



UNILEVER SUSTAINABLE LIVING PLAN

Progress Report 2011

THE CONTEXT



The world faces unprecedented challenges

Population has passed 7 billion

and is growing by 77 million a year

Equivalent to a city the size of London being created every six weeks

Climate change is accelerating

Heading towards a temperature rise greater than 2 degrees

Water is scarce – 2.8 billion people live in water-stressed regions

2 billion lack access to safe drinking water

Food production has to increase by 70%

to meet global demand in 2050

We have to produce as much food in the next 40 years as we have in the last 8,000

Obesity and under-nutrition continue to rise

1 in 10 of the adult population is obese while 1 billion people go hungry

We are burning up resources at the rate of 1.5 planets

according to WWF's Living Planet Index

If everyone lived like an average European, we would need three planets



Unilever

Unilever's response to these global challenges

With products on sale in over 190 countries, Unilever is confronted daily by the reality of poor hygiene, poor nutrition, water scarcity and the impact of a changing climate on the farmers who supply us. For 20 years we have been taking action to meet these challenges.

1995	Started a Sustainable Agriculture Programme for our suppliers and an eco-efficiency programme for our factories
1996	Co-founded the Marine Stewardship Council with WWF
2000	Began work, with Greenpeace, to remove HFC refrigerants from our ice cream freezers
2002	Lifebuoy soap's campaign to raise awareness of the importance of handwashing was launched
2003	Co-founded the Roundtable on Sustainable Palm Oil
	Established our Nutrition Enhancement Programme
2007	Committed to source tea sustainably
2008	Committed to source all palm oil from certified sustainable sources by 2015
2010	Leading advocate of the Consumer Goods Forum's commitment to eliminate deforestation from our supply chain

Proud as we are of this work, we know that we have much more to do if we are to live up to the scale of the challenges. That is why we launched the Unilever Sustainable Living Plan in November 2010 – the next step on our sustainability journey.

CONTENTS

1 Introduction	10 ■ Health and hygiene	38 External commentary
2 Building a sustainable business	14 ■ Nutrition	40 Verifying our approach
3 2011 highlights	18 ■ Greenhouse gases	
4 Our impacts across the value chain	22 ■ Water	
6 The Unilever Sustainable Living Plan	26 ■ Waste	
8 Summary of progress: 2011	30 ■ Sustainable sourcing	
	34 ■ Better livelihoods	
	36 ■ People	

INTRODUCTION

How to grow sustainably is the biggest challenge facing companies everywhere.

The great challenge of the 21st century is to provide good standards of living for 7 billion people without depleting the earth's resources or running up massive levels of public debt. To achieve this, government and business alike will need to find new models of growth which are in both environmental and economic balance.

In the years since 1945 global capitalism has delivered much that is positive. It has lifted hundreds of millions of people out of poverty. It has helped catalyse a second agricultural revolution and, more recently, it has given birth to digital technology which is transforming all our lives.

But capitalism is not a panacea. For those things which we find hard to put a price on – biodiversity, carbon, natural capital – the market has failed us. As a result we live in a world where temperatures are rising, natural resources are being depleted, species loss is accelerating and the gap between rich and poor is increasing. This is completely unsustainable.

NEW MODELS OF BUSINESS

Business has to decide what role it wants to play. Does it sit on the sidelines waiting for governments to take action or does it get on the pitch and start addressing these issues?

In Unilever we believe that business must be part of the solution. But to be so, business will have to change. It will have to get off the treadmill of quarterly reporting and operate for the long term. It will have to see itself as part of society, not separate from it. And it will have to recognise that the needs of citizens and communities carry the same weight as the demands of shareholders.

We believe that in future this will become the only acceptable model of business. If people feel that the system is unjust and does not work for them, they will rebel against it. And if we continue to consume key inputs like water, food, land and energy without thought as to their long-term sustainability, then none of us will prosper.

THE UNILEVER SUSTAINABLE LIVING PLAN

Unilever's future success depends upon being able to decouple our growth from our environmental footprint, while at the same time increasing our positive social impacts. These are the central objectives of the Unilever Sustainable Living Plan which we launched in November 2010.

The Plan will result in three significant outcomes:

- help more than a billion people to improve their health and well-being
- halve the environmental footprint of our products
- allow us to source 100% of our agricultural raw materials sustainably.

Underpinning these three broad goals are around 60 time-bound targets spanning our social, economic and environmental performance across the value chain – from the sourcing of raw materials all the way through to the use of our products in the home.

DELIVERING AGAINST OUR TARGETS

We have made a good start to delivering the Plan. There has been excellent progress in sustainable agricultural sourcing. We have increased the use of renewable energy in our factories, reduced the use of HFC gases in our ice cream cabinets and taken steps to ensure that our food brands have a better nutritional profile.

Much remains to be done. But businesses like ours no longer have a choice. Sustainable, equitable growth is the only acceptable model of growth. It is also a very effective one. Growth and sustainability are not in conflict. There is no inherent contradiction between the two. In fact, in our experience, sustainability drives growth.

That is why we are putting 'sustainable living' at the heart of everything we do. We have found that once you start looking at product development, sourcing and manufacturing through a sustainability lens, it opens up great opportunities for innovation and cost reduction.



WORKING IN PARTNERSHIP

But if we achieve our sustainability targets and no one else follows, we will have failed. Because of this we are working with other organisations, such as the Consumer Goods Forum, the World Economic Forum, the World Business Council for Sustainable Development, NGOs and governments, to drive concerted, cross-sector change.

I hope this report will give you a sense of the progress we are making. If you have comments to make or solutions to offer do not hesitate to get in touch with me at: Paul_Polman.Sustainableliving@unilever.com

Paul Polman
Chief Executive Officer

BUILDING A SUSTAINABLE BUSINESS

We believe growth and sustainability go hand in hand.

THE BUSINESS CASE

As we implement our Plan we are recognising that the business case for embedding sustainability into our brands is strong.

1. **Consumers want it.** A small but growing number of consumers around the world are seeking the assurance that the products they buy are ethically sourced and responsibly made. A more sustainable brand is often a more desirable brand.
2. **Retailers want it.** Many retailers have sustainability goals of their own and need the support of suppliers like Unilever to implement them. This collaboration is deepening the relationships we have with our customers.
3. **It fuels innovation.** Sustainability is a fertile area for both product and packaging innovation. It is allowing us to deliver new products with new consumer benefits.
4. **It helps develop new markets.** Over half Unilever's sales are in developing countries, which often face the greatest sustainability challenges. New products that help people adapt to the changing world will drive growth.
5. **It saves money.** Managing our operations sustainably reduces energy, minimises packaging and drives out waste. It not only generates cost savings, it can also save the consumer money.
6. **It inspires our people.** Our vision to create a sustainable, growing business is motivating for our employees and appealing to people who are considering joining Unilever.

OUR BUSINESS PROGRESS

As a business we cannot choose between growth and sustainability. We need to grow if we are to have the resources to invest in renewable energy, sustainable agriculture and product innovation.

The Unilever Sustainable Living Plan is helping drive both growth and profitability.

- The **brands** which are building sustainability into their offer all performed well. For example, Lifebuoy, our concentrated liquid detergents and Comfort all grew double digit in 2011.
- The **eco-efficiency** programmes in our factories have continued to deliver good levels of savings.
- Our efforts to reduce the amount of **packaging** we use have also cut costs.

In 2011 Unilever's underlying sales growth was 6.5%, its market shares improved and its operating margin was broadly stable.

We see no conflict between sustainable consumption and profitable growth: they are mutually supportive.

EMBEDDING SUSTAINABILITY

Only by embedding sustainability into our business will we succeed in reaching our targets. We are doing this in a number of ways.

- Our **business strategy now includes sustainability** at its heart.
- **We are measuring progress.** Our brand and functional teams all have sustainability scorecards. These are reviewed quarterly by the Unilever Leadership Executive.
- **We are starting to link progress to reward.** An increasing number of managers, from the CEO downward, have sustainability goals as part of their compensation.
- **We are building sustainability into innovation.** We have a set of tools to evaluate the environmental impacts of new products.
- **We have appointed 65 sustainability champions** to cover every key function, category and country across the business.
- **We are building expertise in behaviour change.** Unilever's Five Levers for Change methodology helps our brand and R&D teams design effective programmes (see page 11).

OUR BUSINESS

PERSONAL CARE

Turnover **€15.5 billion**
Underlying sales growth **8.2%**

Dove is the world's top cleansing brand

Rexona is the world's leading deodorant brand



REFRESHMENT

Turnover **€8.8 billion**
Underlying sales growth **4.9%**

Unilever is the world's leading **ice cream** company

Lipton is the world's best-selling brand of tea



2011 HIGHLIGHTS



24% of agricultural raw materials sustainably sourced

– in 2011



64% of our palm oil now sourced sustainably

– we are on track to meet our 2015 target



48 million people reached with Lifebuoy soap handwashing programmes

over 2010–11



100% of our electricity purchased in Europe now from renewable sources

– which saves 250,000 tonnes of CO₂ emissions a year



Over 90% of our leading spreads contain less than 1/3 saturated fat



35 million people have gained access to safe drinking water from Pureit since 2005

What is left to do

Although we have made good progress on our top 10 materials, there remains much to do

The next step is to develop segregated supplies of certified palm oil which can be traced back to the plantations on which they were grown

New partnerships will help us scale up further, and our 'train the trainer' approach in Indonesia will be extended

Overall, renewable energy now contributes 20% of our total energy use. We need to double this figure to reach our target of 40%

Tackle the remainder which need higher saturated fat content to stay stable in tropical countries

We need to make Pureit available to more low-income consumers. We are working with NGO partners to improve accessibility and affordability

HOME CARE

Turnover **€8.2 billion**
Underlying sales growth **8.1%**

A third of the households in the world use our laundry products – **125 billion** washes a year



FOODS

Turnover **€14 billion**
Underlying sales growth **4.9%**

Knorr is Unilever's largest brand, with sales in more than **80 countries**

We are the world's leading manufacturer of margarine with brands such as **Flora**, **Becel**, **Blue Band** and **Rama**



OUR IMPACTS ACROSS THE VALUE CHAIN

The sourcing of **raw materials** and the use of our products by the



To **minimise our impacts** and effect broader change, we progress

Working collaboratively across the supply chain

To effect meaningful change in complex global supply chains we act with others to create new standards, new frameworks and new forms of governance

In **agriculture** we work with

- The Roundtable on Sustainable Palm Oil (RSPO)
- The Round Table on Responsible Soy (RTRS)
- The Sustainable Agriculture Initiative (SAI Platform)
- The World Economic Forum's New Vision for Agriculture
- The Consumer Goods Forum
- WWF ■ Greenpeace ■ Oxfam
- Rainforest Alliance ■ Fairtrade

On **climate change** we work with

- The Prince of Wales's Corporate Leaders Group on Climate Change
- World Resources Institute (WRI)
- The Sustainability Consortium

On **water issues** we work with

- The UN's CEO Water Mandate
- The Water Footprint Network
- The World Business Council for Sustainable Development (WBCSD)

Working as Unilever in the supply chain

Sometimes acting alone can catalyse change across the industry



In 2007 we were the first large company to commit to **sustainable sourcing of tea**

Many tea companies have followed us



In 2008 we committed to draw all of our **palm oil from certified sustainable sources by 2015**

Much of the industry has followed



We will source all our **cocoa sustainably by 2020**



Ben & Jerry's are asking Fairtrade to **certify their key ingredients**



Knorr has established a €1 million **Partnership Fund** to help farmers



Our **Sustainable Agriculture Code** is an open source document available to our suppliers and others

consumer at home represent the vast bulk of our footprint.



our **own initiatives** and **work collaboratively** with others.

