



Unilever

Sustainable Development Report 2006



CHAIRMAN'S INTRODUCTION

Unilever's mission is to add Vitality to life.

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

Our aspiration is to meet these needs in a sustainable way. At the heart of our Corporate Purpose is the drive to grow sustainably and in this way create long-term value for all those with a stake in the business.

Our efforts are guided by our Code of Business Principles which sets the standards of behaviour we demand from all our employees. It also outlines our commitments to our stakeholders including consumers, customers, suppliers, employees, communities and the environment.

Our sustainability journey

Over 100 years ago, William Hesketh Lever and Samuel van den Bergh did not just create the world's first consumer brands,

Sunlight soap and *Blue Band* margarine: they built businesses with strong values and a mission to act as agents of social change.

Sustainable development has become the overarching goal for business and government. It demands that we meet the needs of society today without compromising the ability of future generations to survive and prosper.

A commitment to sustainable development and responsible business practice is embedded in our mission and principles. In practice this means understanding the impact we have as a business on society, not only in how we run our own operations, but also in sourcing our raw materials and, crucially, through our brands.

Values-led brands will increasingly drive our business strategy. We are now integrating social, economic and environmental considerations into our brand innovation and product development.

Governance

In 2006 we strengthened our governance in this area. The Board member with responsibility for delivering our commitments is our President of Home and Personal Care. He is a member of our Board's Corporate Responsibility and Reputation Committee which provides oversight and guidance on Unilever's environmental and social impacts and policies.

He also chairs our Corporate Responsibility Council, which includes senior executives from across the business. The Council and Committee benefit from the input of a panel of external specialists in corporate responsibility.

Our Vitality Mission and Corporate Purpose

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

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

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

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

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



In this way, we have built strong foundations to fulfil our Vitality mission and our commitment to sustainable development.

Unilever is fortunate to have found Michael Treschow as my successor, who I know has a keen interest in sustainability. I am proud to have served this great company over the last 35 years and am sure it will continue very successfully into the future.

Antony Burgmans Chairman

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GROUP CHIEF EXECUTIVE'S REPORT

This report provides an update on the progress we are making to fulfil our ambition to be a respected corporate citizen and to contribute to addressing global sustainability challenges.

Last year was again a demanding one for Unilever as we continued to make changes to our structure and operations in an effort to become more competitive and put us firmly on the road to sustained growth – something we succeeded in doing.

Sustainable development

In our 2005 report I gave the commitment that improved business performance would not be at the expense of our environmental and social goals. In fact, as we come to understand better what sustainable development means for Unilever, we are increasingly finding it offers the key to our future prosperity.



Successful brands of the future will be those that both satisfy the functional needs of consumers and address their concerns as citizens – concerns about the environment and social justice. During 2006 we piloted a new 'brand imprint' methodology to help us in this.

In developing and emerging markets – already more than 40% of Unilever's business – many millions of people on very low incomes have the same aspiration for high-quality brands. Meeting these needs will require a new approach to delivering affordable products, and a commitment to 'social innovation' – such as reduced water for laundry detergents or added nutrients for health in foods.

Our progress

In Unilever we recognise we still have much to learn about how to meet these needs, in a way that is both economically viable and yet does not compromise future generations. In this report we highlight the progress we are making, including:

- further steps in addressing growing societal concerns about health, particularly obesity and poor hygiene;
- a new focus on climate change, with a programme to reduce still further greenhouse gases across the full range of our activities;
- sustained effort to improve eco-efficiency in manufacturing and to ensure the safety of our employees at work;

- continued investment to make a real difference in the communities where we operate, such as through our handwashing and hygiene education initiatives in India.

We are on a journey to integrate social and environmental considerations more and more into our day-to-day business operations. That is the only way to build a sustainable business in a sustainable world. We have much to learn, so please tell us what you think. I welcome your feedback.

Finally, a personal note

Unilever Chairman Antony Burgmans retires in 2007 after 35 years with the company.

I want to pay tribute to Antony's contribution to the business and to his deep personal commitment to environmental issues. He was the driving force behind the creation of the Marine Stewardship Council and twice chaired the CEO Panel at the World Water Forum. Few international business leaders have done more for the cause of sustainability – a cause that I know he will continue to champion in his retirement.

Patrick Cescau Group Chief Executive

Performance review

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[www.unilever.com/ourvalues/
environmentandsociety](http://www.unilever.com/ourvalues/environmentandsociety)

- This report is an overview. Our website is our principal means of reporting: it sets out our approach and policy on the issues we explore here, with additional case studies and more detailed performance data.

ABOUT UNILEVER

160 million times a day, someone, somewhere in the world will choose a Unilever brand.

Unilever is one of the world's leading consumer goods companies with a portfolio of around 400 food and home and personal care brands and a turnover of €40 billion. We have operations in around 100 countries and our products are sold in

about 50 more. With consumers, employees, business partners and shareholders on every continent, we describe ourselves as a 'multi-local' multinational, bringing our international expertise to the service of people everywhere.

Europe

Operating profit (millions)

€1,903

Turnover (millions)

€15,000

Purchases of goods and services (millions)

€10,034

Employees (thousands, average)

47,000

The Americas

Operating profit (millions)

€2,178

Turnover (millions)

€13,779

Purchases of goods and services (millions)

€9,803

Employees (thousands, average)

46,000

Manufacturing sites

81

Our €1 billion global brands

We have 12 global brands, each achieving sales of over €1 billion a year: **Knorr, Lux, Surf, Hellmann's/Calvé, Omo (Rinso), Lipton, Sunsilk, Dove, Rama, Flora/Becel, Heartbrand ice creams (Cornetto) and Rexona.**

Other global brands

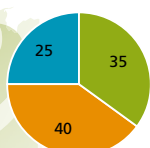
These brands are enjoyed by millions of people: **Radiant (Rin), Bertolli, Axe, Lifebuoy, Slim-Fast, Domestos, Comfort, Signal (Pepsodent), Vaseline, Cif and Pond's.**



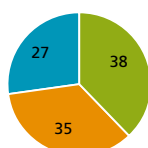
Overview 2006

% BY REGION

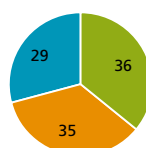
■ Europe ■ The Americas ■ Asia Africa



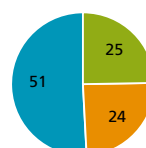
Operating profit



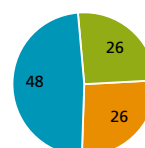
Turnover



Purchase of goods and services



Employees



Manufacturing sites



Manufacturing sites

83



Manufacturing sites

153

Asia Africa

Operating profit (millions)

€1,327

Turnover (millions)

€10,863

Purchases of goods and services (millions)

€8,335

Employees (thousands, average)

96,000



Local favourites

Some of our brands are national favourites found in only a few countries, such as: **Bango, Breyers, Marmite, Hertog, Fair & Lovely, Andrélon, all** and **PG Tips**.

OUR IMPACTS

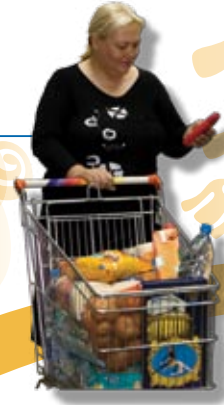
Our business and brands have impacts at every stage of their life-cycle: from sourcing raw materials for our products, all the way through to when our consumers use and dispose of them.

● Understanding consumer needs

We seek to meet the everyday needs for nutrition, hygiene and personal care of consumers around the world, helping them feel good, look good and get more out of life.

The social, economic and environmental issues we seek to address:

- Making quality products that are safe to use
- Making products affordable and accessible to consumers (through multiple price points)
- Understanding the environmental constraints within which consumers use our products, such as water scarcity



400 brands

€906 million invested in R&D

Over 6,000 scientists and product developers



● Innovation, R&D

Through our investment in research and development, we aim to meet diverse and changing consumer needs in all our markets.

The social, economic and environmental issues we seek to address:

- Maximising the nutritional quality of our food products
- Minimising the adverse environmental impacts of our products
- Minimising the use of animal testing
- Working collaboratively and sharing knowledge with partners around the world, including universities

€15.7 billion spent with

8,430 suppliers of raw materials and packaging

Over 2/3 of our raw materials come from agriculture



● Suppliers

Through our purchase of goods and services, we create wealth and seek to encourage sustainability practices throughout our supply chain. As part of this, our long-term goal is to source all our key agricultural raw materials from sustainable sources.

The social, economic and environmental issues we seek to address:

- Ensuring fair working conditions in the supply chain and respect for human rights
- Ensuring suppliers meet minimum standards on health, safety and environmental protection
- Fostering good sustainability practices in the sourcing of raw materials

KEY: Level of Unilever's control and influence

- We have control
- ◐ We have control/influence

Marketing, consumption and disposal

We communicate responsibly with our consumers through our advertising and marketing. We seek to minimise the impacts of our products during and after consumer use.

The social, economic and environmental issues we seek to address:

- Taking a responsible approach to marketing and advertising
- Helping consumers make healthier choices in their diet
- Working to ensure consumer confidence in chemicals used in home and personal care products
- Helping consumers to minimise their environmental impacts, eg by using less water for laundry, and to dispose of our products responsibly



€39.6 billion turnover

€5.2 billion invested in advertising and promotions

Products sold in around 150 countries

Around 1/5 of sales through ten retailers

179,000 employees at year end

317 manufacturing sites across six continents



Distribution and retail

Our aim is to be the supplier of choice for our customers and to ensure that consumers have ready access to our products through different distribution channels.

The social, economic and environmental issues we seek to address:

- Working in partnership with retailers and distributors to educate and inform consumers on health and sustainability issues
- Reducing energy consumption and greenhouse gas emissions resulting from distribution of our products
- Ensuring accessibility of our products, especially for low-income consumers
- Using and promoting environmentally friendly refrigeration technology



Production/manufacturing

We seek to manage the impacts of our operations on society and the environment.

The social, economic and environmental issues we seek to address:

- Ensuring the health and safety of employees at work
- Respecting employees' fundamental rights and encouraging personal development
- Investing in local communities and contributing to local economic development
- Maximising the eco-efficiency of manufacturing sites by reducing impacts such as waste, water, energy use and greenhouse gas emissions



STRATEGY AND MANAGEMENT

To fulfil our commitments, we have a strategy in place supported by company-wide governance and management structures.

Strategy

We have long been working to improve our understanding and management of the social, economic and environmental impacts of our business. Some of our recent milestones are set out in the timeline below.

In 2005, the Unilever Executive reaffirmed our corporate responsibility strategy. This set out a commitment to maintain and build on our existing activities including our work in sustainable sourcing, supply-chain standards, eco-efficiency, employee well-being and community engagement.

As values-led brands will increasingly drive our business, another element of the strategy is to integrate social, economic and environmental considerations into the development plans of our brands. This goes further than the life-cycle assessment work we have been doing over many years to reduce the wider environmental footprint of our products. In 2006 we began mapping the 'imprint' of some of our global brands.

At the same time, to underpin our activities and achieve more effective solutions, we decided to focus our external partnerships on two Vitality themes, nutrition and hygiene, where we can make the most impact.

Our principal partnerships are:



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



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



World Heart Federation: to promote heart health;



FDI World Dental Federation: to improve oral health.

Governance

Over the past two years we have strengthened our governance in this area. Our Board-level Corporate Responsibility and Reputation Committee meets quarterly, and our Corporate Responsibility Council, comprising senior executives from across the business, reviews our activities and aligns our strategy with business priorities. Both groups benefit from the insights of the Unilever Sustainable Development Panel, five external specialists in corporate responsibility and sustainability who meet twice a year with those leading different aspects of our strategy.

Implementation

To implement our strategy we have a series of management structures in place. The most important of these are:

Safety and Environmental Assurance Centre (SEAC)

SEAC's role is to provide Unilever with the skills, advice and guidance needed to reduce, manage and control any safety risks for consumers, employees and the environment. Before launch, new ingredients, product formulations and process designs must be submitted to SEAC for approval. SEAC's expertise guides our work on life-cycle analysis, eco-efficiency management and occupational safety.

Unilever Food and Health Research Institute

Around 450 scientific staff work on the development of new products and processes and continuously improve the nutritional quality of our products, often in conjunction with external partners. The Institute shares and discusses our research widely, through publication in journals and an annual symposium involving external scientific experts.

1995

Sustainable Agriculture Initiative begins



1995

1996

Fish sustainability initiative sets long-term goal of sustainable sourcing
Marine Stewardship Council co-founded with WWF
First environmental report published containing eco-efficiency indicators



1996

1998

First agricultural pilot project begins



1998

2000

Sustainable Agriculture Advisory Board established
Shakti launched in India
First social report published



1999

2000

Global Health through Hygiene Programme

The aim of this programme is to co-ordinate Unilever's efforts to make a measurable contribution to the health and hygiene of people around the world through practical, community-based initiatives. The programme takes successful initiatives from one brand or country and tailors them to address consumer hygiene needs elsewhere.

