

2004

Listening, learning, making progress



Unilever

Environmental Report



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In this Environmental Report we aim to give readers a snapshot of our approach to managing our environmental impacts responsibly.

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We illustrate our progress in working with others, notably our consumers and our business partners, to address environmental issues that exist throughout the life-cycle of our products.

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We summarise our progress, and highlight where there is still work to be done. We invite one of our external advisors to share his views on the challenges ahead.

7. Eco-efficiency in manufacturing Pages 14 – 19

In the second half of the report we present an overview of Unilever's progress over ten years in managing and reporting on eco-efficiency in our own operations, along with performance data for 2004 and targets to 2009.


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Our external verifiers provide an independent verification statement and we give our response.

Find out more

Together with our Social Report, this report acts as a summary and a signpost to the Environment and Society section of www.unilever.com, which is our principal means of communicating our performance and is updated throughout the year.

See www.unilever.com/ourvalues/environmentandsociety

Information, such as case studies, brand and people profiles and performance data, can be found across our website, indicated by  in the text. For ease of reference, these links are collated into an online index. Shortcut to this and the pdf versions of our reports via www.unilever.com/EnvironmentalReport2004 or www.unilever.com/SocialReport2004

Front cover photographs

The front cover images show winning entries from our 2004 *Put us in the Picture* photo competition, which invited employees to take pictures showing corporate responsibility in action around our business.

Top: A man in Silvassa, India, washes hotel linen, slapping his last bed sheet of the day against a concrete tub. Natural resources can be scarce in the region, and they are carefully used and reused. Washing is frequently done by hand with no electricity or hot water and just a small amount of detergent. Unilever's local brand, *Wheel*, is designed to get the best results from hand washing this kind of laundry. The photograph was taken by Janette Wilson of Unilever Research, UK.

Middle: A team of Unilever Israel employees help to restore a neglected section of the Alexander River, photographed by their colleague Idit Berenshtain.

Bottom: Ahmed Gouda of Unilever Research, UK, photographed a Unilever palm oil plantation in Ghana, where native plants are grown between the trees to prevent soil loss and improve soil fertility.

Antony Burgmans (right)
Patrick Cescau (left)
Chairmen of Unilever



Chairmen's introduction

Welcome to the Unilever Environmental Report 2004. Here we provide an update on the progress we are making to meet the needs of consumers and customers in an environmentally sound and sustainable manner. Our strategy has a clear focus: eco-efficiency and eco-innovation through continuous improvements in environmental performance in all our activities, and sustainability in three areas relevant to our business and where we can make the most difference.

In early 2005, we announced far-reaching changes to the way we run Unilever, in the light of our disappointing financial results. We have adopted a new business model in order to achieve our growth objectives and to increase our competitiveness so that we can underpin the long-term health and sustainability of the business, which go hand in hand.

Our new Vitality mission, expressed through our updated Corporate Purpose, commits us to regaining our growth momentum by meeting consumers' everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

This report shows that we understand that our long-term success as a business is intimately linked with the vitality of the environment and the communities in which we operate. Increasingly governments, international agencies, NGOs and individual concerned citizens are calling for wider engagement by companies in tackling the environmental and social challenges we all face.

Through a clear framework and explicit company-wide commitments, we play our part in addressing global challenges. In this report we provide an overview of how we manage our environmental impacts. This year we report on progress both in 2004, and over the ten years we

have been collecting environmental performance data. Highlights include:

- we have reduced greenhouse gas emissions per tonne of production from our factories by 25% and unit waste loads by 60% over the ten-year period
- we are working with our direct 'tier one' suppliers towards positive assurance of adherence to our new Business Partner Code by the end of 2005
- we now buy over half our fish used in Europe from sustainable sources, working in partnerships with business and NGO partners.

As expectations for wider engagement by companies grow, so too are critics more ready to say when we don't meet their expectations. We welcome honest feedback on how we are doing, as we listen, learn and make progress on our environmental performance.

Thank you for your interest.