Working collaboratively on sustainable consumption

To change consumer behaviour at population scale requires us to partner with others

In **health and hygiene** we work with

- Water & Sanitation for the Urban Poor (WSUP)
- London School of Hygiene & Tropical Medicine
- FDI World Dental Federation
- PSI (Population Services International)

In **nutrition** we work with

- The UN's Scaling Up Nutrition (SUN) initiative
- The International Food & Beverage Alliance
- Through Project Laser Beam, we are working with other companies, the World Food Programme and GAIN

In **recycling**

- The Sustainable Packaging Coalition
- CEMPRE – an industry recycling initiative in Latin America
- National bodies such as WRAP in the UK

Working as Unilever on consumer behaviour change

We design new products which are more sustainable and encourage people to consume more sustainably

Sustainable product design



Products with less salt, sugar and fat



Recyclable packaging



Concentrated detergents



Easy rinse conditioners

Behaviour change programmes



The Lifebuoy handwashing programme



Signal / Pepsodent Brush Day and Night campaign



We have developed our own model of behaviour change: The Unilever Five Levers for Change methodology

THE UNILEVER SUSTAINABLE LIVING PLAN

IMPROVING HEALTH AND WELL-BEING

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



HEALTH AND HYGIENE

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



NUTRITION

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



GREENHOUSE GASES

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

PEOPLE

Healthy employees and better workplaces.

* Throughout this document our environmental targets are expressed on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 41). We have taken a lifecycle approach with a baseline of 2008.

* In seven water-scarce countries representing around half the world's population (see page 41).

REDUCING ENVIRONMENTAL IMPACT

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

ENHANCING LIVELIHOODS



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



WATER

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



WASTE

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



SUSTAINABLE SOURCING

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



BETTER LIVELIHOODS

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



SUMMARY OF PROGRESS: 2011

IMPROVING HEALTH AND WELL-BEING

We estimate that we helped 135 million people take action to improve their health and well-being.

HEALTH AND HYGIENE

We have reached 100 million people with our hand-washing, oral care and self-esteem programmes, and a further 35 million with safe drinking water.

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

NUTRITION

We increased the proportion of our portfolio that meets the highest nutritional standards from 22% in 2010 to 25% in 2011.

- ✗ Improve heart health
- Reduce salt levels
- Saturated fat:
 - Reduce saturated fat
 - Increase essential fatty acids
- Remove trans fat
- Reduce sugar
- Reduce calories
- Provide healthy eating information

GREENHOUSE GASES

Our greenhouse gas (GHG) footprint has remained broadly unchanged.*

- Reduce GHG from skin cleansing and hair washing
- Reduce GHG from washing clothes:
 - Concentration
 - Reformulation
 - Consumer behaviour
- Reduce GHG from manufacturing:
 - CO₂ from energy
 - Renewable energy
 - New factories
 - Reduce GHG from transport
 - Reduce GHG from refrigeration

KEY

- ✓ achieved
- on-plan
- off-plan
- ✗ missed target

PEOPLE

- Reduce workplace injuries and accidents
- Improve employee health and nutrition
- ✓ Reduce employee travel
- Reduce energy consumption in our offices

* Throughout this document our environmental targets are expressed on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 41). We have taken a lifecycle approach with a baseline of 2008.

* In seven water-scarce countries representing around half the world's population (see page 41).

REDUCING ENVIRONMENTAL IMPACT

An interim sample of 2010 data shows that our environmental footprint has remained broadly unchanged.*

WATER

Our water footprint has remained broadly unchanged.*+

- Reduce water use in agriculture

Reduce water use in the laundry process:

- Easy rinse products
- Detergents that use less water
- Reduce water use in skin cleansing and hair washing

Reduce water use in manufacturing process:

- Reduce abstraction
- New factories

WASTE

Our waste footprint has remained broadly unchanged.*

- Reduce packaging

- Reuse packaging

Recycle packaging:

- Increase recycling and recovery rates
- Increase recycled content

Reduce waste from manufacturing:

- Reduce total waste
- New factories
- Tackle sachet waste
- Eliminate PVC

SUSTAINABLE SOURCING

Sustainably sourced agricultural raw materials increased from 14% in 2010 to 24% in 2011.

- Palm oil
- Paper & board
- Soy beans and soy oil
- Tea
- Fruit
- Vegetables
- Cocoa
- Sugar
- Sunflower oil
- Rapeseed oil
- Dairy
- Fairtrade Ben & Jerry's
- Cage-free eggs

ENHANCING LIVELIHOODS

We do not yet have a robust methodology for measuring improvements in livelihoods. In 2012 we will work to develop one.

BETTER LIVELIHOODS

We revised our smallholder farmers target. We engaged with 45,000 small-scale distributors.

- Smallholder farmers
- Small-scale distributors

Reduce office waste:

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

- Increase sustainable sourcing of office materials



OUR APPROACH

Poor hygiene and sanitation remain the cause of millions of preventable deaths.

In developing countries around 80% of diseases are water borne. According to UN estimates, over 2 billion people have limited access to safe drinking water. Of these, nearly 800 million lack even the most basic supply of clean water. This is a major public health issue.

Many Unilever brands offer hygiene benefits but none more so than our toilet soaps. Every year, diarrhoea and pneumonia claim the lives of over 2 million children under five. Yet studies show that washing hands with soap can significantly reduce the incidence of these diseases.

Our toothpastes also play an important role in helping to prevent tooth decay which is one of the world's most common diseases and can lead to more serious health conditions. The simple practice of brushing twice a day can make a big difference to oral health.

Finally Pureit, our in-home water purifier, provides water 'as safe as boiled' without needing electricity and at a price that is more affordable than boiling water.

To make a lasting impact on health we need to encourage people to make changes to their everyday habits, like washing hands with soap before eating and after going to the toilet.

We have used our knowledge of consumers to understand what triggers such changes and have devised programmes that drive sustained behaviour change.

For oral health and handwashing we have focused on children so that we can instil habits that last a lifetime.

OUR COMMITMENT

1.0

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

OUR PERFORMANCE

By end 2011, we had reached over 135 million people – 48 million with Lifebuoy, 44 million with our toothpaste brands, 8.5 million through the Dove Self-Esteem Fund and 35 million people with safe drinking water from Pureit.

WHAT MATTERS MOST

Changing hygiene behaviour with Lifebuoy soap and making safe drinking water available through Pureit.

✓ 0 ACHIEVED ● 4 ON-PLAN ● 0 OFF-PLAN ✗ 0 MISSED

HEALTH AND HYGIENE

IMPROVING HYGIENE AND PROMOTING WELL-BEING

REDUCE DIARRHOEAL AND RESPIRATORY DISEASE THROUGH HANDWASHING

OUR TARGETS

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

OUR PERFORMANCE

48 million people reached since 2010, of which 34.5 million people were reached in 2011.

Our Lifebuoy brand has devised a new methodology to drive sustained behaviour change. The new approach ensures that people not only understand why washing hands with soap is important, but also rewards them for practising the new habit over 21 days.

The programme is being taken to children through schools and to mothers through health clinics and women's groups.

Our experience shows that the individuals reached will influence up to five others in their household.

During 2011 the new methodology was deployed in seven countries: Bangladesh, India, Indonesia, Kenya, Malaysia, Pakistan and Vietnam.

On this target we are behind where we would ideally like to be. However, our new approach, together with new partnerships, convince us that we still have a chance of reaching our 2015 goal.

In India, as part of a new rural outreach programme, Khushia Ki Doli ('Caravan of Happiness'), Lifebuoy took handwashing messages to remote areas, reaching around 30 million people directly in 2010–11. This has the potential to reach 150 million people, based on an average household of five.

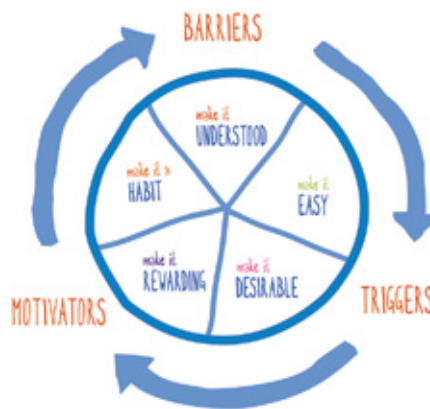
UNILEVER'S FIVE LEVERS FOR CHANGE

Inspiring people to adopt new behaviours is central to our Plan.

In 2011 we published our own model of behaviour change. Unilever's Five Levers for Change is a set of principles developed over many years which, if applied consistently, increases the likelihood of creating a lasting impact.

We have drawn on skills from outside and inside Unilever – psychologists and academics from leading universities, hygiene experts and specialists from our own research laboratories and marketing departments.

The first step is to identify the barriers, triggers and motivators to adopting a new behaviour and sticking with it. Next, we consider how to inspire change using each of Unilever's Five Levers for Change.



The Five Levers for Change is a simple process that has resulted in some success. But we are aware that just as people are complex, so too is behaviour. We continue to work with experts in the field to optimise our model.



EXTENDING OUR IMPACT: WORKING WITH SCHOOLS IN INDONESIA

In Indonesia we have pioneered a cost-effective and scalable model for rolling out handwashing education programmes in schools. The new model is based on a partnership between Lifebuoy, the Indonesian government and NGOs.

Lifebuoy trains teachers to deliver the handwashing behaviour change programme. We also provide the materials and toolkits they need. Each teacher then cascades the programme to a further three schools, through a 'train the trainer' model to create a multiplier effect.

Lifebuoy enlisted the help of NGO partners to provide monitoring and evaluation.

This partnership approach, involving the government, schools, teachers and NGOs, has enabled Lifebuoy to reduce the overall cost of the programme, thereby increasing our ability to take it to scale.

Lifebuoy handwashing programmes in Indonesia reached over 800,000 children during 2011. In 2012, we are working with partners to integrate handwashing with soap into the schools' curriculum. We aim to reach 4.5 million children.

We are now looking to extend the approach to other countries.



IMPROVING HEALTH AND HYGIENE

IMPROVE ORAL HEALTH

OUR TARGETS

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

OUR PERFORMANCE

- **Around 44 million people reached since 2010: 31 million in 2010* and 13 million in 2011.**

Brushing habits that last are best forged during childhood, so our campaigns seek to instil good habits from an early age. The Brush Day and Night message targets the single change that the FDI World Dental Federation agrees will do most to improve oral health. Clinical data has shown that brushing twice a day with fluoride toothpaste can reduce tooth decay in children by up to 50% compared to brushing once.

We have made good progress as a result of running the campaign in more countries than we had originally anticipated – a total of 12 countries across Europe, Asia, Africa and Latin America in 2011.

BRUSHING TEETH DAY AND NIGHT

We are using Unilever's Five Levers for Change model to encourage better oral hygiene. Our research revealed that we needed to make sure parents *understood* the importance of brushing at bedtime. We offered games to make it *easy* and prizes as a *reward* for keeping going.

The real breakthrough came from making it *desirable*. We did this by featuring dads in the communication. We recognised the role fathers can play in passing on good habits to children and how this appeals to their desire to become a good parent.

Along with stickers to encourage children to practise the new habit over several weeks, we explored new ways of reinforcing the *habit* by sending parents mobile alerts at children's bedtime.

Results are encouraging with increased brushing frequency in countries running the programme. This is a win-win: improving children's oral health and helping us grow our business.