Sustainable Agriculture Steering Group

The Steering Group is responsible for managing our Sustainable Agriculture Initiative. Its objective is to promote sustainable supply chains worldwide, focusing on long-term, sustainable access to Unilever's key crops. The Steering Group also benefits from the input of the Sustainable Agriculture Advisory Board which consists of external experts.

Other programmes

Our Greenhouse Gases Working Group and the Unilever Packaging Group are two current examples of how teams come together to work on specific issues. These groups engage with external stakeholders.

Reporting strategy

Our approach is to report on the values and standards we have set out in our Vitality mission, our Corporate Purpose and our Code of Business Principles. These are the core principles by which we expect to be judged.

Our report is addressed to a range of stakeholders: current and potential employees, our partners, governments and specialist external audiences as well as interested consumers and investors. Embedded in the development of our reporting are the perspectives of the Unilever Sustainable Development Panel and specialist opinion formers. To broaden access to our report, we are using our website as our principal means of reporting.

In compiling this report, we have reviewed sustainability reporting and referred to external standards such as the Global Reporting Initiative Guidelines 2002. We have followed the AccountAbility 1000 Assurance Standard's practice of 'inclusivity' and have used its principles of materiality, completeness and responsiveness to help our stakeholders assess our performance (see panel).

Materiality, completeness and responsiveness

'Material' for us is the way we fulfil our Vitality mission through our contributions to health, nutrition and hygiene; the sustainability of our business; and the wealth that it creates. We seek to improve our reporting of material issues and their impact on our business performance.

To ensure 'completeness' we take into account our impacts on society and the concerns of stakeholders. To do this requires detailed mapping and tracking of issues; ongoing stakeholder input and feedback; and the help of partners to guide our direction. The issues material to our business are often complex and we continue to work on those areas where we do not yet have a comprehensive understanding of our impacts.

As a consumer-focused company 'responsiveness' is built into our everyday approach to understanding and responding to our consumers' aspirations and concerns. It is by greater integration of social, economic and environmental concerns across our business that we will ensure our future success, and also improve our reporting to stakeholders.

In 2006 we asked Deloitte to provide an independent view of our report against these criteria. Their statement is on page 28.

web links

- Strategy and management
- Global Reporting Initiative index

2002

Code of Business Principles revised
Lifebuoy Swasthya Chetna handwashing campaign launched in India



2003

Business Partner Code introduced
Good Agricultural Practice Guidelines published for all key crops
Roundtable on Sustainable Palm Oil established



2005

Nutrition Enhancement Programme begins
56% of our fish used in Europe from sustainable sources
Joint research published with Oxfam on the links between wealth creation and poverty reduction



2006

Brand imprint methodology piloted
Choices nutrition labelling launched
Shakti reaches 100,000 villages through 30,000 entrepreneurs
Lifebuoy Swasthya Chetna handwashing campaign reaches 80 million people



2001

2002

2003

2004

2005

2006



NUTRITION

We can make a difference to the diets of millions of people. The challenge is to make our products the healthy choice for consumers without compromising taste, convenience and affordability.

Nutrition lies at the heart of our Vitality mission. Individuals and governments everywhere are becoming increasingly concerned about the impact of diet on public health. For some, 'over-nutrition' – leading to obesity and heart disease – is the primary challenge. For others it is 'under-nutrition' – not getting enough of the right type of nutrients, largely due to widespread poverty in developing economies.

In 2004 we stepped up our activities in nutrition through a public commitment to an action programme to help individuals make healthier choices by:

- seeking improvements in the nutritional quality of our brands;
- enhancing nutrition labelling and increasing consumer information;
- and developing new products through innovation.

We recognise that working in partnership with governments, communities and non-profit organisations is essential to delivering these commitments.

Nutrition Enhancement Programme

We continue to work to reduce levels of trans fat, saturated fat, salt and sugar in our products through our Nutrition Enhancement Programme. We do this by assessing our products using benchmarks based on international dietary guidelines.

Over the past two years we have reviewed the vast majority of our product formulations, including nearly all our retail products and more than half our foodservice products.

From this review process, we found that over a third of our products are in line with internationally accepted dietary guidelines for fat, sugar and salt, qualifying them for the Choices stamp (see opposite).

The Nutrition Enhancement Programme is a continuing process to help us to make further improvements across our portfolio (see panel, right, for 2005–2006 achievements) and enable us to respond as consumer needs change and new technologies for improving nutritional quality develop.

Sugar

- 10% reduction in European *Lipton* ready-to-drink teas;
- up to 20% reduction in added sugar in some of our children's range of water-ice products;
- 40% reduction in *Flora/BeceI pro-activ* mini-drinks and yoghurts;
- 22% reduction in in our soya and fruit drink, *AdeS*, in Argentina, Uruguay and Paraguay.

Fat

- Our portfolio of savoury products, such as soups and sauces, is now virtually free from trans fats in Europe;
- *Rama* and *Blue Band* margarines reformulated to 33% saturated fat or lower in Europe.

Salt

- An average of 10% reduction in *Knorr* dry soups in Europe;
- 10% reduction in *Lipton* side dishes in the US.

Our R&D test kitchen in the Netherlands is one of our centres of culinary expertise. Its chefs create ideas for new products, recipes and product demonstrations for our *Foodsolutions* professional catering business, as well as providing culinary training for employees.

Innovating to widen consumer choice

We continue to invest in foods that provide tasty and healthy options for consumers. More than two-thirds of the products in our development pipeline have what we call 'Vitality' benefits: specific nutritional and health benefits.

Highlights from 2006 include:

- a new low-fat margarine, *Rama IDEA!*, containing important nutrients for the brain, launched in 14 European countries with plans to extend to five more in 2007;
- sales of *Flora/Becel pro-activ's* cholesterol-lowering products grew by around 7% in 2006;
- in Europe, sales of *Knorr Vie* fruit and vegetable shots grew by 142% in 2006, with more than 100 million bottles sold.



Nutrition labelling

The Choices International Foundation is being established with responsibility for overseeing the use of the Choices stamp. The aim is for Choices to become an independent, international standard used across the food industry, with its qualifying criteria regularly reviewed by an independent, international committee of food and nutrition scientists.



Consumer information

In response to growing public demand for improved nutritional labelling of food products, we are working to provide clear, simple information for consumers.

In May 2006 the Choices programme was launched. It uses a front-of-pack stamp to make it easier for consumers to identify healthier options – foods and drinks that are in line with internationally accepted dietary advice for fat, sugar and salt. The front-of-pack stamp is complemented by back-of-pack nutrition information.

Following the launch in the US, Netherlands and Belgium in 2006, we plan to roll it out to all our major markets by the end of 2007. Over a third of products already qualify.

Where possible, we partner with others in the industry. For example, in Europe, we are participating in a voluntary CIAA (Confederation of Food and Drink Industries of the European Union) nutritional labelling initiative which complements Choices. Under this initiative, on the back of all our packs we will show the levels of eight key nutrients (energy, protein, carbohydrates, sugars, fat, saturates, fibre and sodium) and four of these (energy, total fat, sugar and salt) as percentages of guideline daily amounts (GDA). We will also show calories on the front of packs as a percentage of GDA.

Tackling obesity

Obesity is now a public health concern for developed and developing countries alike. According to the World Health Organization and the International Obesity Taskforce, more than 1 billion adults and 155 million school-aged children are overweight or obese.

Changes in diet and lifestyle, combined with a lack of physical activity, are two of the root causes of this trend. As a global foods company, where we can make a difference is by helping people improve their diets and influencing consumer behaviour.

In 2006 we strengthened our approach:

- on labelling, we committed to including energy labelling (calorie content) on all our food products in all our markets;
- on product formulation, we defined a unique set of metrics to help evaluate the optimal level of calories in our different foods based on the role they play in a person's diet, ie whether they are part of a main meal or a snack;
- on advertising to children, we have placed restrictions on our food and beverage marketing to children under 12 for all products except those that qualify for our Choices stamp (see page 20);
- to increase consumer choice, we continued to offer alternatives such as *Hellmann's* Original Mayonnaise (80% fat), *Hellmann's* Light (40% fat) and *Hellmann's* Extra Light (7% fat);

- to encourage physical activity, we continued to support initiatives that encourage an active lifestyle and raise awareness of the risks of heart disease – such as *Flora/Becel's* marathon sponsorships and the renewal of our partnership with the World Heart Federation for a further three years.

Tackling under-nutrition

Our foods can play an important role in tackling under-nutrition. Our fortified brands include *Rama/Blue Band* margarines enriched with vitamins A, B and D, and *Annapurna*, our iodised salt. In 2006, we launched *Amaze Brainfood* in Turkey, a range of milk drinks and cereal snacks which contain one-third of the nutrients children need daily for their mental development.

We also participate in global initiatives to improve nutrition through food fortification via our involvement with the Global Alliance for Improved Nutrition (GAIN).

web links

- [Our nutrition policy and approach](#)
- [Nutrition Enhancement Programme](#)
- [Choices](#)
- [Food and Beverage Marketing Principles](#)
- [Unilever Food and Health Research Institute](#)
- [Working with others – UNICEF, the World Food Programme, Partnership for Child Nutrition, Micronutrient Initiative, World Heart Federation, GAIN](#)



HYGIENE

MAKING PROGRESS ON THE BIG ISSUES

Through our products and partnerships we are committed to making a contribution to the health and hygiene of individuals around the world.

Our brand portfolio enables consumers to meet a broad range of their hygiene needs. Through these brands, and by working in partnership with others, we can achieve our goal of making a real contribution to people's health and hygiene.



Many of our brands have long had health and hygiene as a core part of their vision. For example, *Lifebuoy* has been championing hygiene throughout its 110-year history.

Today, our Global Health through Hygiene Programme co-ordinates and enhances the impact of our hygiene initiatives, working with brands such as *Lifebuoy*, *Pepsodent*, *Domestos* and *Pureit*, and with partners such as the London School of Hygiene and Tropical Medicine. Particular brands lead specific hygiene activities, for example, *Lifebuoy* runs our handwashing campaigns in partnership with UNICEF.

Leading the way on handwashing

Simple hygiene habits like washing hands with soap could halve the number of childhood deaths from diarrhoea. Making soap affordable and widely available is part of the solution. Yet more than 5,000 children still die every day from diarrhoeal diseases. This is because behaviour change is needed too. Recognising this, our programmes focus on understanding what will trigger behaviour change in individual cultures and communities and then use these insights to create campaigns that achieve sustained improvements.

Measuring behaviour change is difficult. The Global Health through Hygiene Programme works to develop evaluation measures to monitor impacts. Unilever scientists, working with partners at the London School of Hygiene and Tropical Medicine, developed and tested a novel and reliable way to assess changes in handwashing behaviour – SmartSoap bars. These bars are fitted with movement sensors that measure changes in usage. We started using them in a joint study in rural villages in India. This has led to new insights that

will be used to improve the effectiveness of the far-reaching *Lifebuoy* Swasthya Chetna handwashing campaign.

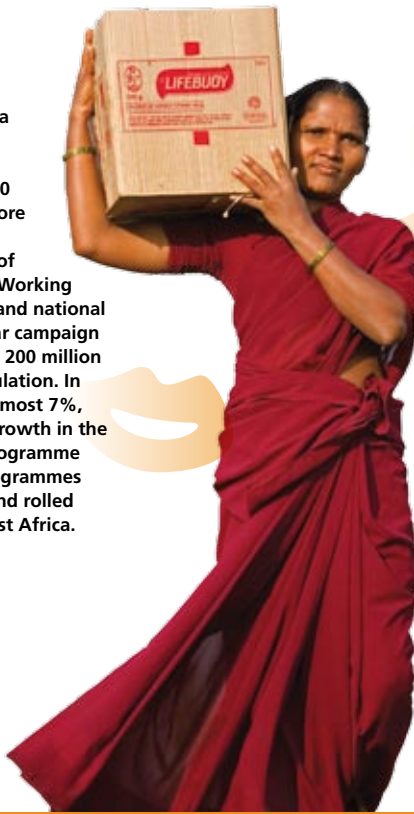
“ Good hygiene habits can save lives. Through this partnership, we have made real progress in our understanding of hygiene habits, which in turn will help Unilever and others take the handwashing message to more people around the world.”

Val Curtis
Senior Lecturer in Hygiene,
London School of Hygiene and
Tropical Medicine

In India *Lifebuoy's* 'glowgerm' demonstration counters the common misconception that 'visibly clean' is 'hygienically clean'. When held under ultra-violet light, glowgerm powder glows on hands washed only with water, providing a dramatic reminder of the need for thorough handwashing with soap.

