonnes of CO₂ a year. This results from our use of a complex network of distribution centres and road, rail and sea transport.

Working with customers and distributors, we are making a start on reducing our impacts through country and regional initiatives. For example, in the UK, Unilever and Tesco co-chaired the haulage element of an industry initiative to reduce transport impacts. By sharing vehicles and implementing more efficient warehousing, the initiative overall saved 53 million miles of travel, equivalent to removing 900 lorries from Britain's roads. ■

Water: a shared resource



Unilever's brands rely on water at every stage of their lifecycle. Our aim is to reduce water use wherever possible and continue to improve the efficiency of our manufacturing.

Water scarcity is a growing global concern, particularly in many developing and emerging countries where our business is growing. Even where adequate supplies of clean water exist, they may simply be unaffordable to people on low incomes. Climate change will exacerbate this problem, making water scarcer for farmers, industry and consumers.

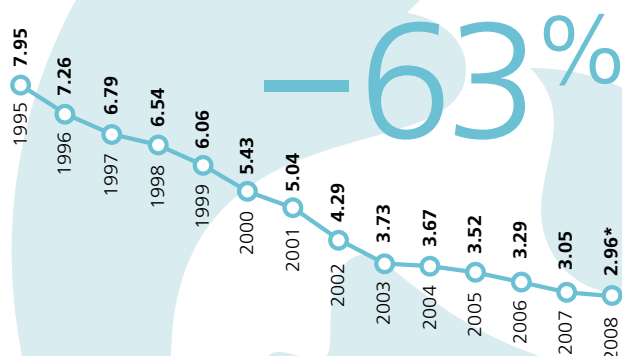
Unilever's business is reliant on the availability of water for three main purposes:

- in sourcing, large amounts of water are needed in the cultivation of agricultural raw materials
- our manufacturing operations require water for processes such as cleaning and cooling, or as an ingredient
- in the hands of consumers, water is essential when using many of our home and personal care products, such as soaps, laundry detergents, shampoos and toothpaste, as well as some food products.

The challenge is to develop ways to maintain business growth – providing more products for consumers – while reducing the impact of water usage.



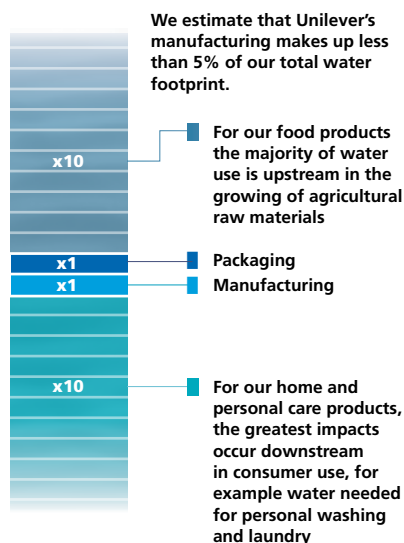
Water use 1995–2008 (m³/per tonne of production)



*2008 data is preliminary data – see Assurance on page 30.



Our water footprint



Our approach

Our approach is to:

- reduce water use in our manufacturing operations
- work with suppliers, especially farmers, to reduce the amount of water used in crop irrigation
- design products which require less water during consumer use
- participate in external partnerships that help address water scarcity.

Our new vitality metric aims to measure a product's water impact, taking into account the water we add to our products and consumer use. During 2007 and 2008 we piloted the metric with our home and personal care products, enabling us to identify opportunities for improvements across the product portfolio.

Water use in manufacturing

Since 1995 we have reduced the amount of water used per tonne of production by 63%* by minimising water use and maximising water recycling. During 2008 we achieved a 3%* reduction in water use compared to 2007 – from 3.05 m³ to 2.96 m³ per tonne of production.

This has been achieved through many initiatives. For example, our factories collect reusable water which would otherwise be wasted, such as water evaporated from fruit and vegetables during the drying process. We saved more than 1 m³ per tonne of production (from 5.27 to 4.23 m³/tonne) between 2003 and 2007 in our food manufacturing.

Our Indian business harvests rainwater at a quarter of its factories, and plans to extend this practice to all sites. By collecting rainwater from roofs and surrounding areas water can be returned to groundwater systems or used for non-manufacturing processes. Two-thirds of sites recycle all their processing water, once appropriately treated, for reuse in manufacturing or for on-site irrigation.

These kinds of process improvement are shared through our global network.

Water savings in agriculture

Our Sustainable Agriculture Programme includes water use as one of its sustainability indicators. We are working with farmers to implement water reduction schemes such as drip-irrigation.

These schemes are demonstrating real success. Growers are delivering higher yields using the same amount of water. This has been achieved through water-collection techniques such as trenches to store rainwater for later use and irrigation systems which minimise over-watering.

We are also working to ensure that agricultural water use does not deprive local communities of water supplies.

In 2008 Unilever participated in an event hosted by Wal-Mart on water stewardship, sharing our expertise on reducing water use at all steps of a product lifecycle, with a special focus on reducing water use in farming.

Water use by consumers

Our approach increasingly focuses on consumer use. Here our laundry brands are taking the lead. The most direct impact we can have is through designing products that use less water.