Antony Burgmans
Patrick Cescau
Chairmen of Unilever

OUR MISSION



In 2004, as we ended our previous five year Path to Growth programme, we announced a new mission to take Unilever into the next phase of our development. Called 'Adding Vitality to life', it encompasses our brands, our culture and our commitments to society and the environment, uniting what we do as a business with the people who use our products and what they care about. We have updated our longstanding Corporate Purpose to include this new Vitality mission.

Extract from our Corporate Purpose

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

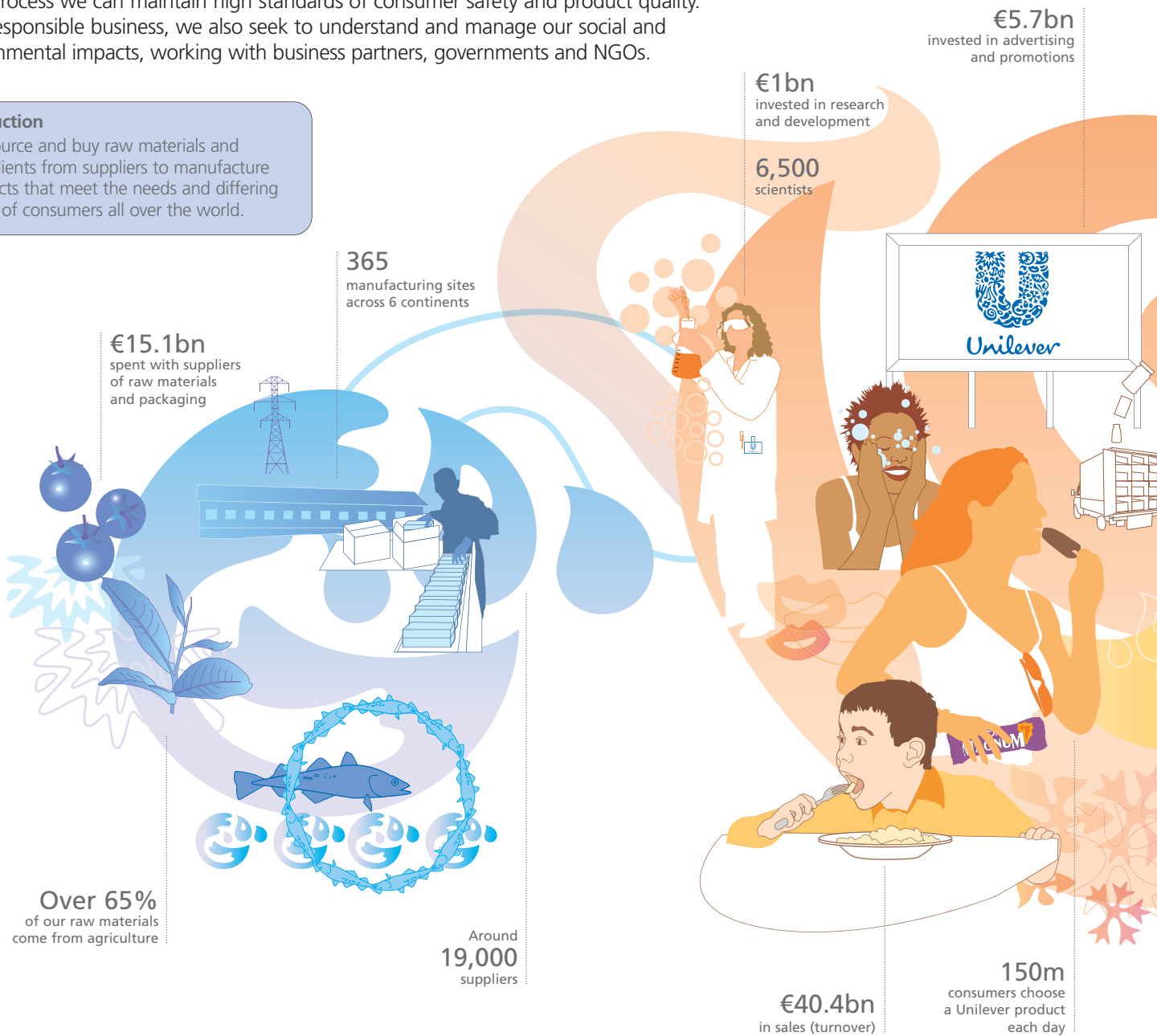
2. Unilever at a glance

Our 227,000 employees are engaged in manufacturing and marketing food and home and personal care products to consumers in approximately 150 countries around the world.