Swasthya Chetna

Lifebuoy Swasthya Chetna ('health awakening') has already helped around 80 million people in 28,000 Indian villages become more aware of basic hygiene, stressing the importance of handwashing with soap. Working in partnership with local and national stakeholders, the five-year campaign aims to educate a total of 200 million people – 20% of the population. In 2006 sales increased by almost 7%, with particularly strong growth in the eight states where the programme was launched. Similar programmes are now being adapted and rolled out in Bangladesh and East Africa.



Pureit

Pureit is a unique in-home purifier, providing water that is free from harmful germs, without needing electricity or pressurised tap water, making it ideal for people in urban and rural areas.

Pureit was launched in India's Tamil Nadu state and has now been extended to the states of Karnataka and Andhra Pradesh. This affordable purifier costs €30 and has a running cost of just half a euro cent per litre.



In safe hands

In 2006 *Lifebuoy* and our Marketing Academy developed a process called In Safe Hands. As part of Unilever's involvement with the World Bank's Global Public-Private Partnership for Handwashing, we help public sector organisations in Asia and Africa create behaviour change programmes to promote handwashing with soap. Four-day workshops, led by Unilever marketers, teach campaign-building skills to those involved in community handwashing programmes. Workshops were held in Vietnam and Kenya in 2006, with further workshops planned for 2007 and beyond.

Promoting oral health

Poor oral health causes pain and discomfort and can lead to life-threatening illness. Around 1 billion people do not brush their teeth at all and some 2 billion brush only once a day.

For our oral care business, our Vitality mission translates into a commitment to make a measurable contribution to oral health around the world. *Signal/Pepsodent*, our leading toothpaste brand, aims to improve health by helping people change their behaviour, for example, by encouraging them to brush twice a day.

In 2005, we entered a three-year agreement with the FDI World Dental Federation to launch a global oral health programme. The FDI is a federation of national dental associations, representing nearly a million dentists around the world. One of its core objectives is to improve people's brushing

habits. In countries where the ratio of dentists to overall population can be as low as 1 per 100,000, this can be a real challenge.

In 2006, projects were underway in 31 countries, including a school-based initiative in North Vietnam, an education programme for deprived communities in Chile and a three-year infant programme in Poland.

As well as working on the ground, we are developing new products, including the world's first quality toothbrush which retails at the equivalent of just €0.20. Launched in early 2006, this toothbrush is now available in countries in Asia and Africa.

Dental hygiene is important in developed markets too. In France, *Signal* is running a campaign for all six-year-olds by providing educational materials to their teachers. Evaluation by independent scientists showed that these materials were proving to be highly effective in changing brushing habits and the results were published by the International Association for Dental Research in June 2006.

The *Pepsodent Fighter* is a quality, low-cost toothbrush which brings the possibility of better oral health within the reach of low-income consumers.



web links

- Global Health through Hygiene Programme
- Swasthya Chetna
- Working with others – London School of Hygiene and Tropical Medicine, Global Public-Private Partnership for Handwashing with Soap, FDI World Dental Federation, International Scientific Forum on Home Hygiene



PHOTO: UFOP e.V.

INTEGRATING SUSTAINABILITY

MAKING PROGRESS ON THE BIG ISSUES

Contributing to sustainable development requires us to examine all aspects of our business, from the sourcing of our raw materials to consumer use and disposal of our products.

With over two-thirds of our raw materials coming from agriculture, we have a clear interest in how crops are grown and in securing future supplies. For more than a decade, we have been working to ensure they are sourced in a more sustainable way. Continued progress in a branded goods company like ours depends on realising sustainability solutions that connect with consumers and meet their needs and expectations.

We achieved this with many of our frozen fish products, which carried the Marine Stewardship Council logo to show they came from sustainable fisheries. *Ben & Jerry's* has also long championed these issues and engaged with consumers in creative ways. It recently led a campaign on climate change and its Classic Vanilla ice cream uses Fairtrade vanilla and sugar. While this is a challenging area, we will continue to look for opportunities for our brands to engage with consumers on sustainability issues.

SUSTAINABLE AGRICULTURE

Starting in 1998, we developed Good Agricultural Practice Guidelines for five key crops – palm oil, tea, tomatoes, peas and spinach. Our guidelines track progress against 11 sustainable agriculture indicators, including water, energy, pesticide use, biodiversity and social capital.

We subsequently extended our programme to include olives, sunflowers, gherkins, oilseed rape and dairy products which are key ingredients in brands such as *Ben & Jerry's* ice cream, *Amora* gherkins, *Bertolli* olive oil, our *Hellmann's* range of mayonnaises and *Flora/Becel* margarines.

Measuring change in agriculture can be a slow process, due to the length of growing cycles, but we are making progress. For instance, in 2006, approximately 90% of our contract-grown tomatoes (which we estimate account for around 75% of our total requirements) met our sustainable agriculture guidelines.

Other developments in 2006 included:

- **gherkins:** we have been working with thousands of small farmers in India on a programme that has decreased pesticide use by 90%. Through training and knowledge-sharing, product quality has also improved and yields have increased by 78%;
- **oilseed rape:** we defined Good Agricultural Practice Guidelines, for publication in 2007;
- **sunflowers:** we are now close to initiating a programme for sustainable sunflower cultivation;
- **olives:** we brought together stakeholders for the first time in Cordoba, Spain, to discuss sustainability in olive farming;
- **milk:** we are continuing our work on sustainable dairy farming (see above).



Ben & Jerry's Caring Dairy initiative

Ben & Jerry's promotes sustainable practices in dairy farming through its Caring Dairy programme in Europe and the Dairy Stewardship Alliance in Vermont, USA.

The Dairy Stewardship Alliance has developed a self-assessment toolkit which was used by 24 Vermont farmers in 2006. The Caring Dairy programme developed individual improvement plans for all participating farmers. To make the link to consumers, Ben & Jerry's launched www.benjerry.co.uk/caringdairy on sustainable dairy farming which also allows farmers to tell their story.

In Germany, Unilever has worked with UFOP, an independent association that promotes the development of oilseeds and protein crops; the university at Halle; and farmers to develop and publish guidelines for the sustainable management of winter oilseed rape.

Our achievements in fish sustainability

In 1996 we co-founded the Marine Stewardship Council (MSC) with the conservation organisation WWF to establish a global standard for sustainable fisheries management. In 2006 we sold a large part of our frozen foods business, including our European fish business.*

Despite the sale, we remain committed to the goal of sustainability for our remaining fish products and will continue to support the MSC.

We are proud of what has been achieved over ten years. Although we were not able to reach our 100% sustainable sourcing target, there are encouraging signs that consumers are making the connection between their choices and the goal of sustainable development.

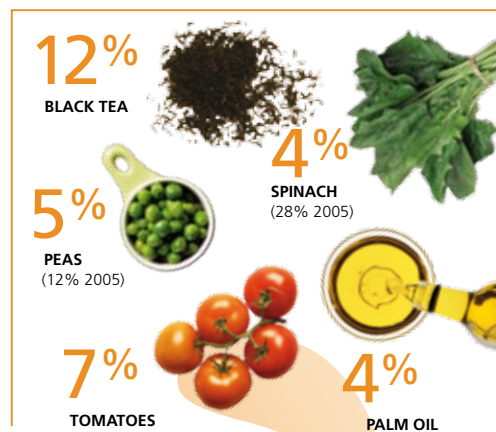
Retailers such as Tesco, Wal-Mart and Sainsbury's now source from MSC-certified fisheries.



*With the exception of the Findus brand in Italy.

Unilever's share of world crops 2006

% OF WORLD VOLUME



Note: The sale of most of our European frozen foods business has reduced our share of world volume in peas and spinach.

Towards sustainability

Our approach is to work initially with the growers we can influence most directly, namely those on our own plantations and 'contract growers' from whom we purchase directly. Then we extend to third-party growers, whose crops reach us via an intricate network of suppliers. We work with them on the adoption of our sustainable agriculture protocol for the crops they sell us.

Engaging with all our suppliers, farmers and factories has been the focus of much of our activity in 2006. While we want to move towards a position where in the future we will be able to source all our agricultural raw materials from sustainable sources, this is a complex process dependent on many thousands of individuals. For example, we estimate that around 450,000 small tea producers and over a million tea pluckers are involved in producing the black leaf tea that we sell in Western Europe alone.

The challenge is not only in terms of the size and scale of the task and the resources needed on our side, but also in educating and convincing farmers of the benefits of sustainable practices. Furthermore, the unpredictable nature of growing crops means it is rarely possible to guarantee a totally sustainable source.

Tea sustainability

Our global leadership position in the tea industry gives us the opportunity to make a real difference in sustainable tea growing. In 2002 we published our sustainable

agriculture guidelines for tea cultivation. Since then we have communicated them to over two-thirds of our suppliers globally. Around two-thirds of our total global tea purchases come from suppliers who either meet our guidelines or are fully engaged in our tea sustainability programme.

Smallholder farmers are an important group of suppliers for us, but due to their number and size, can be difficult to communicate with. In 2006, we entered into a partnership with the UK's Department for International Development and the Kenya Tea Development Agency to roll out a programme to communicate our tea sustainability guidelines to 450,000 smallholder farmers in Kenya.

Despite the progress we have made over the years, we have not communicated this work directly to our consumers. We are now exploring the possibilities of external certification for our teas. The Rainforest Alliance, an independent NGO, is in the process of developing an independent standard for sustainable tea production, with input from key stakeholders. Once it has completed this process, we will explore the possibility of the Rainforest Alliance certifying some of our tea supplies.

Working in partnership

We are founding members of the Roundtable on Sustainable Palm Oil, created to promote the production, procurement and use of sustainable palm oil. In 2006 it began piloting agreed Principles and Criteria for sustainable

production. Since smallholders can account for significant proportions of palm production – 30% in Indonesia and 90% in Nigeria, for example – we participated in the new Smallholder Task Force to discuss their needs.

We are also members of the Roundtable on Responsible Soy, which seeks to establish agreed Principles and Criteria for responsible soya production. After thorough deliberation, in 2006 participants agreed on the key sustainability issues linked to soya production. They also agreed to formalise the Roundtable as a permanent organisation.



web links

- Growing for the Future
- Working with others – Rainforest Alliance, Roundtable on Sustainable Palm Oil, Roundtable on Responsible Soy, Sustainable Food Laboratory, Sustainable Agriculture Initiative Platform



WIDER ENVIRONMENTAL FOOTPRINT

Our commitment to sustainability requires us to go beyond our own operations and to seek reductions in the total environmental footprint of our business and brands.

After more than a decade of action, we continue to make progress on managing the environmental impacts of our own operations. In some areas, our impacts extend far beyond our own operations. On the upstream side we use our Business Partner Code (see page 23) to ensure that our suppliers meet our expectations on environmental and social impacts. On the downstream side we work in partnership with various organisations and engage with consumers to achieve improvements in our wider environmental footprint, for example on water use.

WATER

All our business activities are intimately linked with secure access to safe water. Water scarcity is a growing problem in many of our markets. Through our Sustainable Water Initiative we have long been seeking to understand and reduce our water impacts. Our overall aim is to enable our business to grow without increasing our water footprint, whether in our own operations – which typically account for less than 5% – or in the supply chain or

consumer use of our products (see chart). This will not be achieved easily or quickly, not least because our business is growing, but it is a guiding principle for our future product development.

Water in our supply chain

Water is one of our 11 sustainable agriculture indicators. We are working with growers to reduce their water impacts through schemes such as drip-irrigation. For example, in 2006, we ran training programmes for farmers in Italy on best practice in spinach irrigation. Initial results are promising on both water and the energy required to pump the water. In Greece, almost all our tomato-growers now use drip-irrigation.

We are also researching wider water catchment-level impacts and engaging with stakeholders to assess how water is allocated between competing local demands. This work has led to some positive outcomes, such as Unilever Tea Tanzania's donation of 25,000 indigenous trees to communities in its local water catchment area to help conserve water sources.

Water in our own manufacturing operations

Since 1995 we have more than halved the amount of water we use per tonne of production by minimising water usage and maximising water recycling at our manufacturing sites. During 2006, we reduced the total consumption of water in our operations worldwide by 4.8% and the load per tonne of production by 6.5% (see page 30). These reductions have been achieved through target-setting, sharing good practice and projects such as Medusa, a water-saving programme in Latin America.

Water use by consumers

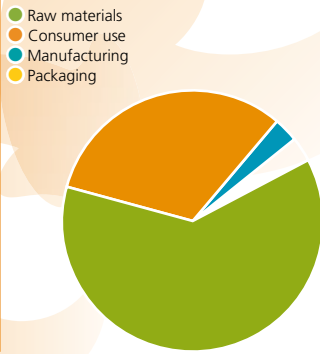
As part of our strategy to reduce our water footprint, our R&D focuses on minimising water consumption, resulting in a number of product innovations.