Innovations include Surf Excel Quick Wash in India which aims to save two buckets of water per wash. The brand has seen a 20% increase in sales during 2008. Our One Rinse Comfort fabric conditioner also requires less water per wash, by eliminating the need to rinse clothes before applying the conditioner. Consumers use our products in different ways from country to country, but we estimate that in Brazil, for example, this formulation helps save up to 100 litres per wash. In Vietnam, One Rinse Comfort (left) reduces the water needed by two-thirds and sales rose by nearly 30% in 2008.

Working with others

In 2007, we joined the CEO Water Mandate, which brings together companies, leading campaigning organisations, governments and the United Nations. During 2008, a reporting framework was agreed, following detailed stakeholder engagement. The framework asks companies to disclose their water sustainability approach, including water use in the supply chain, in manufacturing, in consumer use and watershed management.

In December 2008 Unilever helped to establish the Water Footprint Network, a multi-stakeholder group which aims to create more awareness about water sustainability. The Network will develop a standard way to measure the impact of water use, similar to a carbon footprint. The initiative includes organisations such as WWF, UNESCO, International Finance Corporation and the World Business Council for Sustainable Development as well as private sector companies.

STAKEHOLDER VIEW

"Go Blue's focus on practical water saving encourages the public to contribute to better water stewardship. The campaign has been of huge value to water stewardship groups as Unilever's outstanding marketing and communications expertise has enabled them to convey their message to a very broad audience."

BOB SANDFORD CHAIR,
CANADIAN PARTNERSHIP INITIATIVE
UNITED NATIONS WATER FOR LIFE DECADE

In developing countries, water scarcity is a growing concern. As a result, it is often costly for consumers to purchase water, which has an impact on the affordability of using our products. Our design efforts will increasingly take these broader costs into account.

We can also have a powerful influence through our communication with consumers. Unilever Canada launched a public education campaign – Go Blue – that has reached millions of people through television and print advertisements as well as displays in Wal-Mart stores. The campaign raises awareness of water conservation and encourages people to reduce water use by 50% in their homes and gardens. ■

Packaging: reducing impacts



Packaging is essential for the protection and hygiene of our products. Our goal is to reduce environmental impacts while retaining its overall effectiveness.

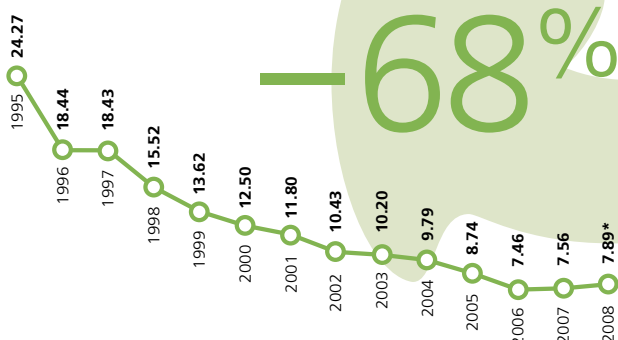
Packaging serves many purposes. It protects products, keeping them clean and safe from contamination. It allows us to display vital information about how to use and dispose of goods safely and to present our brands in attractive ways.

Yet concerns are growing about the environmental impacts of packaging. Consumers, governments and campaigning organisations are increasingly alert to what they see as unnecessary waste. This has led to commitments by some leading retailers to reduce the packaging of the products they sell and the materials used in transportation. Consumers are also beginning to choose brands with less packaging.

We need to continue to use packaging that is appealing and effective but to reduce significantly its environmental impacts.

Improving sustainability is not just the right thing to do – it can also bring immediate business benefits. The more we reduce the impacts of our packaging, the greater the potential saving in materials, energy, transport and disposal costs for customers and consumers.

Total waste** 1995–2008 (kg/tonne of production)



**Hazardous and non-hazardous *2008 data is preliminary – see Assurance on page 30.



Consumers, too, have a responsibility, through their purchasing choices and in how they dispose of product packaging. They in turn rely on the provision of effective waste management infrastructure by municipal authorities. This requires a joined-up approach to solving the disposal-related impacts of our packaging.

Our approach

We sell around 160 million products every day. Currently we use a wide range of materials, including paper and board, plastic, glass, aluminium, steel and mixed material laminates (for sachets and pouches).

Achieving truly sustainable packaging is a complex challenge. Some energy is always required to make packaging and some waste is inevitable even with highly effective reuse and recycling schemes.

Our approach is based on three elements:

- consideration of the whole product, not just packaging in isolation
- assessment via our new vitality metric, which covers the waste generated – taking into account all the different kinds of packaging a product requires. It also takes into account an estimate of the recycling, reuse and recovery rates of the materials as used in a particular region
- use of leading-edge design techniques and choice of materials to minimise impacts.

Underlying this strategy are five guiding principles that we seek to apply: remove, reduce, reuse, renew and recycle. Our Sustainable Packaging Steering Team implements this approach across Unilever.

In 2008 we pilot-tested measurement of the waste impacts of selected product categories. This will enable us to identify a baseline for future improvements.

Enhancing design

Innovative packaging design can minimise the environmental impact of packaging itself. But it can also enhance a product's lifecycle impacts. For example, effective packaging can reduce product leakage and consequent waste during transportation.

We have long been reducing the amount of packaging in our products through leading-edge design technology. Our new bottle for Dove (left) has been designed to fit the hand and uses 15% less plastic than the previous design.