IMPROVE SELF-ESTEEM

OUR TARGETS

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

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

OUR PERFORMANCE

- **Over 8.5 million young people have received our help since 2005. Over 1 million participated in the programme in 16 countries in 2011.**

Dove is one of our biggest brands with revenues in excess of €3 billion. Its Self-Esteem Fund is educating girls to overcome anxieties about their physical appearance and raise their self-esteem.

In 2011, the programme covered 16 countries including Australia, France, Mexico, Taiwan, the UK and the United States.

BUILDING A MOVEMENT FOR SELF-ESTEEM

Dove's Self-Esteem Fund promotes the development of body confidence among girls. It provides tools and resources to build their self-esteem, using the support of their families and communities.

The Fund also runs events, such as the Dove Self-Esteem weekend in the United States which attracted over 23,000 girls in 2011.



* Our previously reported figure of 10 million people reached in 2010 has been restated to 31 million – see the Sustainable Living section of our website.

PROVIDE SAFE DRINKING WATER

OUR TARGETS

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

OUR PERFORMANCE

- **35 million people in total have gained access to safe drinking water from Pureit since its launch in 2005.**

Pureit is an in-home water purifier that provides water 'as safe as boiled' without needing electricity or pressurised tap water. It removes harmful viruses, bacteria and parasites. An independent study has shown that Pureit can reduce the incidence of diarrhoeal disease by up to 50%.*

Following a successful launch in India the brand has been rolled out to Bangladesh, Indonesia, Mexico and Brazil.

The most affordable model costs €18 in India (1,200 rupees) with an ongoing running cost of just one euro cent for about 2 litres of safe drinking water. This is lower than the cost of boiling water and significantly less than buying bottled water.

We are working with a range of microfinance and NGO partners in India to improve the affordability of the purifier for those for whom the price is a barrier to purchase.

BRINGING SAFE DRINKING WATER TO LOW-INCOME CONSUMERS

We have designed various models of Pureit to appeal to consumers at different income levels. All models meet the United States' Environmental Protection Agency standards for safety from germs but vary in terms of price.



FUTURE CHALLENGES

The challenge of reaching a billion consumers with Lifebuoy is daunting. Given that our new, more rigorous methodology only reached 48 million at the end of 2011, there must be some doubt that we will reach a billion people by our target date of 2015.

However we remain committed to the goal. Our confidence is borne of a number of factors:

- we have now tested and piloted interventions that are effective, scalable and economically viable
- we know from our clinical data that when we get it right our impact is effective
- we also know that the business case is strong. In Pakistan, Lifebuoy soap consumption has increased by 8%.

We have also made progress in finding the right partners to support us. The London School of Hygiene & Tropical Medicine has long provided the scientific underpinning for our work and in 2012 we will start working with PSI and the Millennium Villages programme. These, and others, will help us with funding, expertise and distribution reach.

* Randomised trial by the National Institute of Epidemiology, based on 430 children in Chennai, India, 2005-2006.



OUR APPROACH

As lifestyles change, there is continuing concern about the effect of diet on public health.

People are living more sedentary lives and calorie-rich foods are more available and affordable. The result is a higher incidence of obesity, caused by people consuming more calories than they expend.

A healthy diet needs the right balance of fat (avoiding an excess of saturated fat), not too much salt and plenty of fruit and vegetables – otherwise the risk of heart disease and other chronic illnesses is increased.

At the same time, millions of people around the world remain hungry or lack essential nutrients in their diets. Developing and emerging countries in particular face the double burden of over- and under-nutrition.

Unilever can play a part in providing solutions to these problems. It is an opportunity for us not only to make a difference to people's health and well-being but also to achieve our growth objectives.

IMPROVING OUR PRODUCTS

Our Nutrition Enhancement Programme drives improvements in nutritional quality. Since we began the programme in 2003, we have made good progress on lowering the levels of each of the four key nutrients: salt, saturated fat, trans fat and sugar.

For each of these nutrients, we measure our progress against the most stringent international standards.

We apply these standards to all the food products in our portfolio, including our food service products which are consumed in restaurants, schools and hospitals.

OUR COMMITMENT

2.0

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

OUR PERFORMANCE

25% of our portfolio met the criteria in 2011, up from 22% in 2010. This is in line with our plans.

WHAT MATTERS MOST

Reducing the salt and saturated fat levels of our products.

✓ 0 ACHIEVED ● 7 ON-PLAN ● 0 OFF-PLAN ✗ 1 MISSED

NUTRITION

HELPING PEOPLE MAKE HEALTHY CHOICES

IMPROVE HEART HEALTH

OUR TARGETS

- 2.1 **By 2020 we aim to motivate 100 million people to take our Heart Age test with our Flora and Becel brands.**

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

OUR PERFORMANCE

- ✖ **5.9 million people have taken the Heart Age test since its launch in 2009. From 2012 we will no longer promote this test under the Flora/Becel brand.**

In 2009 Unilever and the World Heart Federation launched Heart Age, an online tool to raise awareness of cardiovascular disease. By 2011 the tool was available in 27 countries. Through this work we have confirmed that the Heart Age test is an excellent tool for making heart health personally relevant.

To our disappointment, our margarine brands by themselves have found it very difficult to drive sufficient numbers of people to the Heart Age website. Therefore to fully maximise the power of the tool we are now working with external partners who have a broader heart health remit.

This does not diminish our commitment to invest in research and development in heart health and through our Becel/Flora products help people take simple steps to reduce their risk of cardiovascular disease.

REDUCE SALT LEVELS

OUR TARGETS

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

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

OUR PERFORMANCE

- **We narrowly missed our 2010 interim milestone. At end 2011, 80% of our portfolio (representing almost 90% of our volume) reached 6 g per day.**

61% of our products met our target of salt levels equivalent to 5 g per day, up from 60% in 2010.

Salt consumption in many countries remains much higher than the recommended daily amount.

We have made progress in reducing salt levels, particularly in product categories such as soups and meal sauces. This has been most marked in countries such as Australia, France, Canada and the United States, where salt reduction is on the public health agenda.

However, much remains to be done in other parts of the world. We expect the date for reaching our 5 g per day target will vary depending on the speed with which we can implement changes in different countries. Therefore we have adjusted our target to between 2015 and 2020 to reflect this reality. We also recognise that it will be difficult to deliver this target.

ENCOURAGING PEOPLE TO REDUCE THEIR SALT INTAKE

Making 'reduced salt' claims appealing is not easy as people often assume that less salt means less flavour. But Knorr is rising to the challenge with the help of Salty, a cartoon character in the form of a salt shaker. Knorr launched an advertising campaign in Canada showing Salty feeling neglected because Knorr's Sidekick range tastes so good, even with 25% less sodium. Salty's popularity grew further on Twitter, Facebook and YouTube.

Thanks to Salty, demand for our lower-salt products increased.



PROVIDING BALANCED NUTRITION

REDUCE SATURATED FAT

OUR TARGETS

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

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

OUR PERFORMANCE

- **Over 90% of our leading spreads (by volume) contained less than 33% saturated fat as a proportion of total fat by end 2011.**
- **Over 90% of our leading spreads provided at least 15% of the essential fatty acids recommended by international guidelines by end 2011.**

Our leading spreads are those which we sell in tubs under brands such as Flora, Becel, Rama and Blue Band. They comprise about two-thirds of our soft margarines by volume. Our target does not include the hard margarines which are used for baking and require higher saturated fat levels.

The remainder of the leading spreads that do not meet our targets are largely sold in tropical countries where margarines cannot be made stable at ambient temperatures without a high saturated fat content. We plan to reduce the saturated fat by nearly a third to 38% which is currently the lowest we can reach.

We are also improving the fat composition of our products by increasing the level of essential fats. These fats help control blood lipids and are essential for good health.

REMOVE TRANS FAT

OUR TARGETS

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

OUR PERFORMANCE

- **At end 2011, over 99% of our portfolio was free from trans fats originating from partially hydrogenated vegetable oil. We are on track to deliver our 2012 target.**

REDUCE SUGAR

OUR TARGETS

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

OUR PERFORMANCE

- **While we saw significant reductions in sugar levels in some regions, overall the sugar level in our ready-to-drink teas portfolio did not reduce in 2011.**

In 2012 we have a number of projects that will start to reduce sugar levels significantly, keeping us on track to meet our 2020 target.

Although ready-to-drink teas contain much less sugar than many soft drinks, consumers still like a certain sweetness. This means that we have to reduce sugar levels gradually or use sweeteners so that people do not desert Lipton for higher-sugar alternatives.

FLORA CONTAINS UP TO 80% LESS SATURATED FAT THAN BUTTER

Flora margarine is healthier than ever thanks to a new recipe. This uses a technological innovation which is the biggest of its kind in the spreads market for 60 years. The new Flora is now around 25% lower in saturated fat and has 20% fewer calories. Compared to butter, it has up to 80% less saturated fat.



REDUCE CALORIES

OUR TARGETS

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

OUR PERFORMANCE

- **73% of our children's ice creams contained 110 calories or fewer per portion at end 2011, a year ahead of our 2012 milestone.**

We are investing significant resource to help us meet this target. We are developing new technologies that will allow us to reduce calorie content by lowering saturated fat in both the ice cream and the coatings.

Our goal is to reduce the calories in our ice cream while ensuring it remains a fun and tasty treat for children and one that makes a positive contribution to a healthy diet.



PROVIDE HEALTHY EATING INFORMATION

OUR TARGETS

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

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

OUR PERFORMANCE

- **Australia, New Zealand and Latin America provided full nutritional labelling by end 2011.**

In Africa, the Middle East and Asia, we still have some way to go to meet this goal.

TACKLING MICRONUTRIENT DEFICIENCY

Unilever is a co-founder of Project Laser Beam, a five-year, public-private partnership which brings together the UN World Food Programme, the Global Alliance for Improved Nutrition, Kraft Foods and DSM, to improve children's nutrition, health and livelihoods.

The project's initial focus is on Indonesia and Bangladesh, where during 2011, Unilever provided 95,000 school children with micronutrient-enriched school meals. Further projects are scheduled to start in 2012.



FUTURE CHALLENGES

SALT

The scientific and marketing challenges of reducing salt are complex.

Consumers like the taste of salt. When given a choice between a well-salted and a lightly salted product people will generally express a preference for the well-salted one.

Since taste is the principal driver of product choice it poses a dilemma.

There are three possible approaches:

- we find an alternative to sodium salts
- we reformulate with herbs, spices and other ingredients in such a way as to reduce the need for a salty flavour
- we gradually wean the consumer off the taste of salt by reducing levels slowly over time.

Finding an alternative to sodium is a complex task that will require a technological breakthrough. While we continue to search we are still a long way off a solution.

Reformulating recipes is something that our chefs and food technologists are constantly working on and we are making good progress.

The third approach to the challenge of salt – that of gradual reduction over time – is only really effective if the whole industry moves together. If it does not, people will desert our products for more highly salted ones.

MICRONUTRIENT DEFICIENCY

Providing fortified foods at scale to combat micronutrient deficiency is a big challenge. Many of our products already make an important contribution to the micronutrient intakes of hundreds of millions of people worldwide. Our challenge is to do this for more people, in more places, in a way which is economically viable.

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



OUR APPROACH

Climate change will have a growing impact on Unilever's business. Our suppliers of agricultural raw materials will be affected by changing weather patterns. Our consumers will have to adapt to a world of rising food and energy prices and communities risk being displaced by extreme weather events such as floods and droughts.

It is a particularly urgent issue for Unilever since the countries that are expected to feel the effects most severely are the developing economies that generate more than half our sales.

We have calculated the greenhouse gas emissions across the lifecycle of over 1,600 representative products in 14 countries. The calculation covers 70% of our volumes. From this we know that our largest greenhouse gas impacts are beyond our factory gates. The sourcing of raw materials and the use of our products by people at home account for more than 90%.