Surf Excel Quick Wash detergent, launched in India in 2004, aims to save two buckets of water per wash and continues to sell well in the water-stressed state of Andhra Pradesh with growth of 30% in 2006.

In Brazil, our brands *Knorr*, *AdeS*, *Omo* and *Rexona* are working in partnership with supermarket Pão de Açúcar to promote CEMPRE, a packaging recycling scheme for shoppers. Since the launch of this award-winning project in 2001, 101 recycling stations have been established in 18 cities, working in partnership with 15 rag-picker co-operatives to recycle nearly 15,000 tonnes of packaging.

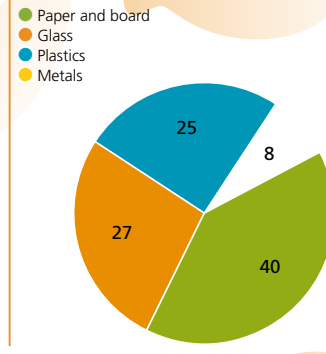
Estimated water use by life-cycle stage

% TOTAL HOME AND PERSONAL CARE AND FOODS FROM SOURCING OF RAW MATERIALS TO CONSUMER USE OF PRODUCTS



Unilever's use of packaging materials

% BASED ON A 2003 STUDY



Reducing packaging

- The redesign of our *Suave* shampoo bottles in the US has allowed an annual saving in plastic resin of almost 150 tonnes. This is the equivalent of 15 million fewer shampoo bottles being thrown away each year.
- By eliminating an outer carton from our *Knorr* vegetable mix and creating a new shipping and display box, we halved the packaging, resulting in 280 fewer pallets and six fewer trucks a year to transport the same quantity.
- Reducing the width of the outer box of *Lipton* soup cartons saved 154 tonnes of card.



We launched 'easy-rinse' variants of *Comfort* and *Vivere* fabric softeners in seven countries in Central and Latin America. Both aim to reduce water use per wash by reducing the amount needed to rinse clothes after applying the softener.

In 2006 we launched triple-concentrated variants of our liquid detergent brands such as *Wisk*, *Snuggle* and 'all'. These detergents have already had success in the US and France with benefits including reduced water, packaging, chemical and transport impacts.

PACKAGING

Packaging protects products from damage and contamination as well as providing a vehicle for brand communication and important safety and usage information. Our packaging must be both functional and attractive while keeping the impact on the environment as low as possible.

We are working to make this aspect of our business more sustainable. There are five key elements to our approach.

- **Remove:** to eliminate, where possible, unnecessary layers of packaging such as outer cartons and shrink-wrap film – an area where our retail customers are increasingly setting reduction targets.
- **Reduce:** to reduce packages to the optimal size and weight for their contents.

- **Reuse:** to reuse packaging from the materials we receive at our factories.
- **Renew:** to maximise the proportion of packaging from renewable resources and to investigate the technical feasibility of biodegradable and compostable materials. In 2004, 83% of our European paper-based packaging came from sustainable sources.
- **Recycle:** to increase the use of recycled, recyclable and single-material components in packaging for easy sorting and recycling at the end of its use.

The Unilever Packaging Group leads the development of our strategies on sustainable packaging. The Group is studying how we develop and specify our packaging to minimise impact on the environment.

As these issues affect the whole consumer goods industry, we work in partnership with industry and stakeholder groups to explore joint action. We continue to work with the Sustainable Packaging Coalition, a group of over 50 companies, comprising packaging producers, users and retailers.

WASTE

Minimising waste materials from our manufacturing processes makes business sense and reduces our environmental footprint. Reducing both hazardous and non-hazardous waste has been a core element of our eco-efficiency programme for over a decade (see page 31). During 2006 we further reduced total waste per tonne of production by 14.7%.

In 2006 we rolled out our Triple R waste reduction programme at sites in Africa, the Middle East and Turkey. By sharing best practice and setting targets, these sites achieved a significant 27.5% reduction in total waste per tonne of production, narrowly missing their target of 30% reduction by the end of 2006. Through this project, our sites are finding ways of reusing waste, which can also have economic benefits. For example, spent bleaching earth is being used by local brick companies as fuel for kilns and as a filler for bricks.

web links

- Eco-efficiency projects
- Case studies and performance data
- Working with others – AISE, WBCSD, Water and Sanitation for the Urban Poor, Sustainable Packaging Coalition, European Paper Group



CLIMATE CHANGE

With a long-standing commitment to reducing greenhouse gas emissions, over the past decade we have achieved a cut of more than 30% in our own operations.

2006 was the year when climate change became widely recognised as the most critical challenge facing our planet. Different weather patterns are affecting agriculture, availability of clean water and sea temperatures. This will have direct effects on our business.

We have been monitoring our own energy consumption and since 1995 have achieved real reductions. In 2006, marking the seriousness of the threat, we convened a Greenhouse Gases Working Group of managers from across the business to develop a formal strategy on climate change.

The Group started to map our wider carbon footprint, taking the broadest definition of our impacts, so that our new strategy addresses more than just our own greenhouse gas emissions.

The team estimated Unilever's total emissions of greenhouse gases from our own factories, offices, laboratories and business travel to be in the order of 4 million tonnes of CO₂ equivalent a year.

Our impacts

As a manufacturing company we have impacts through our use of energy and the resulting CO₂ emissions. Our environmental performance reporting system measures and monitors our energy use and emissions of CO₂. A combination of annual target-setting and on-site initiatives has reduced CO₂ emissions in our own manufacturing operations by more than 30% over the past decade in absolute terms. During 2006, our CO₂ emissions from energy per tonne of production decreased by 4.2% (see pages 26 and 30 for our 12-year performance figures).

We also source a proportion of our energy from renewable sources – 14.8% of the energy we used in 2006, of which 8.2% we generated ourselves and 6.6% was from national grids. In 2006 we conducted a review with the World Resources Institute to improve our understanding of renewable energy technology options.

Leadership advocacy

Unilever UK's National Manager was one of 14 business leaders from the UK's Corporate Leaders Group on Climate Change who met Prime Minister Tony Blair in May 2006 to urge action to tackle climate change. At this meeting business leaders highlighted seven areas where government and business might work together, including strengthening emissions trading schemes, supporting low-carbon technologies, improving energy efficiency in the commercial sector and stimulating consumer action on climate change.

Our actions in this area have received external recognition. For example, in 2006, we were ranked first in the food and retail sector in the Carbon Disclosure Project's Climate Leadership Index for best practice in greenhouse gas emissions and climate change strategies.

On business travel, *Ben & Jerry's* is leading the way with 100% of its travel-related emissions being offset through renewable energy initiatives in India and South Africa.

At our *Lipton* tea gardens in Kericho, Kenya, 96% of the energy used by the estate is from renewable sources. This comes mainly from our own hydro-electric power stations and the eucalyptus trees we grow to fuel the boilers that dry tea.

One example of our on-site initiatives is Project Electra, which aims to save energy at our factories in Latin America. Since the launch of the project in 2006 a 4.9% reduction in energy per tonne of production in Latin America has already been achieved, primarily through sharing best practice.

Good practice in energy saving

Unilever Canada's Rexdale factory was recently featured in a government-sponsored advertisement as an example of good practice in reducing energy consumption. Rexdale is our leading manufacturing facility for oils and margarines in North America. Since 1999, it has implemented 128 energy-saving initiatives, leading to a reduction of 23,000 tonnes in greenhouse gas emissions, and estimated cost savings of €3.3 million.



Working in partnership

We are participating in **Refrigerants, Naturally!**, a multi-stakeholder initiative which aims to promote HFC (hydrofluorocarbon)-free refrigeration technologies. As part of our commitment, we are replacing our point-of-sale ice cream freezer cabinets with more energy-efficient and climate-friendly hydrocarbon (HC) refrigerants. By the end of 2006 we had replaced more than 100,000 cabinets, the majority of which are in Europe. In 2007 we aim to roll this initiative out further in Latin America and Asia where we have trials under way.

Ben & Jerry's Climate Change College, a scheme launched in partnership with the polar explorer Marc Cornelissen and WWF, continues to train 18-to-25-year-olds to campaign on climate change in their schools, workplaces and homes. In 2006 six young people were selected for the programme from the UK, Netherlands, Germany and Ireland.



In 2006 Unilever decided to install leading-edge video-conferencing facilities in five of our main regional offices. We are setting stretching objectives to reduce the total cost of business travel.

Our wider carbon footprint

Our wider carbon footprint shows that across the whole value chain – including the sourcing, manufacture, distribution, consumption and disposal of our products – most CO₂ emissions occur during consumer use. This is most marked in our home and personal care products which need energy to heat water and power washing machines, tumble driers and dishwashers. Our wider footprint can amount to between 30 and 60 times as much as our own emissions, depending on assumptions made about how consumers use our products, for example, the use of hot water in personal and laundry washing.

We can help reduce these environmental impacts through product design and formulation. For example, many of our laundry detergent brands, such as *Omo*, *Surf* and *Persil* can now be used at temperatures as low as 30 degrees centigrade. We intend to incorporate a 'greenhouse gas index' into our product development process, to assess, and where possible reduce, impacts during product use.

We also take a leadership role in industry bodies that can influence consumer behaviour. Within AISE (International Association for Soaps, Detergents and

Maintenance Products), Unilever has been actively involved in sustainability campaigns, such as Washright, launched in 1998 to encourage consumers to wash at lower temperatures and use full washes. In 2006, we participated in the launch of AISE's new Save Energy and Water Campaign to promote sustainable dishwashing.

We have also made estimates of greenhouse gas emissions in our raw material supply chain. We estimate this is around 10 times our own emissions. Energy is one of the 11 indicators used to assess the sustainability of sourcing under our Sustainable Agriculture Programme (see page 12).

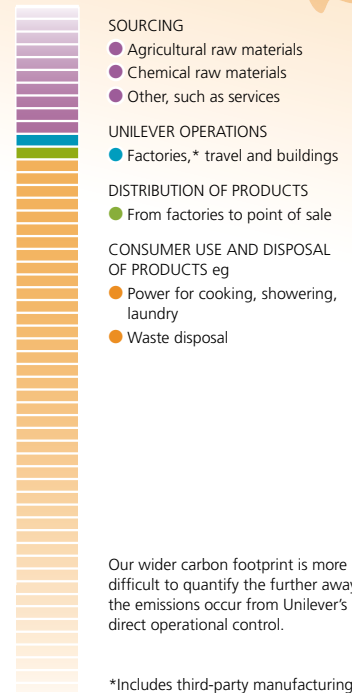
Distribution of our products to retailers takes many forms around the world. In most markets, we do not own or operate any distribution vehicles ourselves. We have started to work with major customers to minimise emissions, primarily by reducing the number of vehicle movements. We continue to work to reduce the impacts of refrigeration required for storing our ice cream (see above).

Biofuels

We support the use of renewable energy from sustainable sources to help combat climate change. We are concerned, however, that promotion of 'first-generation' biofuels from agricultural crops may destabilise world food supply and increase local food shortages. This has an impact on our business.

Unilever's carbon footprint

We have attempted to estimate the greenhouse gas emissions associated with the sourcing, manufacture, distribution, consumer use and disposal of Unilever products worldwide. These are represented below.



Our wider carbon footprint is more difficult to quantify the further away the emissions occur from Unilever's direct operational control.

web links

- Eco-efficiency projects, including Project Electra
- Renewable energy initiatives
- Transport
- Biofuels
- Working with others – AISE, Refrigerants, Naturally!, Corporate Leaders Group on Climate Change

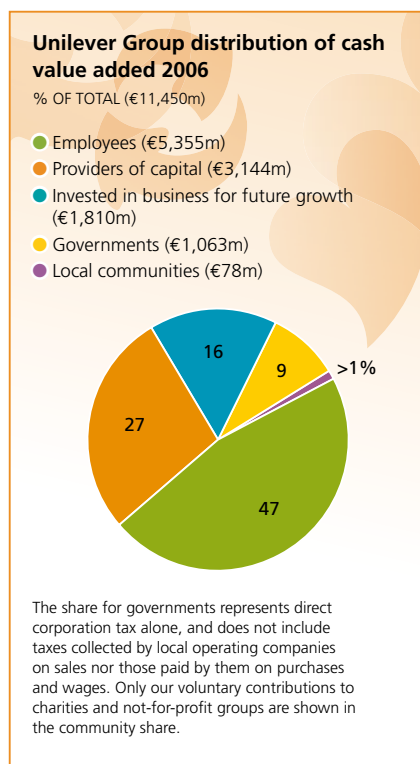


CREATING AND SHARING WEALTH

We generate wealth by adding value to the raw materials we purchase, manufacturing our products to exacting standards and marketing them to consumers.