The hanger format packaging for our new Smart Clean toothbrushes increases brushes' visibility in the small and crowded stores and stalls where they are typically sold in Asia. The design allows the shopkeeper to keep track of his stock easily. Less wastage on primary and secondary packaging eliminates unnecessary costs, enabling us to produce the brushes at a price that will attract new users (see page 27).

During 2008, we developed sustainable packaging guidelines and introduced training for our packaging teams so that we can further embed sustainability thinking into the design stage of our business.

Addressing key issues

Alongside this work, through engagement with stakeholders, we have identified three priority issues: sustainable sourcing of paper, tackling the litter that results from sachets and minimising the use of PVC.

Sustainable paper sourcing

A significant proportion of our packaging relies on paper. We estimate that most of the paper we purchase for our European business comes either from recycled material or sustainably managed forests. While this is an encouraging picture for Europe, the situation in other regions can be very different as sustainable forestry practices differ greatly. We are working with the Rainforest Alliance to develop a sustainable sourcing policy for paper.

Litter in the developing world

A particular concern is the volume of sachets we use to package single-use products, especially in developing and emerging markets. These may end up as litter where there are no appropriate disposal facilities.

Our approach is to:

- implement design improvements to create sachets that use less material or material with less environmental impact
- support litter awareness programmes
- work with others to explore economic models which create incentives for collection and reuse of our packaging.

If we can help create a value for this waste product, there is an incentive for people to collect it. This has potential social and economic benefits too, through job creation and alternative sources of income for poor communities.

Working with others

Effective solutions require a partnership approach. Unilever is a founding member of the Sustainable Packaging Coalition, which has over 160 members, including packaging producers, users and retailers. We are also members of EUROPEAN (the European Organisation for Packaging and the Environment).

We work in partnership with retailers and NGOs to explore ways to improve recycling infrastructure. For example, we have supported the CEMPRE waste management and recycling initiative in Brazil since 2001 (see page 28).

The Recycling at Work Sustainable Grants Programme – a partnership between Unilever and the National Park Foundation – has been running in the US since 1994. Unilever's support has resulted in the donation of sustainable, 100% recycled plastic 'lumber' to more than 200 National Parks. At Yellowstone National Park (main picture, left), for example, we have donated nearly 250,000 ft² of lumber, enabling the Park to replace the entire boardwalk and decking system around the Old Faithful Geyser and the Midway Geyser Basin.

Minimising the use of PVC

Given the concern around the disposal of PVC, we are working to minimise its use in our packaging. Our PVC policy commits us to replace PVC in all our packaging by the end of 2010, where there are viable alternatives. There are some specialised uses for which there are currently no alternatives available and we are focusing our research on these areas.

Reducing waste in manufacturing

We have been measuring waste from manufacturing processes as part of our eco-efficiency programme for many years. Total waste sent for disposal has been reduced by 68%* per tonne of production since 1995. In 2008 we saw an increase of 4.3%* in total waste compared to 2007. This increase, from 7.56 kg/tonne to 7.89 kg/tonne, has been driven by three factors: legislative changes which require different methods of disposal for non-hazardous waste; under-capacity in effluent treatment; and the planned disposal of accumulated and inherited hazardous waste. ■

Economic impacts: growing sustainably

Our business is growing strongly in developing and emerging markets. Looking ahead, ensuring a sustainable future will demand new ways of doing business.

The role of multinationals in economic development has been the subject of much debate. We believe that business can play an important role, not only in generating wealth and jobs around the world, but also in sharing technology, developing best practice and setting standards of corporate behaviour.

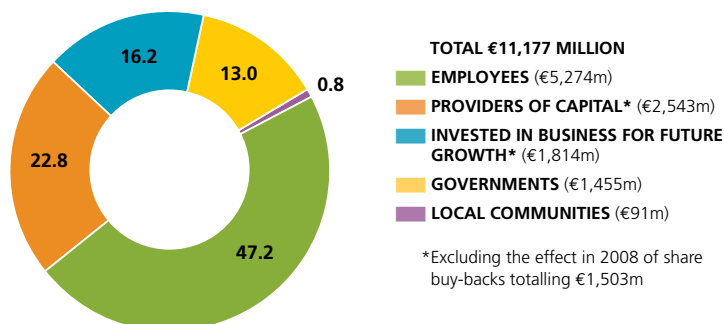
Our approach

A growing proportion of our sales come from developing and emerging markets, where Unilever has been operating for many years. Continued success in these markets will depend on being able to serve the needs of consumers at all income levels, from those on low and uncertain incomes to those who are more affluent. This is an important part of our approach.

Studies on our operations in Indonesia and South Africa gave us a more in-depth understanding of our impacts on the local economy. These studies, as well as our experience of working with farmers around the world, show that the way in which we work with others can enhance economic development and poverty alleviation. We are now drawing these lessons into our work to support smallholder farmers and micro-enterprise models in our supply and distribution chains.



Unilever Group distribution of value added 2008 (% of total €11,177m)



Our economic impacts

Employees, governments, investors and many others in the communities where we operate benefit economically from our activities (see chart left).

In 2008, out of €40.5 billion sales income (turnover), we spent over €29.3 billion with suppliers and so created €11.2 billion value added through our operations. Our employees gained the largest share, earning €5.3 billion of the total. The providers of capital who finance our operations gained the second-largest share from dividends paid.