We have set greenhouse gas reduction targets across our value chain – from sourcing, manufacturing, transport and refrigeration all the way through to consumer use of our products. To achieve these targets we need to work with our suppliers as well as offer new products that can help people reduce their own impacts.

OUR COMMITMENT

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

OUR PERFORMANCE

Given the complexity of calculating the lifecycle impacts of our product portfolio, we are investing in an automated process to allow us to measure progress regularly.

An interim sample of 2010 data shows that our greenhouse gas footprint has remained broadly unchanged.

OUR FOOTPRINT



✓ 0 ACHIEVED ● 8 ON-PLAN ● 1 OFF-PLAN ✗ 0 MISSED

Source for Footprint and pie charts: Unilever 2008 baseline study across 14 countries. Total in tonnes.

* Throughout this document our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 41).

GREENHOUSE GASES

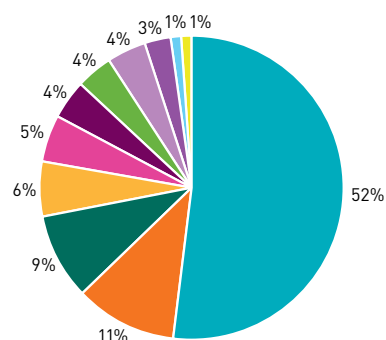
HELPING TO TACKLE CLIMATE CHANGE

OUR FOOTPRINT

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

OUR GREENHOUSE GAS FOOTPRINT

(% contribution by category 2008)



- soap, shower gel & skin care
- laundry detergents & fabric conditioners
- shampoo & conditioners
- soups, sauces & stock cubes
- tea & beverages
- household cleaners
- ice cream
- margarine & spreads
- mayonnaise, mustard & dressings
- deodorants
- toothpaste

REDUCE GREENHOUSE GAS EMISSIONS FROM SKIN CLEANSING AND HAIR WASHING

OUR TARGETS

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

OUR PERFORMANCE

- **We are finding this target challenging and our progress is modest.**

The majority of the greenhouse gas emissions associated with our soaps, shower gels and shampoos occur during consumer use so the largest gains will come from people modifying their showering and bathing habits. Habits of this kind are deeply ingrained and not easily changed. We are approaching the task by:

- conducting research to understand current behaviour
- developing new products such as dry shampoo. Because dry shampoo refreshes hair between washes, it might encourage people to wash their hair with hot water less often.

UNDERSTANDING SHOWERING IN THE UK

In 2011 we undertook a study on showering habits in the UK.

We monitored 2,600 showers taken in 100 households over at least ten days.

Results showed that the average shower is eight minutes – three minutes longer than the received wisdom of the ‘five minute shower’ – and costs a family £416 a year.

The study will help us to understand the triggers for changing behaviour and inform the development of new products.



REDUCING GHG IN LAUNDRY AND MANUFACTURING

REDUCE GREENHOUSE GAS EMISSIONS FROM WASHING CLOTHES

OUR TARGETS

Reduce the greenhouse gas impact of the laundry process by:

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

OUR PERFORMANCE

- **8% of our portfolio in our top 14 countries was made up of concentrated and compacted products at end 2010, compared to our baseline of 4% in 2008.**
- **We continue to make good progress in reformulating our products to reduce greenhouse gas emissions. With the majority of our powders already reformulated we are on track to meet our 2012 target.**
- **We are encouraging consumers to use the right dosage through specially designed caps and we communicate the benefits of low temperature washing on our packs and online.**

Concentrating our laundry products helps reduce greenhouse gas emissions – as we need fewer raw materials, less packaging and fewer lorries to transport the products.

In our fast-growing markets in Asia and Africa most clothes are washed by hand in ambient temperatures and so the laundry process is less greenhouse gas intensive. The challenge will be to ensure that when people in these markets acquire washing machines they continue to wash at low temperatures.

REDUCE GREENHOUSE GAS EMISSIONS FROM OUR MANUFACTURING

OUR TARGETS

- 3.5 **By 2020 CO₂ emissions from energy from our factories will be at or below 2008 levels despite significantly higher volumes.**

This represents a 63% reduction per tonne of production and a 43% absolute reduction (versus a 1995 baseline).
- 3.6 **We will more than double our use of renewable energy to 40% of our total energy requirement by 2020. We recognise that this is only a first step towards a long-term goal of 100% renewable energy.**
- 3.7 **All newly built factories will aim to have less than half the impact of those in our 2008 baseline.**

OUR PERFORMANCE

- **601,500 fewer tonnes of CO₂ from energy[†] produced in 2011 than in 2008 (a reduction of 20% per tonne of production[†]).**

Compared to 1995, this represents a 55% reduction in absolute terms.[†]
- **At end 2011 renewable energy contributed 20%[†] of our total energy use compared to 15.8% in 2008.**
- **During 2010–11 we incorporated sustainability improvements into every aspect of the design specification for our new factories. These improvements will be incorporated in all new designs from 2012 onwards.**

Our reduction of 20% per tonne of production since 2008 has been driven predominantly by the purchase of renewable electrical energy and the use of biomass in our boilers. This is complemented by continuous improvement programmes across our sites.

MANUFACTURING CO₂ AND ENERGY SAVINGS

The biggest contributors to our reductions in CO₂ and energy were:

- electricity purchased for all factories in Europe and Canada is now from renewable sources
- the introduction of three new biomass boilers in India in 2011
- the installation of combined heat and power systems in many of our European factories over 2008–2011. By the end of 2011 this led to savings of over €10 million a year.



DELIVERING CO₂ SAVINGS

Our UK business identified inefficiencies in trucking laundry products across Europe. By double stacking products, we achieved a 60% reduction in vehicle kilometres and a 38% reduction in CO₂ emissions.

In Brazil we switched deliveries from São Paulo to the north-east of the country from road to sea. This achieved a reduction of over 5,000 tonnes of CO₂ a year.



[†] 2011 data is preliminary, see page 41.

REDUCE GREENHOUSE GAS EMISSIONS FROM TRANSPORT

OUR TARGETS

- 3.8 **By 2020 CO₂ emissions from our global logistics network will be at or below 2010 levels despite significantly higher volumes. This will represent a 40% improvement in CO₂ efficiency.**

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

OUR PERFORMANCE

- Over 8% improvement in CO₂ efficiency in 2011 compared to 2010.

While our progress in 2011 was good, meeting our 2020 commitment remains tough and we are exploring how we can work in partnership to drive improvements at an industry level. One example is Forum for the Future's Sustainable Shipping Initiative which we joined in 2011.

REDUCE GREENHOUSE GAS EMISSIONS FROM REFRIGERATION

OUR TARGETS

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

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

OUR PERFORMANCE

- By end 2010 we had bought another 190,000 climate-friendly cabinets. In 2011 we purchased a further 280,000, taking us to 470,000, well over half way towards our target of 850,000.

As well as having a lower global warming potential, some of the new freezers are more energy efficient. This reduces both costs and emissions for the customers who run these freezers.

FUTURE CHALLENGES

Most of our greenhouse gas emissions come from the hot water needed to use our soaps and shampoos in the shower. This makes the task of reducing them particularly challenging because persuading people to take shorter showers, still less colder ones, will be very difficult.

In order to get a better understanding of the question we have conducted our own research on showering habits in the UK. We have studied carefully what has happened in other countries and have talked to water companies and NGOs.

This is by far our biggest challenge and as yet we do not have a viable solution. Big-scale change will only come about once carbon has an economic price and people have a real financial incentive to change. Meanwhile we need to find products and services which will help people to mitigate their impacts in the short term.

GAINING REGULATORY ACCEPTANCE FOR HYDROCARBONS IN THE US

In the United States, Environmental Protection Agency (EPA) regulations have prevented us from using climate-friendly hydrocarbon refrigerants. Working with Greenpeace, UNEP and others we have been lobbying the EPA to convince them that there are no safety issues.

At the end of 2011 the EPA gave approval for the use of hydrocarbon gas as an alternative to current refrigerants. Not only has this ruling paved the way for the introduction of climate-friendly refrigeration for our own use, but it will also enable other companies to take advantage of the significant greenhouse gas savings such cabinets offer.





OUR APPROACH

Water is a basic human need. The United Nations estimates that each person needs 20–50 litres per day for drinking and daily tasks like cooking and washing.

The average North American uses 550 litres daily, while in the poorest countries people live on as little as 10 litres a day. Worldwide, some 70% of total water consumption is used for agriculture.

Water shortages are increasingly common and already touch many parts of the world, from China to India to the United States. Their growing frequency is the result of population growth, improving incomes and climate change. The amount of water available per head of population has halved over the last 30 years and is predicted to halve again in the next ten. It is estimated that the world will face a 40% global shortfall between demand and supply by 2030.

Our products rely on water at all stages of their lifecycle. To grow our business sustainably, we must reduce the total amount of water used across our value chain. Our Sustainable Agriculture Programme helps farmers reduce their water use. We are reducing the water used in our manufacturing processes. And we can make a big difference by designing products which require less water in the home.

We are making some progress. Our Comfort One Rinse fabric conditioner reduces the water needed for rinsing clothes from three buckets to one. We have also learnt more about current showering and bathing habits which will help us develop new product solutions. But transformational change will only come when water is priced and there is a financial incentive to encourage new behaviours.

OUR COMMITMENT

4.0

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

OUR PERFORMANCE

Given the complexity of calculating the impacts of our product portfolio, we are investing in an automated process to allow us to measure progress regularly.

An interim sample of 2010 data shows that our water footprint has remained broadly unchanged.

WHAT MATTERS MOST

Reducing water use when doing laundry, showering and washing hair.

OUR FOOTPRINT



✓ 0 ACHIEVED ● 3 ON-PLAN ● 3 OFF-PLAN ✗ 0 MISSED

Source for Footprint and pie charts: Unilever 2008 baseline study across seven water-scarce countries (see page 41). Total in litres.

* Throughout this document our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 41).

WATER

REDUCING OUR WATER USE WHERE IT MATTERS MOST

OUR FOOTPRINT

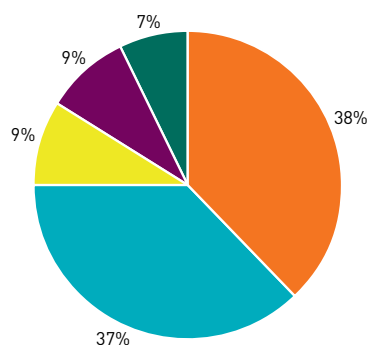
Our baseline for water is calculated in seven countries which we have defined as water-scarce, accounting for around half the world's population (see page 41).

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

A further 44% of our footprint comes from showering, bathing and washing hair with our products.

OUR WATER FOOTPRINT

(% contribution by category 2008)



- laundry detergents & fabric conditioners
- soap, shower gel & skin care
- toothpaste
- household cleaners
- shampoo & conditioners

REDUCE WATER USE IN AGRICULTURE

OUR TARGETS

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

OUR PERFORMANCE

- **In 2011 we made good progress in assessing the water used to grow our key crops.**

Analysing the water used to grow our ingredients is a complex task as water impacts vary enormously according to the crop and the country where they are grown. Using data from the Water Footprint Network, we made estimates of the water requirements of our key crops.

We will use the data to identify where the biggest risks are in terms of agricultural water and to develop plans with suppliers and growers.

REDUCING WATER USE, INCREASING YIELDS

We have been promoting drip irrigation to our suppliers and growers. This system can dramatically reduce water use while at the same time increasing yields. We are making steady progress with our key suppliers, whose use of drip irrigation has risen from 39% in 2009 to 52% by the end of 2011.