Employees, governments, investors and many others in the communities where we operate benefit economically from our activities. In 2006, out of €39.6 billion sales income (turnover), we spent over €28.2 billion with suppliers and so created €11.4 billion value added through our operations.

Our employees gained the largest share, earning €5.4 billion or 46.8% of the total. The providers of capital who finance our operations gained the second-largest share, from dividends paid. This group includes both individual shareholders as well as large holdings by pension funds on behalf of individual policyholders. Total shareholder return, which reflects the value of dividends and changes in share price, is calculated on a three-year rolling basis. By the end of 2006, it was 10.9%, ranking us 13th against a peer group of 20 international consumer goods companies.



Creating wealth

Our operations also create value in the countries where we source our raw materials and manufacture and market our products. The proportion of added value we create locally is highest in developing and emerging markets. While only 27.4% of our sales are created in Asia and Africa, 51% of our employees are in these countries and 29.6% of goods and services are purchased by these regions.

We expect to see a growing share of our sales being generated in developing and emerging markets, as population and purchasing power grow in countries such as China and India. Our deep roots and early engagement in these markets have given us valuable experience in meeting the needs of consumers at the 'base of the economic pyramid'. Whether it is through innovative distribution channels or finding ways to lower the price of our products, our success will depend on new and different models of doing business.

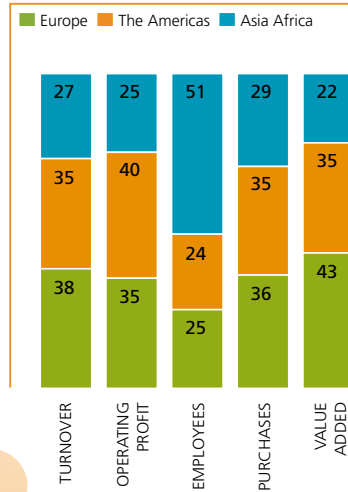
One example is Shakti (see above), a direct-to-consumer sales distribution network established by Hindustan Lever to reach

Shakti taps into women's self-help groups and has proved highly successful for both our Indian company Hindustan Lever and women entrepreneurs.

By the end of 2006, the Shakti network had grown to over 30,000 micro-entrepreneurs selling products in 100,000 villages across 15 states in India.

Turnover, operating profit, employees, purchases and value added 2006

% BY REGION



Our contribution to the Millennium Development Goals

The Millennium Development Goals (MDGs) set out eight global targets for governments to reach by 2015, ranging from halving world poverty to halting the spread of HIV/AIDS.

Our main contribution to these goals is through the wealth and jobs we create in our business, our value chain and the local community investment programmes we run.

We also contribute through our partnerships with organisations such as UNICEF, the UN World Food Programme and Water and Sanitation for the Urban Poor.

millions of consumers in remote villages in India. A similar initiative involving over 3,000 women entrepreneurs is gathering pace in Bangladesh. Via an agreement with CARE Bangladesh, it will empower another 2,000 rural women through Project Aparajita. In addition to recruiting and training women, CARE will also monitor and evaluate the programme to get a better understanding of its impacts.

In Kenya, Unilever has teamed up with over 30 companies as part of the Business Alliance against Chronic Hunger, to help the Kenyan government take action against hunger in rural areas using business-based solutions. The partnership will seek to buy local farmers' produce, help them find new markets and add value to their produce, thereby generating a sustainable source of income.

Extending our understanding

In 2005 we published a joint study with Oxfam GB and Novib (Oxfam Netherlands) to explore the links between international business and poverty reduction, focusing on our operations in Indonesia. This found that the potential poverty reduction impacts of a company like Unilever are spread across the full breadth of its 'value chain'. Unilever Indonesia continues to build on the lessons learnt and works directly with local farmers to secure supplies of black soya beans for its *Kecap Bango* soya sauce. Starting with just



12 farmers in 2001, the programme now covers 5,000 farmers and 600 hectares. It provides a guaranteed market for these farmers as well as interest-free start-up loans and technical assistance and training.

Since 2006 we have been working with the European business school INSEAD to study the social, economic and environmental footprint of our South African company. By strengthening the scope and methodology used in Indonesia, this research will move us closer towards developing a tool for local companies to map and assess their sustainability impacts.

"Measuring the social, economic and environmental impacts of a company is a challenging task, but one that holds great promise for helping us to understand the effects of multinational enterprises on developing countries. Unilever has aided this effort by providing access to its data, while also encouraging input from a variety of stakeholders."

Ethan B. Kapstein
Paul Dubrulle Professor of Sustainable Development, INSEAD

Transfer pricing and tax policy

National governments are concerned about how multinational companies account for the value of sales between their operating subsidiaries, as 'internal' prices can be set artificially low to reduce profits in high-tax countries. Our worldwide policy is based on the 'arm's-length' principle, in keeping with guidelines developed by the OECD.

Our Code of Business Principles requires Unilever companies to comply with the laws and regulations of the countries in which they operate, and this applies just as much to taxation as to any other issue. Our Code also encourages our businesses to represent their views on the formulation and administration of tax laws either directly or through trade associations and similar bodies. In order to create and preserve value, we will seek to minimise our tax liabilities while complying with all applicable laws.

web links

- Financial results
- Code of Business Principles
- Local economic impacts
- Millennium Development Goals
- Shakti – creating micro-entrepreneurs in India

CONSUMERS

We work hard to ensure our products are safe and effective. We are committed to making our products accessible and affordable, and to marketing and communicating their benefits responsibly.

As one of the world's leading consumer goods companies, we use many forms of brand communication. Advertising helps inform people about the benefits of our products and innovations. It is also a way for us to engage with consumers on issues that matter to them. *Dove's* successful Campaign for Real Beauty broke current stereotypes about beauty. *Omo/Persil's* 'Dirt is good' campaign emphasises the importance for children of feeling free to play outdoors as part of their learning and development.

At the same time we recognise the influence of marketing and advertising on consumers and take our responsibilities seriously. We have a set of Food and Beverage Marketing Principles to guide our approach to advertising our foods. We do not advertise to children under six years of age. We recently extended this commitment to restrict marketing to children between the ages of 6 and 12, for all products except those that qualify for our Choices stamp.

Accessibility and affordability

We continue to seek new ways of bringing our products within the reach of people of all income levels. One way we have done this is by offering our products in small, low-cost packs. This makes them more affordable for consumers on limited incomes and those with only small amounts of cash to spend daily.

For example, our 30g pack of *Pepsodent* toothpaste in India – enough for a family of five to clean their teeth once a day for ten days – costs just six rupees (around €0.11). Six rupees is also what three eggs would cost locally. The chart on the right compares the cost of toothpaste with a common staple food – eggs – as an illustration of affordability.

Consumer safety

Consumers trust us to provide them and their families with products that are safe for their intended use. Safety is always considered at the design stage of a new product or process. Safety approval decisions are made through our Safety and

Environmental Assurance Centre (SEAC), which handles over 10,000 approvals a year.

Incidents can occur if we accidentally release a product to the market that does not conform to the standards applicable to the product. Examples can include quality defects, contamination of raw materials or mislabelling of ingredients. Globally, in 2006 we had 12 public recalls because of a deviation in quality or a potential risk to public health (compared to 8 in 2005). All incidents were successfully managed, risk reduction measures taken and follow-up actions carried out to prevent future occurrence.

We recognise that consumers may be concerned about the use of certain chemicals in products. We continue to work with research organisations, industry partners, NGOs and regulators towards enhancing consumer confidence in chemicals, while trying to find alternatives, where appropriate. (See page 24 for REACH legislation.)

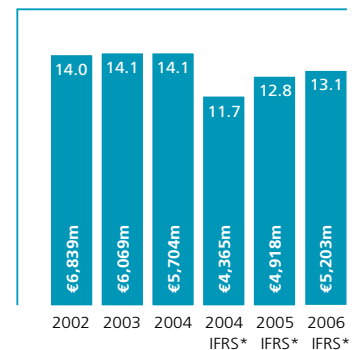
Alternatives to animal testing

We are committed to eliminating animal testing for our business and the vast majority of our products reach consumers without testing any material on animals. Our strict internal control procedures ensure that animal testing is carried out only when there is no alternative approach.

We are spending nearly €3 million a year on developing new ways of assuring consumer safety that do not involve animal testing. We are also founding partners of the European Partnership for Alternative Approaches to Animal Testing, which last year agreed an ambitious action plan to take forward its work on developing new approaches to safety testing.

Advertising and promotions 2002–2006

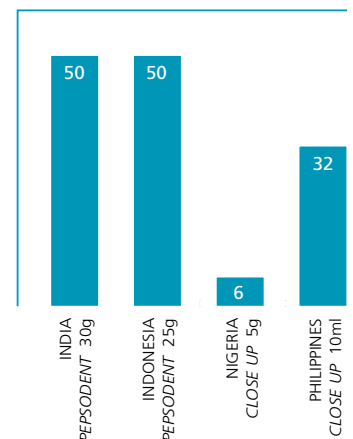
% OF TURNOVER



* Unilever adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2005, with a transition date of 1 January 2004. This chart shows 2004 as IFRS and pre-IFRS to allow comparison with previous years.

Cost of toothpaste in four countries 2006

% OF PRICE OF SIX EGGS



web links

- Food and Beverage Marketing Principles
- Affordability
- Consumer safety
- What's in our products?
- Animal testing
- Working with others – European Partnership for Alternative Approaches to Animal Testing, European Food Information Council

CUSTOMERS

Our products reach consumers through a diverse network of retailers and distributors.

While large retailers continue to grow, small shops, street markets and kiosks remain important distributors of our products. Our goal is to ensure that Unilever is the partner of choice for our local as well as for our international customers. With our expertise and international network of businesses, we are well placed to work with retail groups in innovative ways to meet shoppers' needs.

International retail customers account for a growing proportion of our sales, with around a fifth of our worldwide revenues channelled through ten major retail chains. One of our strategic priorities is to upgrade the capabilities of our customer development teams – and the teams they work with across marketing, finance, supply chain and human resources – to ensure we are the first choice for our customers and consumers. In 2006 we continued to build integrated customer teams at national, regional and international levels, working across our local companies. Our new approach has already led to sales increases in a number of key markets.

Diverse routes to market

In many parts of the world, particularly in developing and emerging countries, our route to market is through a diverse network of small, independent retailers, outlets and kiosks. Here our approach is to work in partnership. We provide support, help build capacity and professionalism to enable them to compete and reach consumers more effectively. This in turn helps increase our market share and penetration while also helping build sustainable distribution networks and supporting local economic development.

We have numerous examples of this approach across our operations, such as Shakti, a network of over 30,000 women entrepreneurs in India, and Project Aparajita, a similar initiative in Bangladesh (see page 19). In the Philippines, we have been working in partnership with the Philippine Federation of Local Councils of Women to help tackle poverty. Together in June 2006 they launched Kabisig, a neighbourhood seller programme which enables previously

unemployed people to earn a living by selling our products directly to households in their local communities. Kabisig members are supported by the Federation which lends them the capital needed to purchase Unilever products and start their own small businesses.

Unilever China has been working with Wal-Mart to raise consumer awareness of environmental challenges while raising the profile of both the retailer and our brands in local communities. In August 2006 we launched an in-store recycling campaign to encourage consumers to deposit their used packaging in Unilever and Wal-Mart branded waste collection containers. The campaign reached 100,000 consumers and increased sales dramatically for *Omo* (183%) and *Lux* (70%) products during the promotional period.

Diverse routes to market 2006

BRAZIL (BR), GHANA (GH), UNITED KINGDOM (UK)

	BR	GH	UK
Population (millions)	186	21	60
Customers (all figures approximate)			
Distributors	450	50	<10
Wholesalers	2,000	1,000	150
Retailers	6,000	250	50
Small outlets and kiosks	800,000	150,000	<10

“ In accordance with its Sustainable Development policy, Carrefour promotes approaches that aim to help consumers reduce their daily environmental impact. We therefore want to congratulate Unilever on such an initiative and for the simple and clear message they send to our clients.”

Véronique Discours-Buhot
Sustainable Development
Director, Carrefour



In France, retailer Carrefour has endorsed our new concentrated laundry detergent, *Skip petit & puissant*. The product comes in a smaller bottle which requires 57% less packaging, 60% fewer product pallets being transported and 60% less outer packaging for retailers to discard compared to its less-concentrated formulation. This contributes to Carrefour's sustainability goals as well as our own.

web links

- Innovative distribution channels
- Recycling partnership with Brazilian retailer Pão de Açúcar
- Shakti – creating micro-entrepreneurs in India

EMPLOYEES

Significant changes in our organisational structure and ways of working are making our business simpler and more effective.