We work with those who supply raw materials and other ingredients and with those who distribute and sell our products, so that at each stage of the production and sales process we can maintain high standards of consumer safety and product quality. As a responsible business, we also seek to understand and manage our social and environmental impacts, working with business partners, governments and NGOs.

Production

We source and buy raw materials and ingredients from suppliers to manufacture products that meet the needs and differing tastes of consumers all over the world.



Our approach

- Around the world our manufacturing sites strive for improved performance on safety, efficiency, quality and environmental impacts, working to global Unilever standards and management systems
- Through our new Business Partner Code, we are working with our first-tier suppliers on human rights, labour standards, working conditions and care for the environment
- We focus efforts towards sustainability in three key areas: agriculture, fish and water, working in partnership with governments, NGOs, industry partners and local producers.

Examples of action

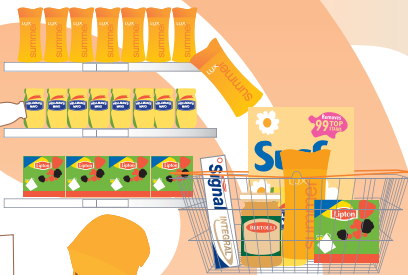
- We have reduced our water consumption per tonne of production by 54% over ten years
- We are working with our direct first-tier suppliers towards positive assurance of adherence to our Business Partner Code by the end of 2005
- Our sustainable agriculture guidelines help communities maximise their crop outputs while minimising inputs such as pesticides and water.

Our approach

- We offer consumers nutritious, enjoyable, healthy, affordable and accessible products
- To ensure consistent safety for our consumers, our safety policy applies equally to all our new and existing products, wherever they are made
- Our worldwide brand communication principles guide our advertising to be 'legal, decent and honest'; our food and beverage marketing principles further ensure that our marketing materials convey responsible messages regarding nutrition, diet and healthy lifestyles.

Consumers

We meet everyday needs for nutrition, hygiene and personal care. Our success is driven by consumer understanding and research, scientific innovation and creative marketing and distribution channels.



Over 200

tea blends to suit consumers' differing tastes

About 25% of sales through 25 international retailers; much of the rest through many thousands of local outlets

The world around us

We share the wealth our operations create with investors, governments, employees and others, and work in partnership with outside organisations.

€1.4bn paid in taxes

13,000 organisations benefit from our community contributions

€1.8bn dividends to investors



Nearly 200m people reached through our community programmes

Examples of action

- In the UK *Birds Eye* has switched from palm oil for frying at 47.5% saturated fat to sunflower oil at 12% saturated fat
- Worldwide in 2004 we recalled six product batches from the marketplace due to consumer safety concerns
- In Europe our laundry products feature the 'Washright' panel, with information for consumers on efficient use of detergents, water and packaging.

Our approach

- The wealth we create is shared among many stakeholders
- We work in partnership with a range of business, social and environmental groups to achieve mutual goals
- We play our role in wider society, contributing to public policy debates, engaging on social and environmental challenges, and do not engage in party political activity.

Examples of action

- Our employees earned half the total value created by the business in 2004
- Working with WWF we jointly set up the Marine Stewardship Council to establish a certification process for sustainable fishing practices, which we continue to support
- We report our approach to climate change through the Carbon Disclosure Project.

3. Our approach

We are committed to managing our social and environmental impacts responsibly and to working in partnership with our stakeholders.