Tomatoes have been one of our biggest successes. For example in Australia, tomatoes have been grown using up to 70% less water and in India, a set of drip irrigation trials on gherkins produced an average water saving of 40% (pictured below).

In the United States, we have found that the most striking aspect of conversion to drip irrigation for tomatoes is the significant yield increase of over 25%. Drip irrigation also helps create improved growing conditions with fewer fungal and bacterial diseases. In humid climates fungicide application rates have been reduced by as much as 50%.



REDUCING WATER IN LAUNDRY AND SHOWERS

REDUCE WATER USE IN THE LAUNDRY PROCESS

OUR TARGETS

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

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

OUR PERFORMANCE

- **In 2011 we launched Surf One Rinse in the Philippines and expanded the Comfort One Rinse range in Indonesia, Thailand and Vietnam.**
- **Our One Rinse products are now used in 12.5 million households worldwide, a 60% increase on 2010.**

In water-scarce countries, around 38% of our domestic water footprint comes from washing clothes. In many of these markets people do their laundry by hand. A few years ago we developed a fabric conditioner called 'One Rinse'. With this product consumers only need one bucket for rinsing out detergent residues rather than three buckets, saving time, effort and up to 30 litres of water per wash.

We increased the availability of single-rinse products through the launch of new variants as well as making them available through more sales outlets.

The product has been successful. After three years, Comfort One Rinse accounts for one-third of the fabric conditioner market in Vietnam and a fifth of the market in Indonesia.

The potential water saving is huge. Around 500 billion litres of water would be saved if all our laundry consumers in Asia and South Africa used One Rinse, and used it in the right way. Although the potential is large, the use of these products is still relatively small and we have much to do to hit this target.

'SEEING IS BELIEVING' PROMOTES MORE SUSTAINABLE HABITS

When we launched Comfort One Rinse in Vietnam, people liked the product but most stuck to their old habit of three buckets for rinsing. TV commercials created high awareness but did not change behaviour. We found people needed to see with their own eyes the proof of washing out detergent residues after just one rinse.

Using Unilever's Five Levers for Change approach to behaviour change, we made it easy for people to see that one rinse really is all that is needed.

We ran 'seeing is believing' demonstrations on a massive scale – even taking over the National Stadium in Vietnam, which was seen by a broadcast audience of 30 million people. This helped to build confidence that the new way of rinsing was enough to remove all residues and showed the convenience in saving time and water.

We have also used role models to encourage adoption. In Indonesia we employed celebrity TV presenter Rina Gunawan to demonstrate the product's benefits and make it desirable to save water. We even went so far as to create a national 'One Rinse Movement' in partnership with Indonesia's National Women's Movement. This involved training 95,000 women to become 'Water Warriors' to encourage good water saving habits in their communities.

Quantitative studies in Vietnam show we are making some progress, with an increasing number of people cutting down their water consumption.



REDUCE WATER USE IN SKIN CLEANSING AND HAIR WASHING

OUR TARGETS

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

OUR PERFORMANCE

- **We are making a start on this target.**

Around 44% of Unilever's domestic water footprint is associated with our soaps, shower gels and shampoos. So the largest gains will come from people modifying their showering and bathing habits.

We are struggling to make a dent in this target. The starting point is to understand current behaviour. To that end we have initiated research in water-stressed countries to understand behaviour and what could motivate people to change.

REDUCE WATER USE IN OUR MANUFACTURING PROCESS

OUR TARGETS

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

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

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

OUR PERFORMANCE

- 10.5 million fewer m³ of water abstracted[†] in 2011 than in 2008 (a reduction of 17% per tonne of production[†]).

Compared to 1995, this represents a 72% reduction in absolute terms.[†]

- During 2010–11 we incorporated sustainability improvements into every aspect of the design specification for our new factories. These improvements will be incorporated in all new designs from 2012 onwards.

SAVING WATER IN SOUTH AFRICA

Our new food factory in Durban, South Africa opened at the end of 2011 following an investment of around €70 million. It is designed to produce half the greenhouse gas emissions of the previous site and to send zero waste to landfill. Just as importantly in a water-stressed region, it aims to be 'water neutral' by harvesting rainwater and recycling to avoid taking water that would otherwise be consumed by the community.



FUTURE CHALLENGES

Water is scarce today and becoming more so. This puts Unilever's sourcing of agricultural raw materials at risk.

Equally, a large part of our footprint is associated with showering, bathing and hair washing, just as our greenhouse gas footprint is associated with heating that water for showers.

To reduce water use we will need to develop new products and tools which help people use less water. But we have learnt that while creating new product technology is important, it is not enough. We still need to motivate people to adopt the new water-saving behaviour. Unilever's Five Levers for Change methodology is helping our marketers take a systematic approach to reducing water use when rinsing laundry by hand. We plan to apply the same approach to changing habits in the shower.

In the end it will require water pricing and water metering alongside consumer education to drive the right behaviours. At that point we will need to be ready with products and tools that help people make their water go further.

Our 17% reduction per tonne of production[†] compared to 2008 represents steady progress. It has been driven by continuous improvements across the majority of our manufacturing sites and also by the disposal of a number of high water-use sites in 2011.

Better effluent treatment plants will deliver our biggest improvements in water reduction. In addition, we are piloting a new technology for process water treatment in four European countries. We estimate it could deliver 3–5% water savings.

[†] 2011 data is preliminary, see page 41.



OUR APPROACH

Packaging is important: it protects our products, allows us to transport them safely, and ultimately saves far more energy than it consumes. At the same time it can end up as waste, particularly in those countries where the infrastructure for recycling is poor. We share a responsibility with our consumers to prevent packaging from ending up either in landfill or blighting the landscape as litter.

Packaging improvements can bring immediate business benefits. The more we reduce our packaging, the greater the savings in materials, energy and transport. The challenge is to continue to use packaging that is appealing and effective but to reduce significantly its environmental impacts.

Our approach to this is to *reduce, reuse and recycle*.

We are reducing the weight of our packaging by using stronger, lighter-weight materials. We are also making our packaging more recyclable and aim to use more recycled material ourselves.

But dealing with 'post-consumer waste' – packaging and product thrown away after use by our consumers – presents a different challenge. The infrastructure for dealing with waste varies hugely between countries. To meet our targets, recycling rates in some of our markets must double or even triple. So we face the challenge of working with local governments, NGOs, retailers and others to help build effective programmes for recycling post-consumer waste.

OUR COMMITMENT

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

OUR PERFORMANCE

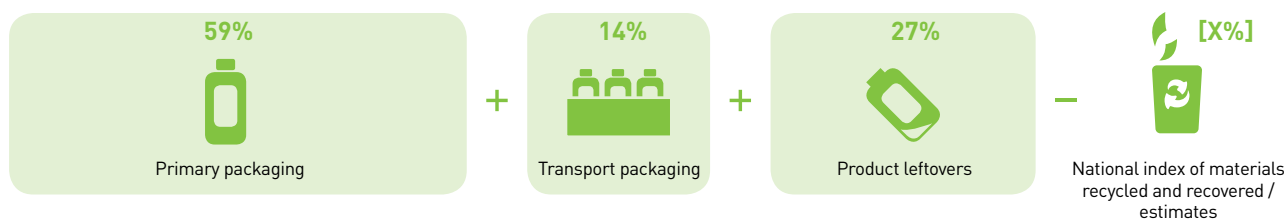
Given the complexity of calculating the impacts of our product portfolio, we are investing in an automated process to allow us to measure progress regularly.

An interim sample of 2010 data shows that our waste footprint has remained broadly unchanged.

WHAT MATTERS MOST

Reducing the weight of packaging and increasing recycling.

OUR FOOTPRINT



0 ACHIEVED 7 ON-PLAN 1 OFF-PLAN 0 MISSED

Source for Footprint and pie charts: Unilever 2008 baseline study across 14 countries. Total in tonnes.

* Throughout this document our environmental targets are expressed against a baseline of 2008 and on a 'per consumer use' basis. This means a single use, portion or serving of a product (see page 41). We set our baseline by calculating the waste from over 1,600 representative products. We did this at an absolute level as well as on a per consumer use basis in 14 countries. The calculation covers 70% of our volumes.

WASTE

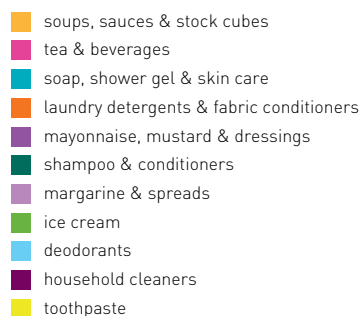
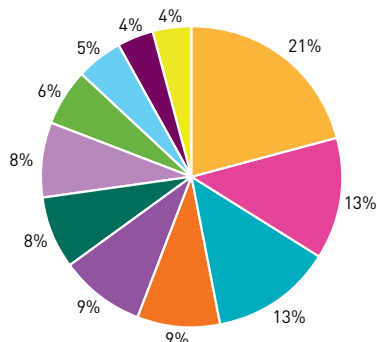
REDUCE, REUSE, RECYCLE

OUR FOOTPRINT

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

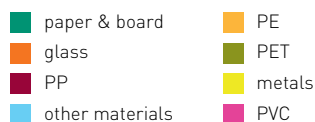
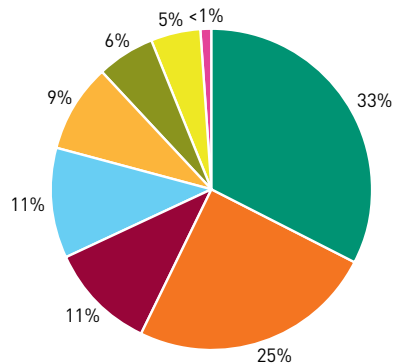
OUR WASTE FOOTPRINT

(% contribution by category 2008)



OUR WASTE FOOTPRINT

(% contribution by material type 2008)



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

REDUCE PACKAGING

OUR TARGETS

5.1 By 2020 we will reduce the weight of packaging that we use by a third through:

- lightweighting materials
- optimising structural and material design
- developing concentrated versions of our products
- eliminating unnecessary packaging.

OUR PERFORMANCE

● 4% reduction in weight, achieved through a combination of lightweighting and material design optimisation.

To achieve our goal of reducing the weight of packaging by a third we need to make small changes to many thousands of packs sold across the world. Our brands typically update their packaging every few years and so our aim is to lightweight or improve the material choice each time a redesign is briefed. For example, in 2011 we redesigned the Unox Cup-a-Soup pouch in the Netherlands, cutting aluminium by a third and overall pouch weight by 6%.

REUSE PACKAGING

OUR TARGETS

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

OUR PERFORMANCE

● We offer refills in a limited number of countries where the consumer habit is well established.

We are finding it difficult to establish a viable business case for refills and so are putting more effort into reducing and recycling instead.

We have nevertheless had some success. In 2011 we launched refill pouches for Sunlight dishwashing liquid in South Africa. These weigh around 90% less than the original plastic bottle.

LESS PLASTIC, MORE CONSUMER BENEFITS

We have introduced a new design for the Vaseline Petroleum Jelly jar. It has cut plastic by 3%, saving about 113 tonnes of resin a year.

By moving to polypropylene we made the pack more recyclable. It also needs less energy to produce, saving 13,000 MW a year.

At the same time there are clear benefits for the consumer – the packs are more visually appealing and easier to open.