Total shareholder return is a core business measure, which reflects the value of dividends and changes in share price. Our long-term ambition is to be in the top third of a group of 21 consumer goods companies on a three-year basis. In 2008, we ranked 9th.

Growing in developing and emerging markets

Our business and sustainability strategies are starting to come together. We are finding that addressing society's concerns holds the potential for business growth and success. One such opportunity is to meet the needs of low-income consumers in developing and emerging markets.

In 2008, 47% of our sales were in developing and emerging markets. We expect to see this figure increase as populations and purchasing power grow, particularly in Asia.

Our aim is to satisfy the needs and aspirations of consumers at all levels with quality products. Whether it is through new distribution channels, using smaller formats or creating new products, we are trying to develop business models to reach the poorest members of society. However, producing and selling products for a few cents while making adequate margins is extremely difficult.

Continuing our efforts to bring oral health care within the reach of low-income consumers, during 2008 we launched a quality, low-cost toothbrush. Pepsodent Smart Clean is priced at just 10 rupees in India (equivalent to 16 euro cents) and 1,850 rupiahs in Indonesia (approximately 13 euro cents).

Our Pureit in-home water purifier provides affordable and safe drinking water for middle-income families in India as it is cheaper than boiling water or buying bottled water. Pureit creates jobs in its distribution chain, by employing women to sell the product door to door.

Supporting economic development

Among suppliers

In 2002 we co-founded the Novella Partnership, a programme to scale up production of allanblackia oil in Africa and at the same time to reduce poverty and promote sustainable enterprise (pictured left). The partnership comprises Unilever, the World Conservation Union (IUCN), the Netherlands Development Organisation (SNV), the World Agroforestry Centre (ICRAF) and others. By 2008, around 40,000 allanblackia seedlings had been raised in Ghana and Tanzania for planting in farmers' fields. Around 10,500 people in these countries are taking part as farmers and planters and as collectors of seed from trees growing in the wild. Plans are also in place to accelerate allanblackia development in Nigeria.

Since 2002 we have invested €7 million in the programme, which has enabled us to secure important supplies of allanblackia's high-quality oil and created a new source of income for poor farmers. Farmer incomes have already been boosted by an estimated €100,000 in total. By 2017 the partnership aims to have 200,000 farmers and to plant 25 million trees, leading to an estimated doubling of farmer household incomes from \$1 to \$2 a day as a result of allanblackia cultivation.

In 2008 we reached an important milestone as the European Commission approved the use of allanblackia oil in spreads.

STAKEHOLDER VIEW

"SNV and Unilever are working to strengthen the capacity of, and linkages between, small-scale producers and local processors and traders. Local production, income and employment are all benefiting from the invaluable international marketing perspective Unilever provides."

ROY VAN DER DRIFT

SENIOR STRATEGY ADVISER, SNV EAST AFRICA AND SOUTHERN AFRICA REGION

Working with others

To understand our economic impacts better, we carried out two studies, one with Oxfam on Indonesia and one with Professor Ethan Kapstein from the European business school INSEAD on South Africa.

We are also exploring development issues as members of CSR Europe's working group on the Base of the Pyramid. This initiative involves other Europe-based companies and seeks to explore opportunities to work jointly with the European Commission.

Our contribution to the MDGs

The Millennium Development Goals (MDGs) set out eight global targets for governments to reach by 2015, ranging from halving world poverty to halting the spread of HIV/AIDS. Our main contribution to these goals is through the wealth and jobs we create in our business and our value chain. We also contribute through our partnerships with organisations such as the UN World Food Programme and UNICEF.

In distribution

Our Shakti initiative, launched in India in 2000, creates micro-enterprise opportunities for rural women to sell Unilever products door to door. By the end of 2008 there were more than 45,000 Shakti entrepreneurs covering 3 million homes in 100,000 villages. For Hindustan Unilever the initiative has doubled direct rural reach. For the women, Shakti earnings typically double household incomes, and also boost their sense of self-esteem. We now have similar initiatives running in Sri Lanka, Bangladesh and the Philippines.

Across the value chain

Unilever is a partner in a project run by the World Economic Forum's Business Alliance against Chronic Hunger. It involves other multinationals together with Kenyan companies and banks. We have seconded one of our former country leaders to head the project.

The aim is to work with smallholder farmers in a poor region of Kenya to strengthen their businesses and increase their earning potential. The initiative looks at developing markets for their products to encourage economic development across the value chain. ■

Operational and performance review

We seek to manage our day-to-day operations in keeping with our commitment to responsible business behaviour.

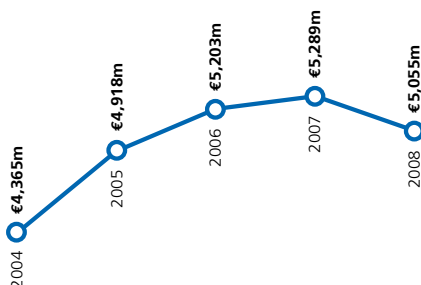
This is a summary of our performance. Please visit our Sustainable Development Report at www.unilever.com/sustainability for much more detail on each of these topics.