During 2006 we continued the process of restructuring our business to improve competitiveness and support our growth strategy. The new structure is simpler and supports faster decision-making through a streamlined executive. Since 2004, we have reduced our senior management headcount by around 30%.

As a result of this restructuring and further divestments, the number of people we employed fell by around 27,000, a reduction of 13%. The sale of our tea plantations in India accounted for 18,000 of these, and the sale of the majority of our frozen foods business in Europe for a further 3,000.

In 2006 we also signed a seven-year outsourcing contract with Accenture to handle all transaction processing and administration support services for our human resources function.

In implementing our restructuring programmes we seek to act with integrity and follow agreed consultation processes. We aim to treat those affected fairly – and help them to find alternative employment if redundancy is necessary. From employee consultation, we recognise that this level of organisational change is a source of concern. We take these concerns seriously and throughout the process we communicate regularly to ensure that people understand what is happening.

Diversity and inclusion

Between 2000 and 2006, the proportion of women in management increased from 25% to 33%. We have 24 nationalities among our 123 most senior managers. In 2006 our Global Diversity Board, led by our Group Chief Executive, set up detailed diversity monitoring to track the progress of our diversity initiatives.

Health and safety

Our goal is the elimination of all employee and contractor fatalities with continual improvements in overall health and safety performance. Our internal global health and safety standards are based on the international standard OHSAS 18001.

Our total recordable accident frequency rate fell from 0.39 in 2005 to 0.33 in 2006. However, most regrettably, five employees and two contractors lost their lives. All employee fatalities resulted from car accidents. The lessons learnt from these incidents were communicated throughout the organisation.

Safe travel and transport therefore remain a priority area. The greatest challenge we face is in countries that lack basic road safety infrastructure and enforcement. During 2006, Safe Driving Teams were set up in our local companies. Led by a senior manager, these teams are now implementing country-specific action plans.

Investing in people

In line with our new business priorities, in 2006 we continued to strengthen the capabilities of our leadership teams and those working in consumer marketing and customer development. For example, the marketing function ran nearly 500 training sessions in 2006 covering around 40% of people in marketing. A new global approach to learning was designed to develop general leadership and professional skills, which we will roll out to all managers during 2007.

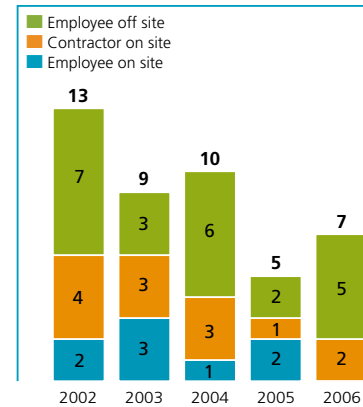
In 2006 we also introduced our People Vitality programme to enhance the personal well-being and effectiveness of our people at work. Hindustan Lever initiated a programme which assesses employees' body mass, blood pressure, cholesterol and blood

Action on HIV/AIDS

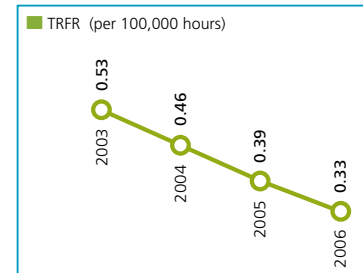
We have long-standing HIV/AIDS support programmes in sub-Saharan Africa, and in 2006 our Kericho tea estate in Kenya won the Excellence in the Workplace award from the Global Business Coalition on HIV/AIDS. Building on our work in Africa, we have implemented a more comprehensive approach to programme development in other regions too, with a particular focus on a number of Asian countries.

In September 2006, following a successful 12-month pilot of a scheme involving Unilever and four other multinationals, the World Economic Forum published its 'Guidelines to Protect your Supply Chain', outlining ways for businesses to work with smaller suppliers on awareness of HIV/AIDS prevention and treatment.

Fatal accidents¹ 2002–2006



Accident rate² 2003–2006



Total Recordables Frequency Rate (TRFR)
All workplace accidents, excluding only those that require simple first aid treatment.

Age of youngest employees 2006

BASED ON OUR 35 LARGEST BUSINESSES

Age	Country
15	Germany, Switzerland, United States
16	United Kingdom
17	China, South Africa
18	Argentina, Australia, Brazil, Colombia, Czech Republic, France, Indonesia, Ireland, Japan, Mexico, Netherlands, Spain, Sweden, Turkey

¹ In addition to the fatality data in the chart, where such accidents may be deemed associated with our operations, Unilever requires its organisations to report fatal accidents involving members of the public, and those which occur at third-party contract manufacturers where they are producing goods and services for Unilever.

In common with the other companies in our industrial sector, these incidents are only reportable internally.

² In line with industry best practice, we include in our definition of an 'employee', temporary staff and contractors who work under our direct supervision.

sugar levels. It also provides nutrition, health and exercise advice. Over 10,000 employees have taken part so far, and each will be followed up annually.

Several leadership teams – including the Unilever Executive – also took part in a well-being programme. Each received an individual health check, which was then used to design a personal plan to improve their nutrition, fitness and mental resilience.

Living our values

Each year, country chairmen provide positive assurance that their business adheres to our Code of Business Principles. The Code provides a clear set of ethical guidelines to enable employees to uphold our business

integrity. Our prohibition against the giving or receiving of bribes is absolute. Moreover, we make clear that no employee will be penalised for any loss of business resulting from the rejection of bribery. The Code is communicated to all employees and translated into 47 languages, with processes in place to raise concerns and report breaches. In 2006, we dismissed 68 people (compared to 66 in 2005) for breaches of our Code.

We abide by core ILO labour standards and our Code sets out requirements on protecting labour rights. In 2006 we surveyed our 35 largest businesses which showed that our youngest employees, aged 15, are in Germany, Switzerland and the US, compliant with local legislation.

In all these countries, wages paid by Unilever exceed the minimum wage established by the relevant national authority. 40% of our eligible employees are members of trade unions.

web links

- Restructuring
- Diversity
- Health and safety, fatality and accident data over ten years
- Respecting rights
- HIV/AIDS
- Code of Business Principles

SUPPLIERS

We continue to assess our suppliers against our Business Partner Code which sets out the standards we expect from them.

Our Business Partner Code is based on our Code of Business Principles, outlining our expectations of suppliers on health and safety at work, business integrity, labour standards, consumer safety and the environment.

By the end of 2006, we completed the process of communicating the Code's requirements to our first-tier suppliers of 'production items' (see panel) and began analysing the responses. The process included seeking evidence of management processes and adherence to external social, environmental and labour standards such as ISO 14001 and SA 8000.

All regions have been covered and details of the suppliers' responses collated into a central database. Most suppliers have responded positively, expressing support for the initiative. However, about 15% did not provide any details of policies or standards which would provide positive assurance towards our Code.

These suppliers will be prioritised for the level of risk they represent. We will engage with them further to understand their management practices. Where we continue to have concerns, we will follow up with site audits.

This process will continue throughout 2007 and beyond. We will also be looking to

embed the procedures into routine supplier management processes and develop more experience of helping poorly performing suppliers to meet our requirements.

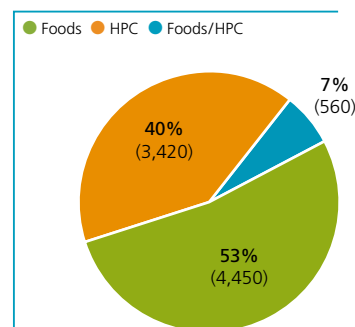
This is a complex task, though one of increasing concern to consumers, retailers and many of our competitors. We are working with our industry peers to establish a joint approach as suppliers of all types are encountering difficulties with the multiplicity of information requests from customers like us. During 2006, Unilever and a group of peer companies set up a forum aimed at sharing a common approach and system to evaluate the social, economic and environmental performance of suppliers across common types of goods and services. The forum is still in its early stages and is considering the best options.

Extending the approach

Unilever is increasingly buying in goods and services, such as plant and equipment, human resources, finance and IT support. This supply base for 'non-production items' is large, often highly localised and complex. The priority segments within this supplier base have now been identified and we will conduct assessments on them during 2007.

First-tier suppliers of raw materials and packaging 2006

% FOODS, HPC AND COMBINED (TOTAL 8,430)



Key supplier facts

These 8,430 suppliers of raw materials and packaging represent 55.5% of the €28.2 billion we spent on bought-in goods and services. They are our 'first-tier' suppliers of 'production items' and include third parties who undertake about 15% of our total production.

web links

- Supplier assurance
- Business Partner Code

CIVIC ENGAGEMENT

We strive to be trusted members of society wherever we operate, working transparently with governments and other partners to fulfil our responsibilities and achieve our goals.

Our Code of Business Principles guides our behaviour in all aspects of our work, both within our business and externally with others. It commits us to obey the laws of the countries in which we operate and, more broadly, behave with honesty, integrity and openness, and with respect for the human rights and interests of our employees and other stakeholders. In line with our Code, we do not support political parties or fund groups that promote party interests.

We recognise that business has an important role in promoting good governance in society. For example, we are supporting the work of Business Action Against Corruption in Africa which aims to embed best practice across our supply chain and more widely.

External relationships

We encourage our companies to take part in the development of public policy that may affect our business. We engage with governments and other organisations, both directly and through bodies such as trade associations. We take part in multi-stakeholder debates and when relevant respond to public consultations. We also engage with organisations that are critical of our actions and seek to understand and address their concerns. Our aim is to find workable solutions that benefit stakeholders such as consumers, and give incentives to businesses like ours to invest in research and innovation.

In 2006 we completed mapping our main external relationships, including trade associations, intergovernmental organisations and NGOs. On our website we have listed some of our principal memberships of business associations at EU and international level. With operations in around 100 countries, we have many hundreds of separate memberships and dialogues at national level.

Encouraging trade liberalisation

Governments provide the economic framework within which companies like ours operate. They decide on

domestic market reform, provide funding for infrastructure and set trade and investment rules.

Actions by national governments and international trade bodies like the World Trade Organization to liberalise trade flows have led to significant economic growth in many developing and emerging markets. While these countries continue to face grave social, economic and environmental challenges, we believe that market-based growth within effective regulatory frameworks can make a significant impact on poverty reduction. We continue to engage in discussions with national and international organisations on trade liberalisation. For example, we are exploring customs facilitation projects in Africa to identify specific barriers and opportunities. This is supported by the Investment Climate Facility, a public-private partnership which aims to promote economic development as the most sustainable way out of poverty. We commit €400,000 a year to this partnership as one of eight corporate partners.

Combating counterfeiting

Counterfeit products can pose serious health and safety risks to consumers, damage the reputation of our brands and are a serious threat to global trade. We now have an internal steering committee to establish a global strategy to address this growing problem. We are also participating in the anti-counterfeiting committees of international groups such as the Global Business Leaders Alliance against Counterfeiting, the TransAtlantic Business Dialogue, the International Chamber of Commerce and the International Trademark Association.

REACH

The REACH (Registration, Evaluation and Authorisation of Chemicals) Regulation was adopted by the European Commission in 2006, something Unilever has been actively supporting since 2002. Because of practical concerns about the implications of the

The United Nations Global Compact

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

Our own Code of Business Principles has long reflected the Compact's goals. Our website provides our annually updated Communication on Progress, explaining how we are implementing the principles across our business.



regulations, we contributed to PRODUCE (Piloting REACH On Downstream Use and Communication in Europe), a strategic partnership with the European Commission to test their workability. Learning from PRODUCE helped to influence the developing legislation and the guidance on its implementation.

web links

- Code of Business Principles
- Trade associations and lobby groups
- Stakeholder engagement
- REACH
- UN Global Compact Communication on Progress 2006
- Working with others – Global Business Leaders Alliance against Counterfeiting, Business Action to Stop Counterfeiting and Piracy (BASCAP)

COMMUNITIES

We seek to make positive contributions to the communities where we operate, engaging the talents and resources of our people and partners to ensure the success of our projects.

In 2006 we contributed €78 million to communities, equivalent to 1.6% of pre-tax profit (compared to €79 million in 2005). This helped us support around 13,000 community organisations around the world, through cash contributions and support in kind.

The majority of our giving (40%) goes to long-term community investment partnerships with mutual benefits for both our business and our partners. A third takes the form of charitable donations in response to pressing social needs. More than a quarter of our projects seek clear commercial benefits alongside positive community impacts.

We continue to encourage our employees to get involved in community programmes. This provides new ways of connecting with our consumers in local communities. Our employees gain skills and motivation and enjoy 'making a difference'. In 2006, we estimate that over 21,000 people took part in community activity.

Global partnerships

Our global partnerships, such as with UNICEF, the World Heart Federation and the FDI World Dental Federation, support our health, nutrition and hygiene Vitality themes. In December 2006, Unilever formed a partnership with the UN World Food Programme to improve the health and nutrition of poor children through its school feeding programme.