Environmental strategy and management

Unilever's environmental policy sets out our commitment to meet the needs of consumers and customers in an environmentally sound and sustainable manner, through continuous improvements in environmental performance in all our activities. It applies to all our companies worldwide.

We implement our policy through our environmental strategy which focuses on six key goals [🔗](#). The first three are long-standing:

- reducing the impacts of our own operations, or eco-efficiency. Our progress over ten years is summarised on page 14
- improving the impacts of our products, or eco-innovation. Our approach is described on page 10
- ensuring a sustainable supply of key resources, through three sustainability initiatives in agriculture, fish and water. Our successes and challenges are set out on pages 6–9.

Building on these programmes, in 2003 we extended our strategy to address three additional areas:

- connecting better with our consumers on environmental care, as described on page 10
- sharing our eco-manufacturing skills across the wider supply chain, including third-party product suppliers, providers of key raw materials and transportation. An update on our work with business partners is given on page 11
- embedding environmental sustainability into everyday decision making, which we discuss on page 12.

Responsibilities

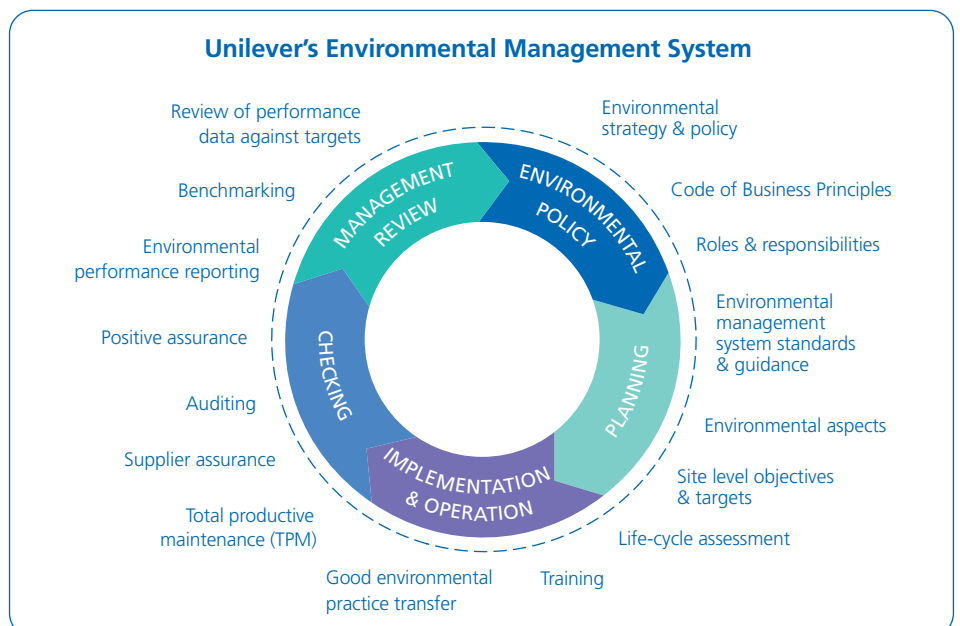
The Unilever Chairmen and Executive Committee approve our environmental strategy and policies, with overall operational responsibility located within the business regions and categories. Day-to-day responsibility for policy implementation and environmental management rests with the operating companies in each country. Support is provided by Unilever's Safety and Environmental Assurance Centre (SEAC), the Unilever Environment Group and our external advisors [🔗](#).

All Unilever companies must comply with Unilever standards for occupational health and safety, environmental care and consumer safety, in a manner that recognises, and is consistent with, local legislation. Our Environmental Care

For more information on our approach to environmental training for employees, and on Unilever site certification to the external ISO 14001 standard, please visit our website [🔗](#).

Framework Standards are based on ISO standards, and require all Unilever operations to establish a formal Environmental Management System (EMS) which is designed to achieve continuous improvement.