Consumers

As a leading global consumer goods company, we promote the benefits of our products using many different channels of brand communication. Advertising can be a powerful force for behaviour change.

We need to ensure we take a responsible approach. We are guided by our Food and Beverage Marketing Principles when developing campaigns.

Advertising and promotion 2004-2008



Consumers trust us to provide products that are safe. Product safety is always considered at the design stage of a new product. We have an independent safety approval process for product and supply-chain technology design. The responsibility for independent approval decisions rests with our Safety and Environmental Assurance Centre.

Incidents can occur if a product that does not reach our high safety and quality standards is accidentally released into the market. In these cases, we identify the most effective measures to protect consumers' safety, including recalling products where necessary. During 2008 we had five public recalls. Every incident is followed by a thorough investigation in order to prevent recurrence.

Consumers may be concerned about the use of particular chemicals in our products. We work in partnership with a range of organisations to strengthen consumer confidence in our products.

We are committed to eliminating animal testing for our business and the vast majority of our products reach consumers without testing any of their ingredients on animals. Our strict internal procedures ensure that testing is only carried out where there is no other option. We are also investing in alternative approaches to replace animal testing in safety assessments for consumer products.

Counterfeit products pose significant safety risks for consumers. They also erode consumer confidence in our brands and undermine our investment in R&D. We are working with others to ensure better intellectual property protection, increased enforcement and improved consumer awareness.

Customers

Our products reach shoppers through a network of customers including retailers, wholesalers and distributors.

International retail customers such as Wal-Mart, Tesco, Carrefour and Metro predominate in the US and Europe and have a growing presence in developing markets. In 2008 around a fifth of our worldwide sales were channelled through ten major retail chains.

We also sell products through a more diverse group of distributors, wholesalers and small, independent outlets and kiosks, particularly in developing and emerging markets. Meeting the needs of these different types of retail channels will contribute to our growth in these markets.

Increasingly we engage with retailers on sustainability issues, sharing our experience and knowledge in areas such as sustainable agriculture and measuring lifecycle impacts. We work together to deliver innovative in-store programmes that help educate shoppers.

Our brands Knorr, AdeS, Omo and Rexona are working in partnership with one of the biggest retailers in Brazil, Pão de Açúcar, to promote CEMPRE, a packaging recycling scheme for shoppers. Since the launch of this initiative in 2001, 103 recycling stations have been established in 24 cities, working in partnership with 30 waste collection co-operatives to recycle over 26,000 tonnes of packaging.

Employees

We are making progress in transforming Unilever's business structures and ways of working. These changes are even more relevant in the present challenging economic climate.

One Unilever

During 2008 we continued making the changes we announced as part of our One Unilever programme, which aims to simplify our business structure, speed decision-making and improve competitiveness.

As part of this, we announced a restructuring of our R&D function, combining around 6,000 R&D professionals into a unified organisation to improve efficiency and the speed of innovation.

Similar efficiencies are being delivered through the creation of multi-country organisations in Asia, Africa, Europe and Latin America, enabling a single management team to lead a cluster of countries.

The number of people we employ worldwide (174,000) stayed constant between 2007 and 2008 as we acquired new businesses as well as continuing our restructuring programme. As a result of restructuring and a number of disposals, around 5,000 people left our business in 2008.

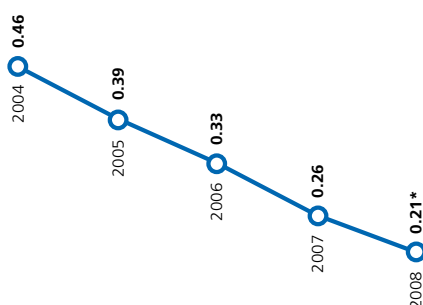
When making decisions that affect people's lives we always seek to uphold our values and treat people with respect, integrity and fairness. Our approach is to communicate regularly and where redundancy is necessary, to make every effort to help employees find alternative employment.



Safeguarding employee health, safety and well-being

Health and safety remains a priority. Our principal measure of progress is the total recordable accident frequency rate. In 2008, this decreased to 0.21* accidents per 100,000 hours worked, down 19% on 2007.

Accident rate (TRFR)** 2004-2008



** Total Recordable Frequency Rate (TRFR) measured per 100,000 hours. All workplace accidents, excluding only those that require simple first aid treatment.

* 2008 data is preliminary – see Assurance on page 30.

Regrettably, three employees and one contractor lost their lives in 2008. The lessons learned from these deaths were communicated across our business.

Our People Vitality programme aims to enhance the personal well-being and effectiveness of our people, through advice on exercise, nutrition and mental resilience. During 2008 the programme was rolled out to our operations in Asia, Africa and Latin America. The programme is already showing positive results. Participants have reported improvements in their sleep, energy levels, motivation and work performance.

Diversity

We are committed to developing a diverse workforce. We have 20 nationalities among our top 100 managers. Our Global Diversity Board, comprising leaders from all business functions and chaired by our Chief Executive Officer, drives our efforts in this area. A key milestone was reached in 2008 with the appointment of former Non-Executive Director, Geneviève Berger, to the role of Chief R&D Officer and member of the Unilever Executive.