REDUCING WASTE VIA RECYCLING

RECYCLE PACKAGING

OUR TARGETS

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

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

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

OUR PERFORMANCE

- **3.4% increase in recycling and recovery rates, averaged across our top 14 countries. Some of this increase resulted from improved data.**
- **1,700 tonnes of post-consumer recycled materials incorporated into our rigid plastic packaging in 2011.**

We have initiated a number of projects from which we are hoping to select the most successful to be rolled out elsewhere. Many of our projects incentivise consumers to start recycling. Others explore systemic solutions through improving local waste infrastructure, working with local government and waste services providers.

RECYCLING AEROSOLS

As leaders of the global deodorant market we want more people to recycle aerosol cans. In July 2010 we started a pilot in partnership with the leading Brazilian supermarket, Pão de Açúcar. It was successful and has led to the permanent introduction of aerosol collection at Pão de Açúcar sites. To date we have collected more than 1,600 tonnes of aerosols through 110 collection stations.



RECYCLING IN THE BATHROOM

Although many consumers recycle kitchen waste, the bathroom tends to be forgotten. In 2011 we partnered with RecycleBank in the United States to encourage consumers to recycle Dove and Suave shampoo bottles in return for money off coupons. An online module educated people about what they can recycle, what recycling symbols to look for and then rewarded them with points which could be redeemed for goods and services. The Dove module was viewed 6 million times.



REDUCE WASTE FROM OUR MANUFACTURING

OUR TARGETS

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

This represents an 80% reduction per tonne of production and a 70% absolute reduction (versus a 1995 baseline).

- 5.6 **All newly built factories will aim to generate less than half the waste of those in our 2008 baseline.**

OUR PERFORMANCE

- **Over 62,000 fewer tonnes of total waste[†] in 2011 than in 2008 – a combination of waste reduction and waste recycling. This represents a reduction of 40% in total waste per tonne of production.[†]**

Compared to 1995, this represents an 82% reduction in absolute terms.[†]

- **During 2010–11 we incorporated sustainability improvements into every aspect of the design specification for our new factories. These improvements will be incorporated in all new designs from 2012 onwards.**

By the end of 2011, 74 of our 258 factory sites had reached zero non-hazardous waste to landfill. Our target for 2012 is to achieve this at half our sites as it brings both significant cost savings and environmental benefits.

[†] 2011 data is preliminary, see page 41.

TACKLE SACHET WASTE

OUR TARGETS

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

OUR PERFORMANCE

- **We have demonstrated 'proof of principle' on a technology known as pyrolysis which turns sachet laminate into fuel oil.**

Sachets are an efficient use of packaging, creating less waste by weight per millilitre of product sold than bottles. However infrastructure for recycling or disposal is often limited, leading to litter and potential long-term environmental damage.

If we can help create a value for this waste, there is an incentive for people to collect it. Partnering with a company in Chennai, India, we have demonstrated 'technical proof of principle' of turning sachets, pouches and other flexible plastic waste into fuel oil at a viable cost. Our Hindustan Unilever factory in Pondicherry has successfully used the fuel to power its boilers.

The task now is to find a way to incentivise collection on a large scale. This will require us to work in partnership with other users of flexible plastic waste as well as municipal authorities and NGOs.

ELIMINATE PVC

OUR TARGETS

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

OUR PERFORMANCE

- **Over 95% of PVC removed from our portfolio by end 2011, including the elimination of PVC from our rigid packaging containers and 'shrink sleeves'.**

We are making good progress towards eliminating PVC. For some packaging however, such as seals in the lids of food products, we are dependent on new commercially viable technology becoming available.

AFFORDABLE PACKS

Sachets present people with the option to buy small quantities of our products when they need them and at a unit price they can afford – a popular offer in developing economies.



FUTURE CHALLENGES

We are not in the waste handling business so to achieve our target of increasing recycling and recovery rates we will need to work in partnership with governments, re-processors and NGOs.

To make a start we are putting more of our own experts on to the task. In 2012 we are appointing packaging managers dedicated to increasing recycling and an advocacy manager who will encourage positive change in government policy on waste.

But in the end our resources will be slender compared to the scale of the challenge facing society. In many countries waste levels are rising well beyond the capacity of the infrastructure to deal with them. None of us can solve this problem alone. Nor is this an area for competitive advantage. Rather we all need to play our part – pooling experience and sharing investment to get to a faster solution together than we can achieve apart.



OUR APPROACH

Agriculture and forestry are the largest contributors to global greenhouse gas emissions and are major drivers of climate change.

Half of Unilever's raw materials come from either farms or forests. We are committed to sourcing sustainably all our agricultural raw materials by 2020.

As well as protecting the planet's natural resources, sustainable sourcing helps us to manage a core business risk by ensuring security of supply for the long term.

Our approach is set out in the Unilever Sustainable Agriculture Code.

Sustainable sourcing can contribute to better incomes and livelihoods for farmers and their workers. It also helps to maintain soil fertility, enhance water quality, reduce greenhouse gas emissions and protect biodiversity.

Our business is part of a complex supply chain, including farmers and plantation owners as well as processors, refiners and traders of raw materials. To meet our target we will need to work closely with all of them to transform farming practices and encourage a wider move towards sustainability throughout the supply chain.

In measuring progress on sustainable sourcing, we are dependent on the reliability and accuracy of the certification bodies we use.

OUR COMMITMENT

6.0

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

OUR PERFORMANCE

We have continued to make good progress. In 2010 14% of all our agricultural raw materials were sourced sustainably. This increased to 24% at end 2011.

We will focus first on our top ten agricultural raw material groups, which account for around two-thirds of our volumes. These are palm oil; paper and board; soy; sugar; tea; fruit and vegetables; sunflower oil; rapeseed oil; dairy ingredients; and cocoa.

WHAT MATTERS MOST

Sourcing palm oil and paper and board sustainably.

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SUSTAINABLE SOURCING

GROWING FOR THE FUTURE

SUSTAINABLE PALM OIL

OUR TARGETS

- 6.1 **We will purchase all palm oil from certified sustainable sources by 2015.**

OUR PERFORMANCE

- **64% of palm oil purchases from sustainable sources by end 2011, compared to 37% in 2010.**

Of the 64% certified sustainable palm oil we bought, most was in the form of GreenPalm certificates. In parallel we have made a start on developing segregated streams.

GreenPalm certificates support the production of palm oil certified to the standards of the Roundtable on Sustainable Palm Oil. In 2011 Unilever remained the biggest single buyer of GreenPalm certificates globally.

OUR TOP 10 AGRICULTURAL RAW MATERIALS

(by volume 2011)

palm oil

paper & board

soy

fruit & vegetables

sugar

rapeseed oil

tea

dairy

sunflower oil

cocoa



SUSTAINABLE PAPER AND BOARD

OUR TARGETS

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

OUR PERFORMANCE

- **An estimated 60% of our paper and board came from certified sustainably managed forests or from recycled material by end 2011.**

Our approach is to maximise the volume of recycled material that we use. When we have to use virgin material we will do so from certified sources with full chain of custody.

In the United States, all Ben & Jerry's ice cream cups are certified via the Forest Stewardship Council and all Lipton tea packs in Europe are being progressively certified via the Programme for the Endorsement of Forest Certification.

SUSTAINABLE SOY

OUR TARGETS

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

OUR PERFORMANCE

- **For soy beans, we are exploring the most appropriate sustainability standard for this crop. 8% of soy oil sourced sustainably in 2011: 4.5% in the form of RTRS certificates and 3.5% certified against the ProTerra standard.**

We use soy bean extract in our AdeS drinks and soy oil in spreads, mayonnaise, dressings and pasta sauces. We purchased some of the first Round Table on Responsible Soy (RTRS) certificates when they became available in June 2011. We believe purchasing certificates will be important to stimulate demand and encourage farmers to invest in sustainable agricultural practices.

KNORR FUND HELPS BOOST SUPPLIER SUSTAINABILITY

In 2010 Knorr established a €1 million Partnership Fund to help suppliers improve their sustainability practices. In 2011 the Fund set up 28 projects with suppliers in ten countries. These projects are already showing results.

For example, two grants were awarded to Spanish tomato grower, Agraz. As well as cutting water use, Agraz has supported biodiversity by creating an environment where birds such as white storks and black-shouldered kites can thrive. Agraz's farm has now been designated a Knorr 'Landmark Farm'.



SUSTAINABLE AGRICULTURE

SUSTAINABLE TEA

OUR TARGETS

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

OUR PERFORMANCE

- 57% of our Lipton tea bag blends contained sustainable tea at end 2011: 25% was fully Rainforest Alliance Certified™ and 32% contained a proportion of Rainforest Alliance Certified™ tea en route to full certification. Overall, 28% of the tea purchased for all our brands was sourced from Rainforest Alliance Certified™ farms.

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

Our success is dependent on changing farming practices among our tea producers. In Kenya 250,000 farmers have now undertaken training in farmer field schools. By the end of 2011 we had also trained nearly 50,000 more farmers in Rwanda, Sri Lanka, Indonesia and Turkey.



SUSTAINABLE FRUIT AND VEGETABLES

OUR TARGETS

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

OUR PERFORMANCE

- We made steady progress in helping our fruit suppliers to move towards sustainable practices. We expect to make our first purchases of sustainable fruit in 2012.
- 25% of vegetables and herbs purchased from sustainable sources by end 2011.

In 2011 we rolled out an updated version of Quickfire, our self-verification tool, which helps suppliers assess whether their practices meet the requirements of the Unilever Sustainable Agriculture Code.

By the end of 2011, over half our suppliers of fruit and vegetables had already committed to self-verification.

SUSTAINABLE COCOA

OUR TARGETS

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

OUR PERFORMANCE

- 37% of cocoa for Magnum sustainably sourced through Rainforest Alliance certification by end 2011. Overall, 21% of all cocoa sourced sustainably.

We buy Rainforest Alliance Certified™ cocoa for Magnum and Fairtrade cocoa for Ben & Jerry's ice cream.

We have been expanding our Rainforest Alliance certification programme in West Africa. This will boost sustainable agricultural practices in the region. After just one year, over 10,000 farmers have achieved Rainforest Alliance certification.

In 2012 we signed a long-term partnership agreement with Barry Callebaut, a supplier of high-quality cocoa products. This will create a step change in our ability to source sustainable cocoa.

SUSTAINABLE SUGAR

OUR TARGETS

- 6.8 We will source all sugar sustainably by 2020.

OUR PERFORMANCE

- Around 1% of cane sugar sustainably sourced by end 2011.

We purchase two types of sugar – cane sugar and beet sugar.

Cane sugar comes largely from tropical regions and accounts for the majority of our purchases. We have joined Bonsucro (a multi-stakeholder body dedicated to the sustainable cultivation of sugar cane), and have encouraged our suppliers to do the same.

Our beet sugar suppliers are mostly European. During 2011 we assessed their practices against the Unilever Sustainable Agriculture Code.

SUSTAINABLE SUNFLOWER OIL

OUR TARGETS

- 6.9 **We will source all sunflower oil sustainably by 2020.**

OUR PERFORMANCE

- In 2011 we scoped pilot projects for sustainably sourced sunflower oil in several regions but have made less progress than we anticipated.

SUSTAINABLE RAPESEED OIL

OUR TARGETS

- 6.10 **We will source all rapeseed oil sustainably by 2020.**

OUR PERFORMANCE

- We bought our first quantities of sustainably sourced rapeseed in 2011, around 5%. This came about as a result of a pilot study in Germany which we started in 2009.

SUSTAINABLE DAIRY

OUR TARGETS

- 6.11 **We will source all dairy produce sustainably by 2020.**

OUR PERFORMANCE

- 10% of dairy produce sustainably sourced by end 2011.