This partnership aims to contribute €2 million in cash in 2007, through corporate, employee and consumer contributions. We are jointly developing a nutrition, hygiene and health education campaign and will donate fortified products for use in schools. Our *Rama/Blue Band* margarines will help raise awareness and funds through cause-related marketing campaigns and Unilever employees will be involved through local fundraising and an exchange programme.

Local activities

As well as implementing projects as part of our global partnerships, our local businesses are involved in a wide range of community activities that respond to specific local needs. Given the diverse communities and markets in which we operate, our approach as a 'multi-local' multinational is to encourage our local managers to define which needs they are best placed to address.

For example, in Nigeria we have been working with Sightsavers International and Sokoko State Ministry of Health to help prevent blindness caused by trachoma, a disease whose spread can be countered by washing hands and faces with soap. In Brazil around 4,000 agricultural workers have been reached through multi-stakeholder Rural Responsibility and Protected Childhood initiatives. These seek to eliminate child labour on tomato plantations and to improve working conditions through better facilities and health and safety advice.

In Australia, Project Bluewater taught employees about water management and conservation, encouraging them to volunteer 3,500 hours of their time to environmental improvements in 2006, while in Canada we have been running our EcoVoyageurs schools programme for over ten years to make children aware of their environmental footprint.

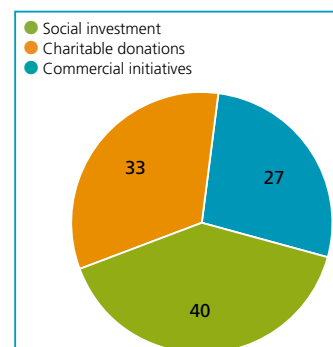
Much of our activity involves our brands. For example, *Dove's* successful Campaign for Real Beauty is complemented by a charitable fund which aims to increase self-esteem among women and girls around the world. The Fund works in partnership with schools and organisations such as Girl Scouts of America and the Eating Disorders Association in the UK to inspire girls to feel more confident about the way they look. So far, *Dove's* self-esteem programmes have reached more than 750,000 young people.



We use the London Benchmarking Group (LBG) international benchmarking model to evaluate our activity.

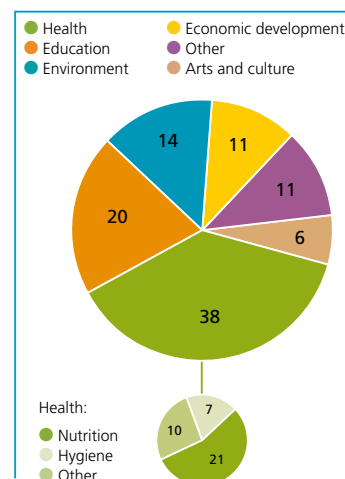
Community spend by motivation 2006

% OF TOTAL (€78m)



Community spend by subject 2006

% OF TOTAL (€78m)



In 2006, nearly 40% of our giving went to projects that support our Vitality themes of nutrition and hygiene. This reflects the increasingly close alignment of our community investment with social issues relevant to our business.



web links

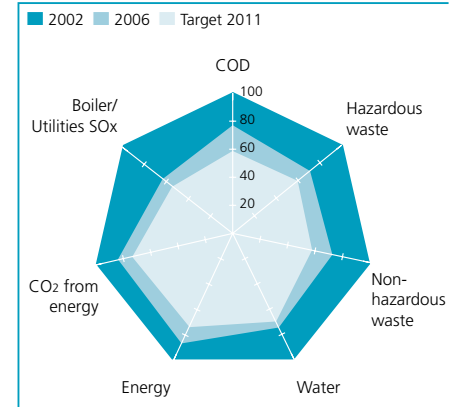
- Community involvement
- Measuring community involvement

ECO-EFFICIENCY

We aim to improve the eco-efficiency of our manufacturing operations, minimising both resources used and waste created.

Target scorecard 2006	TARGET REDUCTION 2006 vs 2005	ACTUAL REDUCTION 2006 vs 2005	TARGET MET IN 2006
Water	2.7%	6.5%	Yes
Energy	2.8%	5.2%	Yes
CO2 from energy	3.0%	4.2%	Yes
Boiler/Utilities SOx	3.9%	13.0%	Yes
Non-hazardous waste	9.3%	15.3%	Yes
Hazardous waste	15.9%	2.5%	No
COD (chemical oxygen demand)	1.5%	- 2.7%	No

Reduction in load per tonne of production 2002–2006 and our targets for 2011
EXPRESSED AS % OF THE 2002 KG/TONNE FIGURES



Reducing the impacts of our own manufacturing operations – eco-efficiency – is a core part of our environmental strategy. Our approach is underpinned by our environmental management system which is based on ISO 14001. An essential element is the setting and reviewing of targets for our key performance indicators (KPIs).

Every year we collect data from each of our manufacturing sites on key measures of environmental performance. This is collated and analysed using an environmental performance reporting system. Over the past 12 years we have continually improved the way we collect and report data, most recently through the introduction of a web-based reporting system.

Performance in 2006

During 2006 we met all our targets apart from those on chemical oxygen demand (COD) and hazardous waste. While our performance on hazardous waste did improve, we fell short of our ambitious target of a 15.9% reduction. See commentary on pages 30 and 31.

Eco-efficiency training and web support

Unilever's Safety and Environmental Assurance Centre conducts eco-efficiency training courses throughout our business. These aim to deliver tools, techniques and awareness directly to the people responsible for reducing the environmental impact of our manufacturing operations. Courses

held in Brazil and Vietnam in 2006 focused on minimising waste, water and energy consumption.

The course has proved particularly effective in promoting good practice across our operations. To support this, we developed a searchable web-portal with over 350 examples of good practice covering water, waste, energy, COD and general environmental issues.

Environmental prosecutions and fines

While we try to maintain the highest standards of environmental management, problems sometimes occur. We monitor and report on all environmental prosecutions and resulting fines for infringement of environmental regulations. The figures shown in the table cover our manufacturing sites (317) and include our corporate head offices and research laboratories (eight). In 2006 there was one prosecution for non-compliance with liquid effluent discharge limits.

Load per tonne of production 2002–2006

Parameters	2002	2005	2006
COD kg	2.31	1.75	1.80
Hazardous waste* kg	0.55	0.40	0.39
Non-hazardous waste* kg	9.88	8.35	7.07
Water m ³	4.29	3.52	3.29
Energy GJ	2.15	1.92	1.82
CO2 from energy kg	195.17	171.75	164.59
Boiler/Utilities SOx kg	0.29	0.21	0.18

*Table shows hazardous and non-hazardous waste disposed of to landfill/incineration (not recycling).

Environmental prosecutions and fines 2002–2006

COVERS MANUFACTURING SITES, CORPORATE HEAD OFFICES AND RESEARCH LABORATORIES

	Number of sites in Unilever	Number of sites reporting	Number of fines	Total cost of fines (€)
2002	409	408	2	1,939
2003	384	383	6	3,749
2004	374	374	8	24,430
2005	345	345	5	4,226
2006	325	325	1	643

web links

- Environmental management system
- Detailed eco-efficiency KPI data and targets
- Environmental issues

COMMITMENTS, PROGRESS, PLANS

Our focus in 2006 was on further integrating social, economic and environmental considerations into our business. This is a summary of our achievements and future plans.

	Our commitments	Progress in 2006	Plans 2007 and beyond
Nutrition	<ul style="list-style-type: none"> Continue assessment of our product portfolio through our Nutrition Enhancement Programme Roll out Group-wide approach to nutrition labelling 	<ul style="list-style-type: none"> Assessed nearly all retail and over half our foodservice products Rolled out Choices programme in the US, Netherlands and Belgium Strengthened approach to obesity, including a commitment to show calorie information on all product packs 	<ul style="list-style-type: none"> Ongoing improvements in the nutritional quality of our food and beverages Roll out Choices programme to a total of 40 countries Continue working with UNICEF and others on nutrition partnerships
Hygiene	<ul style="list-style-type: none"> Continue working towards <i>Lifebuoy</i> Swasthya Chetna goal of raising health awareness of 200 million Indians by 2007 Continue roll-out of oral health programmes as part of our FDI World Dental Federation partnership 	<ul style="list-style-type: none"> Swasthya Chetna reached 80 million people Oral health projects underway in 31 countries with FDI's national dentist associations 	<ul style="list-style-type: none"> Continue towards <i>Lifebuoy</i> Swasthya Chetna goal in India and roll out similar programmes in Bangladesh and East Africa Support further national oral health programmes through FDI partnership
Sustainable Agriculture Initiative	<ul style="list-style-type: none"> Continue to work with growers and suppliers to implement sustainability standards for key crops 	<ul style="list-style-type: none"> Engaged with the majority of our suppliers, factories and growers for vegetables, tomatoes, tea and palm oil 	<ul style="list-style-type: none"> Engage suppliers and growers of vegetables and tomatoes globally in the use of monitoring tools
Environmental footprint	<ul style="list-style-type: none"> Continue to seek eco-efficiency reductions in our operations Extend research on packaging materials Map our greenhouse gases (GHG) footprint 	<ul style="list-style-type: none"> Achieved all our eco-efficiency targets except chemical oxygen demand and hazardous waste Developed our approach to packaging and made reductions across our portfolio Defined GHG strategy 	<ul style="list-style-type: none"> Continue to seek eco-efficiency reductions in our operations Develop roadmaps for packaging formats, systems and major packaging materials Implement GHG strategy
Creating and sharing wealth	<ul style="list-style-type: none"> Work with INSEAD to refine social and economic impact assessment methodology Work towards 2010 target of 100,000 Shakti entrepreneurs reaching 500,000 villages in India 	<ul style="list-style-type: none"> Refined methodology and applied to research on Unilever South Africa's impact 30,000 Shakti entrepreneurs reached around 100,000 villages 	<ul style="list-style-type: none"> Publish results of South Africa research Continue towards 2010 goal for Shakti

ASSURANCE

We asked Deloitte to provide independent assurance of selected data and related assertions in our report. This is their statement.

Independent assurance report by Deloitte & Touche LLP to Unilever PLC on its Group Sustainable Development Report 2006 (the Report)

What we looked at: scope of our work

Unilever PLC ('Unilever') has engaged us to give assurance as to:

Managing and reporting sustainable development (SD) performance: Whether Unilever's description on page 7 – of using the principles of Materiality, Completeness and Responsiveness set out in the AccountAbility 1000 Assurance Standard (AA1000AS) in its approach to managing and reporting SD performance at Group level – is not materially misstated. Our work included a review of Unilever's approach to nutrition, hygiene, sustainable agriculture and its implementation of its Business Partner Code; and

Environmental and occupational safety performance (EOS) data for 2006: Whether the eight environmental performance indicators on pages 30 and 31 and the two occupational safety performance indicators on page 22 are not materially misstated.

What we did: assurance process and standards

A multi-disciplinary team of corporate responsibility (CR) and assurance specialists performed the engagement to provide limited assurance in accordance with the International Standard on Assurance Engagements 3000 (ISAE3000). Key procedures we carried out included:

- Interviews with managers at Unilever's head offices, including the corporate responsibility team and those with operational responsibility for performance in the areas we are reporting on;
- Visits to ten sites across regions reviewing management practices and EOS reporting systems;
- Analysis of public information relating to Unilever and industry CR practices and performance during the year;

- Analysing and testing on a sample basis the key structures, systems, processes, procedures and controls relating to:
 - stakeholder identification, engagement and responsiveness;
 - management commitment and the governance structures used for managing corporate responsibility;
 - implementation of SD-related policies/strategies/codes of conduct;
 - key management processes to support the implementation of the above-mentioned policies;
 - report development and approval process, including the selection of material issues to be reported on, related key performance indicators and other features in the Report;
 - the collation, aggregation, validation and reporting processes of the EOS performance indicators; and
 - progress made against commitments.
- We reviewed the content of the Report against the findings of our work and, as necessary, made recommendations for improvement.

What we found: our conclusions

Based on the assurance work we performed, we are not aware of anything that causes us to believe that the management assertions on the subject matters defined above are materially misstated.

Deloitte & Touche LLP
London, United Kingdom, 24 April 2007

De i .

Responsibilities of Directors and independent assurance provider

- The Unilever Directors are responsible for the preparation of the Report and for the information and statements contained within it. They are responsible for determining Unilever's objectives in respect of SD performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to independently express conclusions on the reliability of management's assertions on selected subject matters as defined within the scope of work above.
- This report is made solely to Unilever PLC in accordance with our letter of engagement for the purpose of the Directors' governance and stewardship. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Unilever PLC for our work, for this report, or for the conclusions we have formed.