Sustainability training

In 2008 our customer development function launched an online 'centre of excellence' on sustainability. This provides a platform for our teams to collaborate and share good practice from in-store campaigns around the world. Our R&D function launched a new three-day sustainability foundation course. This aims to embed sustainability into our business as a means of achieving competitive advantage. Training was also introduced to help our packaging teams understand sustainability.

Human rights and business ethics

Our Code of Business Principles sets out our commitment to human rights, including our prohibition of forced and child labour and our respect for employees' right to freedom of association and collective bargaining.

We reviewed our approach to human rights to improve communications and compliance mechanisms. We piloted enhanced self-assessment processes during 2008 and are now analysing the findings.

We have a confidential ethics hotline for reporting breaches of our Code and a process for addressing any issues raised. During 2008, 54 employees were dismissed as a result of breaches of the Code.

Labour relations

Between 2006 and 2008, four complaints were brought to Unilever's attention by the International Union of Food Workers (IUF) and the transport union TUMTIS. These concern site closure, freedom of association, collective bargaining and the use of temporary and contracted labour at our factories in India and Pakistan and a supplier's factory in Turkey. The unions have referred their complaints to the OECD's national contact points in the UK and Turkey for investigation. Unilever is seeking local resolution to these issues as well as co-operating with the OECD process.

In 2008 we conducted a survey of our businesses around the world. Responses from 35 of these countries (representing 55% of our turnover) showed that 43% of eligible employees were members of a trade union. In all the countries surveyed (covering over 95% of turnover), wages paid by Unilever meet or exceed the minimum wage requirements established by the relevant national authority.

Suppliers

Our expectations of suppliers are set out in our Business Partner Code. This specifies our responsible sourcing requirements on the key areas of health and safety at work, business ethics, labour standards, consumer safety and the environment.

We source the raw materials and packaging for our products from more than 10,000 suppliers and non-production goods and services from up to 100,000. The task of communicating our expectations and ensuring that suppliers adhere to them is a huge one. It is also one to which we assign high importance as a significant proportion of our purchasing is from developing countries, where the potential risk of non-compliance is highest.

In 2008 we conducted a programme of supplier audits to identify areas for improvement. Within this sample, we found no critical non-compliance with our Business Partner Code, such as under-age working. However, we did find a significant number of areas of non-compliance, principally related to excessive working hours and health and safety standards. We are now monitoring the corrective action plans of these suppliers.

The assurance process for our Business Partner Code is now embedded within our procurement function and is being implemented incrementally with our suppliers. As a priority we are focusing primarily on developing countries. We are using the methodology and systems provided by the Supplier Ethical Data Exchange (SEDEX), together with other peer companies participating in an industry initiative called AIM-PROGRESS to promote responsible sourcing.

This initiative allows a group of customers to use common methods to assess and audit supplier sites, and enables suppliers to share their assessments with multiple customers. It eliminates duplication and delivers greater efficiencies for both parties.

By the end of 2009, Unilever will have invited more than 1,000 suppliers to register with SEDEX. Many more of our suppliers will be among the 22,000 suppliers already using SEDEX or will be invited to register by our peers.



Summary of eco-efficiency performance for CO₂, water and total waste

	PERFORMANCE 2008* (% CHANGE 2007–2008*)	PERFORMANCE 2007	% REDUCTION 1995–2008*
CO₂ from energy kg/tonne of production	146.77 (–1.6%)	149.18	39%
Water m ³ /tonne of production	2.96 (–3.0%)	3.05	63%
Total waste kg/tonne of production	7.89 (+4.3%)	7.56	68%

*2008 data is preliminary – see Assurance below.

Eco-efficiency in manufacturing

We aim to reduce the environmental impacts of our manufacturing operations minimising both resources used and waste created.

In 2008 we collected environmental performance data from 276 manufacturing sites in 69 countries (including sites that have now closed). Our approach is underpinned by our environmental management system based on ISO 14001.

Performance in 2008

See summary chart above for our three key performance indicators. Details of other performance indicators (energy; boiler/utilities SO_x; chemical oxygen demand; hazardous and non-hazardous waste) are published in our online Sustainable Development Report.

We always aim to maintain the highest possible standards of environmental management, but occasionally we encounter setbacks. We monitor and report all occurrences of fines and prosecutions associated with infringements, from our manufacturing sites, corporate head offices and research laboratories.

Target setting

We are reviewing our approach to short and long-term target-setting for our eco-efficiency measures. We will continue to track internal, short-term targets to drive our performance (our targets to 2010 are available in our online Report).

Future external reporting will focus on our performance against long-term targets. This provides a more accurate reflection of our progress rather than reporting against rolling annual milestones, since most of our eco-efficiency initiatives yield results over a longer timeframe. We have already adopted this approach for CO₂ from energy and in 2009 we aim to define similar long-term targets for our other two key performance indicators of water and total waste.

Government

Our Code of Business Principles guides all aspects of our conduct internally and with external parties.

We do not support political parties or fund groups that promote party interests. Our Code commits us to obeying the laws of the countries in which we operate, behaving with honesty, integrity and openness. It helps us run our business with respect for the human rights and expectations of all our stakeholders.

We encourage our companies to engage with local governments and other organisations to help inform public policy. This is done both directly and through trade associations. In 2008, the main topics on which we engaged with governments included food prices, product safety, climate change, nutrition, sustainable development, biofuels and chemicals labelling.