All companies are required to include compliance with Unilever SHE (Safety Health and Environment) Standards within their annual positive assurance report. Sites are subject to an environmental audit at least once every three years. In addition, business regions and categories annually review their environmental performance and progress against targets as part of a continuous improvement process. Internal benchmark studies highlight key sites for improvement.




Listening and learning

Effective implementation of our environmental strategy is strengthened when we listen to our stakeholders – and when we work with and through external partners too.

The many millions of people who use our products every day are our most important stakeholders. They are not simply consumers but citizens of local communities, with social and environmental concerns. When we respond to their aspirations, we not only help build trust in our company and brands, but can also gain valuable insights for innovations and brand differentiation.

The views of the people who work for Unilever are crucial too. They know the business better than anyone. In 2004 we asked their opinions on a wide range of issues in our second Global People Survey. For example 88% think that Unilever is environmentally responsible; 5% disagree. Moving forward, we aim to encourage and harness our employees' passion for building a sustainable business in every part of our organisation.

Our three sustainability initiatives in agriculture, fish and water rely on extensive stakeholder dialogue and partnership to succeed. We are also participating in the Sustainable Food Laboratory, a multi-stakeholder initiative to make mainstream food systems more economically, environmentally and socially sustainable. The project brings together leaders from government, business and civil society to engage in dialogue and action, aiming to achieve more together than we could separately. Find out more at www.glifood.org.

In addition to engagement with stakeholders through the business, in December 2004 we initiated a structured consultation with interested parties about our social and environmental reporting .

Working through partner organisations, such as the Business and Society Foundation (SMO) in the Netherlands and Business for Social Responsibility in the USA, we met with representatives from a wide range of organisations, including NGOs, governments, investment analysts and environmental experts. Overall, these stakeholders urged us to be clearer about the link between corporate responsibility and our business strategy. They also suggested focusing on the material issues that affect the business and impact the wider world, inviting debate on the choices and dilemmas that arise. Where short-term responses to the feedback are appropriate we have endeavoured to include them in our 2004 reports. We will continue to respond to their suggestions as our reporting develops. For example, we plan to bring our social and environmental reporting together into one report by 2007.



What matters most is the constancy of commitments and the continual performance, as well as a willingness to acknowledge mistakes and failures.

A participant at our stakeholder consultation meeting, New York.



EXTERNAL OPINION



We engage with external parties on our social, environmental and economic activities, and learn from their feedback on, and assessment of, our performance.

In 2004, Unilever was:

- food industry category leader in the Dow Jones Sustainability Indexes for the sixth year running



- rated top environmental reporter in the UNEP/Standard & Poor's/SustainAbility sixth benchmark survey of corporate non-financial reporting
- ranked joint 32nd in the top 100 Companies that Count in the UK's Business in the Community Corporate Responsibility Index 2004.



In August, Unilever Chairman Antony Burgmans received the Sustainability Leadership Award, given by Sustainability Asset Management and the Sustainable Performance Group.

WORLD CONSERVATION FORUM

Musharaf Hai, Chairman of Unilever Pakistan, addressed 4,000 representatives from civil society, governments, academia and business at the 2004 World Conservation Forum in Thailand. She highlighted Unilever initiatives in Pakistan aimed at improving people's lives and the communities and environments in which they live, such as providing potable water access close to villages – a project of particular importance to women.


4. Our sustainability initiatives

We focus efforts towards sustainability in three key areas: agriculture, fish and water, working in partnership with governments, NGOs, industry partners and local producers.

Agriculture

More than two-thirds of the raw materials used in our products come from agriculture. This led us to develop our Sustainable Agriculture Programme, which, together with our partners, we are implementing across our supply chain.

The aim of the Sustainable Agriculture Programme is to ensure continued access for Unilever to agricultural raw materials, and ultimately to develop market mechanisms that allow consumers and customers to influence the sourcing of raw materials through their buying habits.

Starting in 1998, we identified five key raw materials from agriculture for which we have pilot projects with growers: palm oil, tea, tomatoes, peas and spinach. Learning from these pilots, we have developed our approach and in 2004 we started to roll out our Good Agricultural Practice Guidelines for all five crops. These guidelines use ten indicators for agricultural sustainability: soil health, soil loss, nutrients, pest management, biodiversity, product value, energy, water, social and human capital, and local economy .