A limited assurance engagement is designed to give a similar level of assurance to that obtained in a review of interim financial information. To achieve limited assurance the ISAE3000 requires that we review the processes, systems and competencies used to compile the areas of the Report on which we have been asked to give assurance. It does not include detailed sample testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

web links

- Assurance process and Deloitte's key observations and recommendations

AWARDS AND RECOGNITION

Here are some highlights from 2006 of recognition we have received from external bodies on our social, economic and environmental performance.



International

Specialist agencies, including socially responsible investment funds, provide a variety of ratings and rankings of our global performance, for example:

- Food industry category leader in the Dow Jones Sustainability Indexes for the eighth year running;
- Included again in the FTSE4Good Index Series;
- Named in Innovest's Global 100 Most Sustainable Corporations in the World;
- Achieved Gold standard in the UK's Business in the Community Corporate Responsibility and Environment Indexes 2006 and listed in its Top 100 Companies that Count;
- Sector leader in the Carbon Disclosure Project's Climate Leadership Index of companies showing best practice in reporting of greenhouse gas emissions and climate change strategies;
- Our 2005 Environmental and Social Report was ranked sixth in the world in the UNEP/Standard & Poor's/ SustainAbility Tomorrow's Value Global Reporters Survey 2006;
- The responsible management of our supply chain was recognised by an award from VBDO, a Dutch investors' organisation.

National

At national level, our country-based operations are assessed on their performance against local indices and rankings, for example:

- Unilever Tea Kenya received the Excellence in the Workplace award from the Global Business Coalition on HIV/AIDS for its employee HIV/AIDS education, prevention and treatment programme;
- Unilever Argentina was ranked No.1 employer for the third year running by *Apertura* magazine;
- Unilever Indonesia topped a list of Asia's most admired companies in a *Wall Street Journal* poll;
- Unilever Nigeria won the UNICEF/CANET Blue Ribbon award for its contribution to the reduction of micronutrient deficiency in the country;
- Unilever Canada led a corporate responsibility survey carried out by *Report on Business* magazine and Jantzi Research;
- The Asian CSR Awards recognised Unilever Pakistan for its community involvement and Unilever Philippines for its environmental stewardship.

Our website expands this report with more detailed information, including case studies and an overview of all our social, economic and environmental key performance indicators.

Further publications cover some of the topics in this report in more depth. These include our Annual Review and our Global Challenges: Local Actions series of articles that looks at how we are tackling social and environmental concerns by working in partnership.

Tell us what you think via Contact Us: we welcome your feedback.



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Product group from well-
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ECO-EFFICIENCY PERFORMANCE

These charts show the eco-efficiency performance of our manufacturing sites over the past 12 years, and set out our targets towards 2011. We also explain in brief our progress in 2006.

Scope of data

In 2006, 317 sites in 70 countries reported environmental performance data. Of these six sites were new reporters. Due to changes

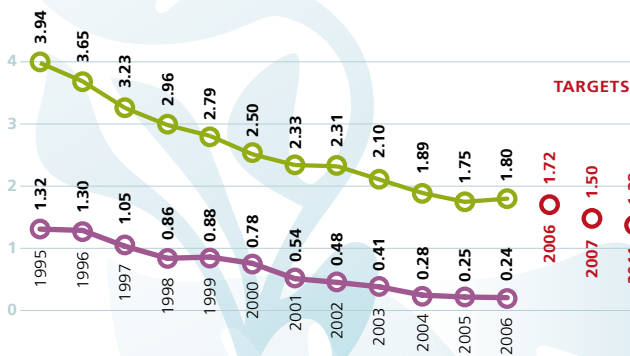
in Unilever, 25 sites were closed or sold and did not submit any data. A further two sites consolidated into one combined site for their reporting. We also collect data on

environmental prosecutions and resulting fines, including from our corporate head offices and research laboratories, which together represent an additional eight sites

COD (chemical oxygen demand)

KG/TONNE OF PRODUCTION

● TOTAL COD LEAVING THE SITES ● ESTIMATED COD TO THE AQUEOUS ENVIRONMENT



In 2006, the total COD load and load per tonne of production increased slightly and we did not meet our target. This was due in part to an increased number of product variants, requiring more frequent changeovers and cleaning of our production lines. The amount of COD sent to the aqueous environment, however, continues to decrease. 97% of the total COD leaving our sites is subsequently treated in municipal works. We estimate that 89.4% of this COD is removed, so the COD reaching the aqueous environment is significantly less than the total COD leaving our sites.

Water

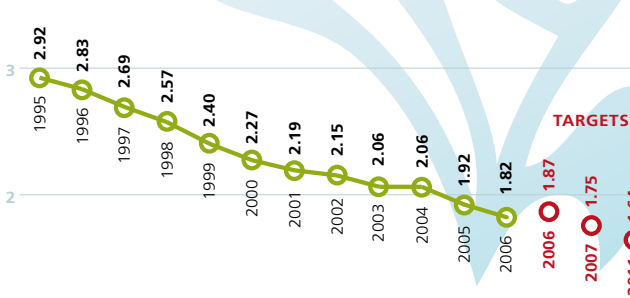
M³/TONNE OF PRODUCTION



Despite an increase in the number of product variants on many of our lines, requiring more frequent cleaning and changeovers, we achieved a 6.5% reduction in water per tonne of production and a 4.8% reduction in total consumption, exceeding our target. This was largely due to water recycling and conservation efforts and improved processing. We also benefited from further restructuring in our supply chain. 15 of our sites reduced their water consumption by more than 100,000m³ and a further 7 sites by 50,000m³ or more.

Energy

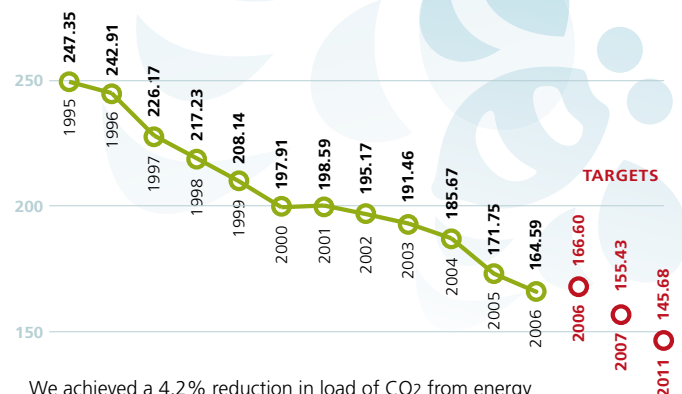
GJ/TONNE OF PRODUCTION



In 2006, we achieved our target with a 5.2% reduction in unit energy load and a 3.4% reduction in absolute energy use. This was partly due to regional energy efficiency and awareness programmes, process modifications and improved reporting. 12 sites reduced their energy use by more than 50,000GJ, and a further 41 sites reduced theirs by more than 10,000GJ.

CO₂ from energy

KG/TONNE OF PRODUCTION



We achieved a 4.2% reduction in load of CO₂ from energy per tonne of production and a 2.4% reduction in absolute load, meeting our 2006 target. Energy sources account for over 94% of our greenhouse gas emissions from our manufacturing sites. Of the total energy used by our sites, 14.8% comes from renewable sources, of which 8.2% comes from our own site initiatives, and the remaining 6.6% is from national electricity grids. The majority of our site initiatives are in developing countries and include the burning of waste materials and fuel crops in our boilers.

(see page 26). We do not collect data from third-party companies that manufacture or pack our products (these account for approximately 15% of production).

Quality of data

We have continued to improve our global system for the management and reporting of environmental performance data through the development of a web-based system. This will help improve the management and

validation of site-level data and deliver the collated worldwide data faster and more transparently. In 2005 we piloted the system in three regions (approximately 60 sites) and during 2006 rolled it out to all sites.

100% of sites reported environmental data with 98.4% of sites reporting on all key environmental parameters.

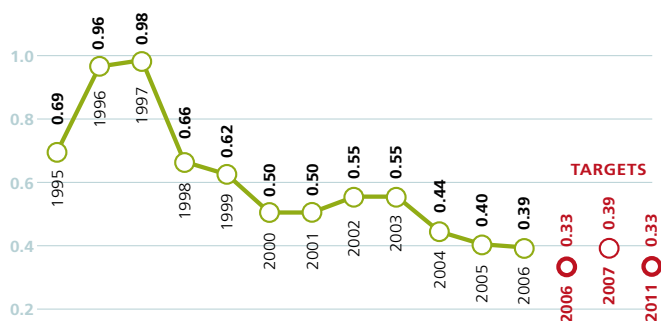
The definitions and basis of reporting of the indicators shown on these pages are described on our website under Data parameters.

web links

- Key Performance Indicators
- Data parameters

Hazardous waste

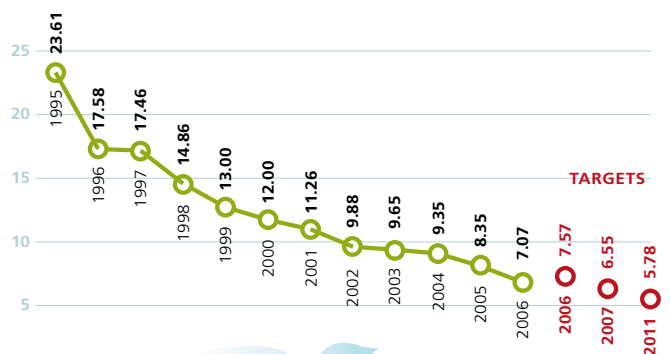
KG/TONNE OF PRODUCTION



In 2006, we achieved a 2.5% reduction in total hazardous waste per tonne of production and a 0.8% reduction in absolute load, but missed our ambitious target reduction of 15.9%. A few sites reported the disposal of a backlog of hazardous wastes during 2006 as well as waste product that could not be reworked into our processes. Many sites performed well, however, and five sites managed to reduce their hazardous waste by more than 100 tonnes, three of which are involved in our Triple R project (see page 15).

Non-hazardous waste

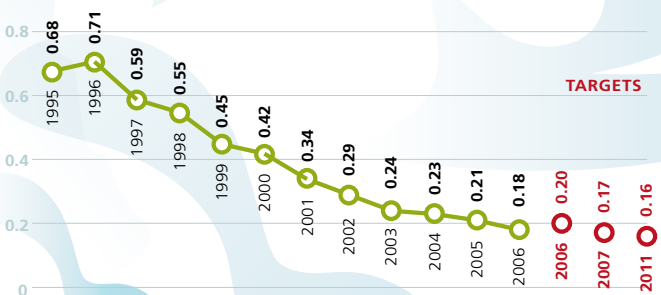
KG/TONNE OF PRODUCTION



In 2006, we achieved a 15.3% reduction in load per tonne of production and a 13.5% reduction in absolute load, significantly exceeding our target for the second year running. Many of our sites have found innovative recycling routes for their waste streams, including energy recovery, composting and brick manufacturing. Seven sites reduced their non-hazardous waste by more than 1,000 tonnes, and a further six sites by more than 500 tonnes. In 2006, 83.3% of our total waste (non-hazardous and hazardous) was sent for recycling.

Boiler/Utilities SOx

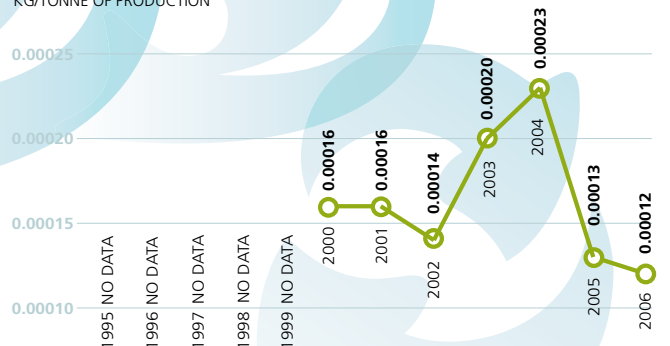
KG/TONNE OF PRODUCTION



In 2006 we reduced the SOx emissions from our boiler and utility operations by just under 13% in load per tonne of production and 11.4% in absolute load, so comfortably exceeding our target. This was in part due to improved efficiency of our boilers, installation of SOx treatment systems and the use of lower sulphur fuels. We have benefited from a more stable supply of energy from the grid in India, and the outsourcing of boiler operations at some sites.

Ozone-depleting potential

KG/TONNE OF PRODUCTION



We measure the amount of ozone-depleting gases (CFCs, HCFCs and mixtures) in refrigeration, air conditioning and other applications at our sites, and assess the losses each year. The emissions are expressed as kg CFC-11 equivalent. In 2006, the amount of ozone-depleting potential decreased slightly compared with 2005 and 65 sites reduced their ozone-depleting potential by more than 50%.

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For further information on our social, economic and environmental performance, please visit our website. The site is our principal means of communicating our performance and is updated throughout the year.