In Europe, Unilever has subscribed to the Code of Conduct for Public Affairs Professionals as developed by the Society for European Affairs Professionals. We have also expressed our support for the European Transparency Initiative and are now listed in the European Transparency Register, which enables anyone to obtain information on our interests and funding.

Communities

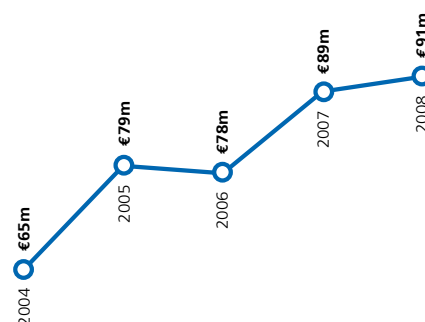
We seek to contribute positively to the communities in which we operate through our community investment.

During 2008 we contributed €91 million to communities. This helped us support around 16,500 community organisations worldwide, through cash contributions and in-kind support.

In addition to our global partnerships with organisations such as the World Heart Federation and FDI World Dental Federation, our investment allows us to contribute to local and regional partners on a range of activities that respond to local needs.

We continue to encourage our employees to get involved in community projects. In 2008, we estimate that over 37,000 employees took part in community activities with our support. ■

Investment in communities 2004–2008



Assurance

Data marked * throughout this Overview is preliminary. This data forms part of ten environmental and occupational safety performance indicators that will be independently assured by Deloitte LLP and reported in our online Sustainable Development Report 2008.

For Deloitte's limited assurance report, which sets out the scope of the work performed on this data and their conclusion see: www.unilever.com/sustainability

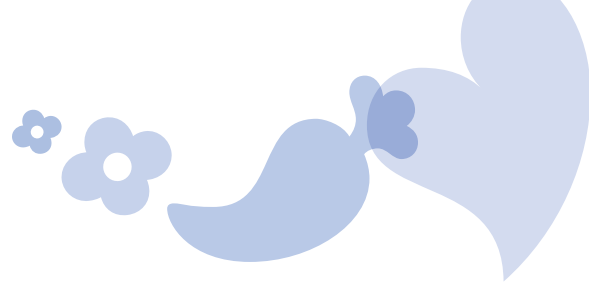
Deloitte.

Performance data summary

Nutrition, hygiene and well-being		Units	2008	2007
	Investment in R&D	€ millions	927	868
	Foods in R&D pipeline with 'vitality benefits'	proportion approximate	¾	⅔
	Products in line with internationally accepted guidelines for saturated and trans fats, sugar and salt	%/proportion approximate	43	>⅓
	Eligible products in Europe labelled with Guideline Daily Amounts information as part of CIAA voluntary nutritional labelling initiative	% estimate	90	50
	Number of school meals provided through partnership with UN World Food Programme	millions	16	15
	Number of people reached with Lifebuoy's Swasthya Chetna handwashing campaign in India (cumulative since 2002)	millions	120	>100
	Number of children reached through Signal/Pepsodent/Close Up school-based oral health programmes	millions	>4	>4
Environmental sustainability		Units	2008	2007
Climate change	CO2 from energy	kg/tonne of production	146.77*	149.18
Water	Water use	m³/tonne of production	2.96*	3.05
Total waste	Total waste	kg/tonne of production	7.89*	7.56
Agriculture	Tea used in Lipton Yellow Label and PG Tips in Western Europe from Rainforest Alliance Certified™ farms	% approximate	50	<1
	Palm oil from sustainable sources	% approximate	<1	0
	Suppliers self-assessing compliance with Sustainable Agriculture Guidelines	proportion approximate	⅓	N/A
Economic		Units	2008	2007
	Turnover	€ millions	40,523	40,187
	Operating profit	€ millions	7,167	5,245
	Purchases of goods & services	€ millions	29,346	28,836
	Turnover from developing and emerging markets	%	47	44
	Total taxes paid	€ millions	1,455	1,312
	Total value added	€ millions	11,177	11,351
	Total shareholder return	rank out of 21	9	8
	Number of manufacturing sites		273	284
People & partners		Units	2008	2007
Consumers	Advertising and promotion spend	€ millions	5,055	5,289
	Number of consumer recalls		5	10
Customers	Business going through ten major retail chains	proportion approximate	⅓	⅓
Suppliers	Number of suppliers of raw materials and packaging		>10,000	>10,000
Employees	Number of employees (year end)		174,000	174,000
	Number of employees dismissed as result of breaches of Code of Business Principles		54	54
	Total recordable accident frequency rate (TRFR)	per 100,000 hours	0.21*	0.26
	Fatalities (including contractors)		4	4
Communities	Community investment	€ millions	91	89
	Number of beneficiary organisations		16,500	15,000

*2008 data is preliminary – see Assurance left.

Our performance: an outside view



Our external advisers share their views on Unilever's progress to date and key challenges for the future.

The Unilever Sustainable Development Group comprises external experts who provide advice and guidance on the development of our strategy. Their collective expertise covers environmental, social and economic issues in both developed and developing countries.

The Group meets twice a year to discuss a range of topics. In 2008, these included responsible sourcing, palm oil, sustainable tea, water, packaging and climate change. We share the insights from these meetings with our Board-level Corporate Responsibility and Reputation Committee and our Corporate Responsibility, Issues, Sustainability and Partnerships (CRISP) leadership team.