FAIRTRADE BEN & JERRY'S

OUR TARGETS

- 6.12 **All ingredients in Ben & Jerry's ice cream that can be sourced Fairtrade will be certified by 2013.**

OUR PERFORMANCE

- In Europe, all key commodities (sugar, cocoa, coffee, vanilla and bananas) used in our ice cream base mix were converted to Fairtrade by end 2011. In the United States, we progressed with the Fairtrade conversion of the cocoa powder and vanilla used in our ice cream.

We have achieved our Fairtrade ambition in Europe.

However, in the United States the complexities and on-costs in the Fairtrade supply chain meant that we made less progress than anticipated.

We are revising our plans in the United States but still anticipate being able to convert most of our Fairtrade-eligible ingredients, although it will take us beyond 2013 to get there. For the remainder of our low-volume ingredients (such as mint and lemon juice), we are evaluating Fairtrade alongside other ethical sourcing initiatives.

CAGE-FREE EGGS

OUR TARGETS

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

OUR PERFORMANCE

- Continuing our roll-out of products using cage-free eggs, we launched Hellmann's with Olive Oil and Hellmann's Canola Cholesterol Free in North America in 2011.

In Western Europe, our Hellmann's, Amora and Calvé brands achieved 100% cage-free eggs in 2009. During 2010 in North America, Hellmann's launched a Light mayonnaise using cage-free eggs. By the end of 2011 99% of all eggs used in Ben & Jerry's ice cream mix worldwide were cage-free.

FUTURE CHALLENGES

We have made good progress on the sustainable sourcing of our top ten agricultural raw materials – which account for around two-thirds of our volumes. We still have much work to do on these. We know that the remainder will be more complex to source sustainably. For these smaller volume materials we will be dependent on working with others whose volumes are larger and whose market influence is greater.

A further challenge is how we source our non-agricultural (and therefore non-renewable) materials responsibly. We have started to consider the social, environmental and business implications of this.

* Where allowed by local legislation.



OUR APPROACH

Unilever generates wealth and creates jobs in the communities where it operates. Employees, governments, suppliers, investors and many others benefit economically from our activities.

The nature of our business in developing and emerging markets means that we work with millions of small-scale businesses. The majority are smallholder farmers and small-scale distributors who sell our products. Most smallholder farmers grow their crops on less than two hectares of land. They make up 85% of the world's farmers. Often cut off from access to training and education, they lack knowledge of the techniques that would help them maximise their incomes. If we help smallholder farmers improve their practices, by giving them access to higher-quality seeds, training and fertilisers, they can often double or even triple their yields.

Unilever has been piloting a number of initiatives with smallholder farmers to scale up certification and connect new sources of raw materials from smallholders into our supply chain.

At the other end of the value chain our products reach consumers through a network of millions of small-scale retailers and distributors. This makes a significant contribution to our business. These activities provide new sources of income for people who live in areas where opportunities for work are often few and far between.

OUR COMMITMENT

7.0

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

OUR PERFORMANCE

We have revised our target on smallholder farmers to focus on improving the quality of their livelihoods. As far as small-scale distributors are concerned, we engaged with 45,000 in India in 2011.

WHAT MATTERS MOST

Engaging smallholder farmers in our supply network.

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BETTER LIVELIHOODS

SUPPORTING ECONOMIC DEVELOPMENT

HELPING SMALLHOLDER FARMERS

OUR TARGETS

- 7.1 **Our goal is to engage with at least 500,000 smallholder farmers in our supply network. We will help them improve their agricultural practices and thus enable them to become more competitive. By doing so we will improve the quality of their livelihoods. (Target revised 2012.)**

OUR PERFORMANCE

- **Detailed analysis of our supply network prompted us to revise our target.**

Detailed mapping of our sourcing networks shows that we have around 1.3 million smallholders linked into our supply chain. We have revised our target in the light of this information (see 7.1 above).

Instead of just 'linking' farmers into our supply chain, our new target commits us to improve the livelihoods of at least 500,000 of them and provide the evidence that our intervention has had a positive effect.

We recognise that it is difficult to provide evidence of improvements in livelihoods. We will invest time in 2012 to develop an appropriate methodology to do this.

Our aim is to work with our partners to raise the skills and productivity of smallholders so they increase their income while we benefit from sustainably sourced crops and security of supply.

We have made a good start. Working with others, we had helped to provide training on better agricultural practices to over 300,000 smallholders by the end of 2011. The majority were tea farmers but we also trained over 10,000 cocoa farmers. We now need to establish whether this has increased their income and improved their livelihoods.

SUPPORTING SMALL-SCALE DISTRIBUTORS

OUR TARGETS

- Shakti, our door-to-door selling operation in India, provides work for large numbers of people in poor rural communities.**
- 7.2 **We will increase the number of Shakti entrepreneurs that we recruit, train and employ from 45,000 in 2010 to 75,000 in 2015.**

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

OUR PERFORMANCE

- **45,000 entrepreneurs ('Shakti ammas') were selling products to over 3 million households in 100,000 Indian villages in 2011.**

During 2011 we strengthened the programme, continuing to train our entrepreneurs and improve our ways of working. Following a pilot in 2010, we extended the model to men by introducing 'Shaktimaans'. These are typically the brothers or husbands of existing female entrepreneurs ('Shakti ammas') who sell our products by bicycle to surrounding villages. By the end of 2011, the number of Shaktimaans supporting our Shakti ammas had risen to over 30,000.

We also partnered with the State Bank of India on a pilot project to bring banking services to low-income people. Run in Maharashtra and Karnataka in 2011, it enabled 12 Shakti ammas to help villagers open 1,000 bank accounts.

FUTURE CHALLENGES

We have considerable experience of training smallholder farmers and know how complex the task is. But we have no easy answers on how to do this at scale.

We have learnt that three factors need to be in place for long-term success:

- a strong business case: smallholder ventures with clear economic merit are much more likely to succeed
- the right operating model: working with the right partners who know how to engage with smallholders
- evidence of improvement: to sustain our effort we need to understand whether the training and support we provide is having a positive effect on livelihoods.

In 2012 we will be selecting future projects with smallholders which meet all three of these criteria.

SCALING UP

Together with Rainforest Alliance, the Kenya Tea Development Agency and The Sustainable Trade Initiative (IDH), our Lipton tea brand supports farmer field schools in Kenya. By the end of 2011, we had trained 250,000 Kenyan smallholder tea farmers – around half the total in the country.

Nearly 45,000 more have also been trained in Rwanda, Sri Lanka and Indonesia and in a separate initiative in Turkey, Lipton reached another 5,000 smallholders.



PEOPLE

HEALTHY EMPLOYEES AND BETTER WORKPLACES

OUR APPROACH

Our employees are essential to our business success and to achieving the Unilever Sustainable Living Plan targets. It is in our interest to ensure that all 171,000 of them are healthy, motivated and committed.

Complementing our targets are three important areas which we keep under regular review – diversity, human and labour rights and training.

OUR PERFORMANCE

8.0

We performed extremely well on workplace safety and achieved our 2011 target on video conferencing and our 2011 milestone on Lamplighter. We made steady progress on the others.

✓ 1 ACHIEVED ● 7 ON-PLAN ● 0 OFF-PLAN ✗ 0 MISSED

DIVERSITY

Unilever is an extremely diverse organisation in terms of its ethnic and cultural make-up. The Unilever Leadership Executive (ULE) comprises managers from five countries and the top 100 executives come from over 20.

However, our gender mix is not what we want it to be. Although we have three female Non-Executive Directors on the Board, there is only one woman on the ULE.

We are tackling the issue through a diversity board chaired by the CEO and by a requirement that the shortlist for each senior job should contain a woman. Since 2007, the proportion of women in senior positions has risen from 23% to 28%.

More than 50% of our graduate recruits are women. In principle, the pipeline is being filled, but our task is to ensure many more reach the top levels.

HUMAN AND LABOUR RIGHTS

Unilever's approach to human and labour rights is set out in our Code of Business Principles. We are signatories to the UN Global Compact, support the ILO conventions and are working to develop a more inclusive approach to human rights based on the Ruggie principles.

However, problems do occasionally surface. In the past three years we have dealt with concerns about contract labour in Pakistan, union recognition in India and allegations of the use of child labour in Madagascar (for vanilla). That such issues arise in a business of our scale and geographic spread is no surprise. The real test is that they are identified and escalated to top management so that they are resolved. The child labour accusation was dealt with swiftly and the labour issue in Pakistan was resolved via mediation through the OECD.

TRAINING

Unilever has a strong reputation for the quality of its management and workplace training. In 2011, 128,000 people were registered for the Unilever Learning Academy's courses. Much of our training is now delivered online through over 7,600 training modules. For example, in 2011 over 95% of our managers completed the first of a new set of modules on our Code of Business Principles.

A particular challenge for 2012 and beyond is to build our understanding and capability on sustainability. Already over 6,000 people have completed a Unilever Sustainable Living Plan e-module. In future we will embed sustainability into our core training for business functions.

REDUCE WORKPLACE INJURIES AND ACCIDENTS

OUR TARGETS

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

OUR PERFORMANCE

- **40% reduction in TRFR at end 2011 compared to 2008,[†] from 2.1 to 1.26 accidents per 1 million hours worked.**

We are among the leaders in our industry on safety. Therefore the target to halve our accident rate is a stretching one. Our performance in 2011 is a positive first step towards our goal.

IMPROVE EMPLOYEE HEALTH AND NUTRITION

OUR TARGETS

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

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

OUR PERFORMANCE

- **Lamplighter was rolled out to 11 countries in 2011.**

Our medical and occupational health strategy addresses the top three health risks we have identified: mental health; lifestyle factors (eg exercise, nutrition, smoking, obesity); and ergonomic factors (eg repetitive strain injury). Lamplighter is key to addressing these.



The Sustainable Living section of our website includes more information on our approach to people management, including diversity, labour rights, training and development.

REDUCE EMPLOYEE TRAVEL

OUR TARGETS

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

OUR PERFORMANCE

- ✓ **54 countries were covered by end 2011.**

We exceeded our 2011 target. We use telepresence in 26 countries and this system alone eliminated the need for around 14,500 short-haul and over 23,500 long-haul flights. It saved us €39.5 million in costs and 113,500 tonnes in CO₂ emissions.

REDUCE ENERGY CONSUMPTION IN OUR OFFICES

OUR TARGETS

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

OUR PERFORMANCE

- **In 2011 we made steady progress in developing our systems for sharing information, reporting progress and monitoring performance.**

We are starting to see the results of several initiatives. For example, in the UK we have been improving the efficiency of our servers, avoiding approximately €535,000 in energy costs – equivalent to 4.5 GWh.

In 2011 we piloted software tools which automatically shut down inactive PCs, saving around 25% in PC energy consumption. The software will be rolled out globally in 2012.

REDUCE OFFICE WASTE

OUR TARGETS

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

OUR PERFORMANCE

- **Several countries are moving towards zero waste.**
- **We continue to cut paper use by encouraging employees to print less and reducing the number of printers. A new global print standard will help reduce volumes further by ensuring that duplex printing becomes a default setting.**
- **The elimination of paper from our office processes is complex as it spans a number of business functions. We are mapping our existing processes and their impacts.**

INCREASE SUSTAINABLE SOURCING OF OFFICE MATERIALS

OUR TARGETS

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

OUR PERFORMANCE

- **90% of our paper-based materials came from certified sustainable forests or recycled sources in 2011.**



EXTERNAL COMMENTARY

Our external advisers – the Unilever Sustainable Development Group – share their views on our progress.

The Unilever Sustainable Development Group (USDG) comprises external experts who provide advice and guidance on the development of our strategy.

The Group's collective expertise covers environmental, social and economic issues in both developed and developing countries. It meets twice a year to discuss sustainability issues. We share the insights from these meetings with our Board's Corporate Responsibility and Reputation Committee and our senior leadership.



Jonathon Porritt

There are two things that make the Unilever Sustainable Living Plan so special. The first is its centrality. It's at the heart of Unilever's growth plans – or, to be more accurate, it will be when employees have become fully engaged, when function heads (in Finance, HR and IT, for instance) see it as their Plan, just as much as their colleagues in the supply chain do, and when all brand managers across all the categories get the buzz about selling sustainability as much as about selling more stuff.

Unilever isn't there yet on that integration story. But that's the deal. As Paul Polman says, sustainability and growth are not in conflict.

The second thing is what I call the Unilever Sustainable Living Plan's 'boundary conditions'. The Plan could just focus on Unilever's direct impacts. But that's relatively small beer, even in a company as big as this. It could also cover the performance of all the suppliers that provide Unilever with its raw materials – and it does. But even that's not enough. The really big impacts come through the use of Unilever's products in the home, not in the sourcing, manufacture and distribution of them.

That's where the ambition level of Unilever (taking shared responsibility for those impacts in use) jumps out at you. There are not many companies doing that today, and none at this scale. And that's what keeps Unilever's senior managers awake at night – so the rest of us can sleep a little bit more easily!



Helio Mattar

As a new member of the USDG, I am positively impressed by Unilever's audacious goals and commitments, especially its efforts to ensure that they permeate the whole organisation, vertically down the hierarchy and horizontally across the different regions. Unilever's belief in the power of innovation and co-operation through partnerships is the main impetus for this journey, and this belief is complemented by a determination to engage consumers and persuade them to behave more sustainably.

Unilever has set out its commitments even before the path to achieve them is fully clear. The ethical urgency to do so derives from its awareness of the huge positive impact that it potentially has on the environment and on society – Unilever is both talking the talk and walking the walk.

I work in the area of behaviour change among consumers, and my presence in the USDG demonstrates how willing Unilever is to face this singularly difficult challenge. Getting the public on-side is central for Unilever if it is to achieve its commitments, given that some of them relate directly to consumer behaviour, for example changing the hygiene habits of more than a billion people.

This demands a new consumer, one who is willing to contribute to the environment and society by way of his or her consumption. Unilever is working to find ways to engage consumers and encourage more sustainable consumption: a process which will benefit and protect Unilever's reputation, and which will make a great positive contribution to human society as a whole.



Malini Mehra

The true value of corporate change is not its immediate impact but the demonstration effect it provides. When Unilever adopted the Sustainable Living Plan in 2010, it became an activist. This was not just any company flogging a sustainability strategy. This was Unilever. A global company with a hundred years of history and a presence in over 190 markets. A colossus shaking hands with 2 billion people a day. When that handshake carries a message and the consumer reciprocates, these small acts could change the world.

This is the promise behind Unilever's Sustainable Living Plan. The Plan is bold and brazen. Bold because of the goals it sets. Brazen because it invites us – indeed, relies on us – to be the change-makers. It is a straightforward admission that 'I cannot change the world without you'.

Unilever has done the maths. Humanity has overshoot critical ecological thresholds, and this is why Paul Polman speaks of new models and a new capitalism. This is a rare admission and rarer still for a CEO. This is what sets the Unilever Sustainable Living Plan apart. It is a conviction strategy for growth through sustainability – and its tone is urgent.

This is exactly as it should be. The markets of the future cannot be the same as today, but reshaping expectations with sustainability in mind has to be a conscious and collective project. Strategic partnerships and a collaborative approach have never been more important in this age of revolution. If the Unilever Sustainable Living Plan is to succeed, it has to be the 'people's project'.



Ma Jun

While the EU and many developed countries are suffering economic difficulties, developing countries like China and India continue to grow rapidly. Their rising populations and increasingly better-off societies generate huge demand and create growth opportunities for consumer goods suppliers like Unilever.

However, most emerging markets are facing daunting environmental challenges such as pollution, resource depletion and eco-degradation. These countries hope to stimulate consumption to enhance living standards and drive economic growth, but they are concerned that it may lead to more pollution and the unsustainable use of resources.

Unilever is in a unique position to help reconcile the conflicting targets of consumption and environmental protection. For many years it has been improving the environmental performance of its manufacturing and increasing the sustainable sourcing of agricultural raw materials. More recently it has worked with NGOs to motivate its industrial suppliers in China to clean up.

But what is really special is the company's decision to set its environmental targets based on a 'per consumer use' basis. If it is to achieve its ambitious goals, Unilever has to inspire and enable consumers to adopt more sustainable habits.

This is no easy task – changing consumers' habits is tricky. But change is urgently needed, particularly in developing countries. I am pleased Unilever has developed its Five Levers for Change methodology and encourage it to apply its marketing power to drive more sustainable practices as I believe this will have very positive social impacts.

THE UNILEVER SUSTAINABLE DEVELOPMENT GROUP

Jonathon Porritt
Founder Director of Forum for the Future,
UK

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

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

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

VERIFYING OUR APPROACH

We value independent opinion and input on our approach.

GOVERNANCE

Achieving our goals requires commitment at all levels of the organisation. We have strong governance structures in place to manage our sustainability programme and ensure it becomes embedded in our business.

Implementation and delivery of the Plan is monitored quarterly by the Unilever Leadership Executive – led by the CEO. Four members of this group have sustainability as part of the targets which determine their levels of reward: the CEO, the Chief Marketing and Communication Officer and two Category Presidents.

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

The role of the Board's Corporate Responsibility and Reputation Committee is to oversee Unilever's conduct as a responsible business. It comprises three independent Non-Executive Directors and is given regular updates on the Plan which the Committee feeds back to the Board.

Further independent opinion on our strategy comes from our external advisers – the Unilever Sustainable Development Group (see page 38).

MATERIALITY

The Unilever Sustainable Living Plan is the blueprint for achieving our growth ambition of doubling the size of our business while reducing our environmental impact. It defines the sustainability issues that are most material to our business and sets targets to address them. This enables us to manage risk (such as securing long-term supplies of agricultural raw materials) and to exploit new business opportunities.

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

We regularly engage with our stakeholders – particularly suppliers, consumers and NGOs – as they are crucial to achieving many of our targets.

MEASURING PROGRESS

We value independent views on how we have chosen to measure our progress. Some of the inputs and outcomes we are seeking to assess are difficult to measure and we expect that our performance indicators will evolve over time. Below we set out how we measure our footprint and what experts think of this approach. We also summarise our key metrics and how we will assure them.

OUR ENVIRONMENTAL FOOTPRINT

Measuring the environmental footprint of the making and use of our products is a complex process. It requires a detailed analysis of the water, waste and greenhouse gas impacts of hundreds of products spread across 14 countries. The calculation accounts for 70% of our volumes.

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

An interim assessment of 2010 data shows that our 'per consumer use' footprint has remained broadly unchanged across greenhouse gases, water and waste compared with our 2008 baseline.

To improve speed and accuracy we are investing in an automated process. This will allow us to measure progress with greater frequency in future.

AN INDEPENDENT VIEW OF OUR ENVIRONMENTAL METRICS

During 2011 we invited a panel of lifecycle analysis experts led by Professor Roland Clift to review our approach to measuring and reducing our environmental impacts.

The purpose of this exercise was to assess the robustness, relevance, quality and completeness of our approach, including the way in which we set our targets and communicated the results.

The panel conducted a scientific review of the three metrics for greenhouse gas emissions, water and waste per consumer use (referred to as the 'Less Environmental Impact' programme). It looked in particular at the scope and boundaries of the metrics, the validity of calculation methods, assumptions and data sources.

STATEMENT ON UNILEVER'S 'LESS ENVIRONMENTAL IMPACT' (LEI) PROGRAMME

The scientific and technical Peer Review Panel, whose members are listed below, has examined the metrics and baseline proposed by Unilever to support development and monitoring of the LEI programme.

We consider Unilever's approach to be sound and appropriate. Unilever has selected a set of impacts which are relevant to describing the lifecycle environmental impacts of the company's businesses and products. The baseline data provide a representative picture of current performance in terms of these impacts, and consistent application of the approach should give a sound indication of progress towards the targets the company has set.

During the review, we identified a number of aspects of the LEI approach where further clarification was needed. The way in which our questions were answered was one of the features that encouraged our confidence in endorsing the approach. We have made a number of recommendations to improve the clarity and transparency of the process.

We hope and expect that Unilever will publish our detailed review and respond to the questions raised, and set up a mechanism to enable answers to be provided to other scientific and technical questions which might arise in future.

We also note that Unilever will need an ongoing work plan to ensure that evolution of the metrics and the measurement process continue to reflect current best practice and scientific rigour, and to verify progress against the targets set out in the LEI Plan.

Professor Roland Clift
University of Surrey, UK

Professor Matthias Finkbeiner
Technical University of Berlin, Germany

Dr Mark Goedkoop
Pré Consultants, Netherlands

Professor Sarah McLaren
Massey University, New Zealand

Stuart Orr
WWF, Switzerland

ASSURANCE

External assurance of sustainability performance indicators is important to us. Unilever's environmental reporting has been independently assured since 1996.

For the past five years Deloitte LLP have provided limited assurance on ten key performance indicators (KPIs) and are

repeating this work for 2011. Data marked † throughout this Report is preliminary and is part of this work. Deloitte's report and their conclusion will be published on our website in mid-2012.

We have appointed Pricewaterhouse-Coopers LLP (PwC) to provide assurance

of the Unilever Sustainable Living Plan. They have started to assure a number of KPIs, selected on the basis of their materiality. We will report the findings of their work in mid-2012.



OUR METRICS

Our Plan has three big goals to improve health and well-being, reduce environmental impact and enhance livelihoods. Underpinning these goals are commitments spread across seven pillars and a set of targets for people, around 60 targets in total. Listed below are the key metrics we use to measure progress on our pillar commitments.

HEALTH AND HYGIENE (page 10)

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

NUTRITION (page 14)

The percentage of products which meet the highest nutritional standards, based on globally recognised dietary guidelines for all four priority nutrients: salt, saturated and trans fat and sugar.

GREENHOUSE GASES (page 18)

Greenhouse gases per consumer use: CO₂ equivalents across the product lifecycle (grams).*

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

WATER (page 22)

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

Currently our metric does not include water used in agriculture. We are making some progress on this but have more to do (see target 4.1). Our metric also excludes water used in our manufacturing operations which we measure as part of our eco-efficiency programme (targets 4.5 and 4.6).

WASTE (page 26)

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

We define waste as the amount of product left in the pack, and the amount of packaging that ends up either in landfill or as litter, ie the amount of packaging that is not recycled, reused or recovered for

energy recapture. Our metric requires the use of published national indices for recycling and recovery, or our own estimates where these are not available.

The metric excludes the waste generated by our manufacturing operations which we measure as part of our eco-efficiency programme (targets 5.5 and 5.6).

SUSTAINABLE SOURCING (page 30)

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

BETTER LIVELIHOODS (page 34)

We recognise that it is difficult to provide evidence of improvements in livelihoods. We will invest time in 2012 to develop an appropriate methodology to do this.

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

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



www.unilever.com/sustainable-living

More details on performance against our Unilever Sustainable Living Plan targets can be found on our website, which also provides comprehensive coverage of many other topics of interest to our stakeholders.

Design
Red Letter Design

Printing
Charterhouse
(ISO 9000 & 14001)

Paper
Amadeus 100% Recycled Silk –
100% recycled content, 100%
de-inked post-consumer waste.



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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

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

www.unilever.com/sustainable-living