Dan Esty

"Unilever continues to be a leader in its commitment to making sustainability a core element of the company's business strategy.

I am particularly pleased to see the gains that have been made in moving toward Rainforest Alliance Certified™ tea, sustainable palm oil and greater eco-efficiency across the value chains of many products. The success of this agenda in helping Unilever to reduce risks, cut costs, drive revenues and build its brands will ensure that the company continues to refine and advance its environmental efforts. It is nice to see the business case for sustainability emerging so clearly."

DAN ESTY IS HILLHOUSE PROFESSOR OF ENVIRONMENTAL LAW, YALE UNIVERSITY, US

Ma Jun

"There is a growing concern over water pollution in developing countries such as China as they go through industrialization and urbanization. The increasing discharge of industrial effluent, farming run-off and urban sewage has a huge negative impact on limited clean water resources.

The major commitment made by Wal-Mart in October 2008 in Beijing highlights the trend for multinational companies to extend environmental management to their vast supply chain in developing countries. I believe it is important for Unilever, as an industry leader in sustainability, to continue to work with customers and suppliers to reduce waste discharge and prevent water pollution in developing countries."

MA JUN IS FOUNDER DIRECTOR OF THE INSTITUTE OF PUBLIC AND ENVIRONMENTAL AFFAIRS, CHINA

Malini Mehra

"The banking crisis – implicating as it did some of the world's most reputable financial institutions – has left a huge cloud over the corporate responsibility movement. Trust has dissolved and suspicion grown. This report shows a company seeking to do the right thing. Not as a pilot in one or two countries, but as a systematic way of conducting its core business with metrics that matter and communities to hold it to account.

This is a hard task – made harder by today's pressures from the financial markets and consumers alike. Unilever's analysis in this sustainability report shows how much is happening across the company as it seeks to embed principles of sustainability and vitality with integrity. None of this has reached perfection, but, as the examples of its tea, palm oil and greenhouse gas reduction efforts show, progress is a moving target. Importantly, the report shows how much more can be done if customers and supply chains play their role in greening demand and greening supply. A prerequisite if we are to use today's crisis as an opportunity to green economic recovery."

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

Jonathon Porritt

"The brands in Unilever are much more engaged with sustainability than they've ever been before. This is no longer just a head office agenda. The Brand Imprint process developed over the last three years has been hugely influential in getting brand teams on board, connecting their direct commercial concerns with Unilever's high-level commitments on vitality issues and sustainability.

That means there are many people in Unilever on quite a steep learning curve! Until now, most of the performance reporting was based on production-related metrics. Those metrics will now be reinforced by measures looking at different impacts per consumer use. That may not sound like a big shift, but it's fundamental to enabling Unilever to manage the impacts of its brands.

What few people see is what's going on behind the scenes to deliver improved performance on all these different indicators. On packaging, for instance, with 160 million Unilever products shifted every day, that makes for a massive packaging headache: how best to ensure that all Unilever's packaging does the job it's meant to (in terms of food safety, nutritional information and so on) with the lowest possible environmental and social footprint. The new metric on a per consumer use basis means amassing huge amounts of data, product by product, in order to make those judgements. 'Sustainable packaging' may sound easy, but it actually requires a sophisticated combination of materials science, economics and psychology to make any serious headway at all!"

JONATHAN PORRITT IS FOUNDER DIRECTOR OF FORUM FOR THE FUTURE, UK



Awards and recognition

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

- Named food industry category leader in the Dow Jones Sustainability World Indexes for the tenth year running – the only company to have achieved this
- Retained SAM Sector Leader and SAM Gold Class Sustainability distinctions from Sustainable Asset Management
- Included again in the FTSE4Good Index Series and attained a top environmental score of 5, leading to inclusion in the FTSE4Good Environmental Leaders Europe 40 Index
- Scored 88% in the latest Carbon Disclosure Project survey (CDP6 in 2008)
- Included in Global 100 Most Sustainable Corporations in the World for the fifth year running, a 2009 list compiled by Corporate Knights and Innovest Strategic Value Advisors
- Retained our Platinum standard in the UK's Business in the Community Corporate Responsibility Index 2008
- Gained joint first place in VBDO (Association for Investors in Sustainable Enterprises) 2008 rating for sustainable supply chain management, ahead of 34 other companies listed on the Dutch Stock Exchange
- Runner-up for Best Report in the ACCA UK Awards for Sustainability Reporting 2008, for our Sustainable Development Report 2007
- Joint winner of the 2008 ACC Award in the Most Innovative CSR Report category, given by the Dutch accountancy organisations VMA and NIVRA



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**Unilever N.V.**

Weena 455, PO Box 760
3000 DK Rotterdam
The Netherlands
T +31 (0)10 217 4000
F +31 (0)10 217 4798

Commercial Register Rotterdam
Number: 24051830

Unilever PLC

Unilever House
100 Victoria Embankment
London EC4Y 0DY
United Kingdom
T +44 (0)20 7822 5252
F +44 (0)20 7822 5951

Unilever PLC registered office

Unilever PLC
Port Sunlight
Wirral
Merseyside CH62 4ZD
United Kingdom

Registered in England and Wales
Company Number: 41424

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