In 2004, we included more growers in the Sustainable Agriculture Programme. We completed a first assessment with all 50 third-party frozen vegetable suppliers in Europe. In the UK, Unilever Ice Cream & Frozen Food is extending the Sustainable Agriculture Programme for peas from 20 to all 420 growers, working through the 'Forum for Sustainable Farming'. We are also working with contract growers in spinach and tomatoes. For tea we have made progress in our plans to extend the Sustainable Agriculture Programme to tea growers in Kenya and Indonesia, working with the UK government and NGOs.

For palm oil, we are working with the conservation organisation WWF and other partners through the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder initiative set up in 2003. The RSPO now has 55 members and 17 affiliate members, and has produced a draft framework document on the criteria for palm oil sustainability. For more information see www.sustainable-palmoil.org.

In 2004 we also made progress with including new crops in the Sustainable Agriculture Programme, in particular major vegetable oils. In Germany we are developing a programme for oil seed rape. Unilever South Africa is working to start a programme for sunflower oil, and on soya we are partnering with WWF to open a sustainability discussion with other players in the market.

We have continued to work with other major food companies – including Groupe Danone and Nestlé – to promote sustainable agriculture practices through the Sustainable Agriculture Initiative Platform. In 2004 the group grew to 19 member companies, with working groups on cereals, coffee, vegetables and potatoes, dairy and fruit. See www.saiplatform.org for details.

Find out more about our Sustainable Agriculture Programme at www.growingforthefuture.com .

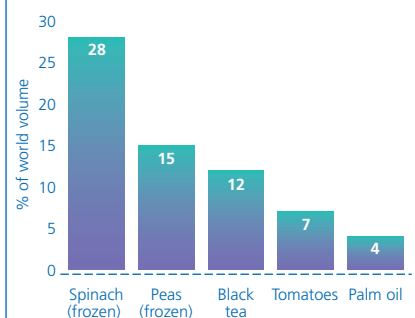


Product value, one of our ten sustainable agriculture indicators, is a measure of both yield per hectare and product quality. Here a young pea pod is developing under ideal conditions.

REUSING WASTE

Unilever's Benso Oil Palm Plantation in Ghana is helping to protect the environment and cutting costs by reusing waste from palm oil processing. Effluent is treated and used to fertilise the fields, as it contains potentially valuable nutrients, such as nitrogen and phosphorous. Empty fruit bunches are spread under the palms to improve soil structure and suppress weeds. Surplus waste, particularly shells, is sold to local organisations as fuel.

Unilever's share of world crops % of total world volume



4. Our sustainability initiatives

Water

Our business is intimately linked with availability of fresh water, for our own operations, for our suppliers and when consumers use our products. Sustainable water projects are a key part of our environmental strategy.

Discussions in 2004 with our external environmental advisors contributed to a revised strategy for our Sustainable Water Initiative, focusing more clearly on the impact of our own direct activities.

Around the world our manufacturing operations have reduced unit water consumption by 54% since we started systematic measurement in 1995. We are confident that more progress can be made. Our experience during 2004 in Latin America has shown that considerable advances are possible by empowering our people to make simple, but highly effective, changes in the way they use water at work.

Project Medusa came about after Unilever Latin America challenged its foods manufacturing sites – 12 factories in ten countries – to cut their total water consumption. The action programme combined the use of new equipment and systems with greater employee awareness of the need to save water, and has achieved an 11% saving, in excess of 700,000 cubic metres of water, since June 2003. Now the principles behind Medusa are being used in other parts of Unilever to reduce energy use and cut waste too [▶](#).



A Unilever laboratory analyst inspects a sample taken from the water treatment plant at Unilever's food factory in Goiania near São Paulo, Brazil.

However, our own water usage is only part of Unilever's total water imprint. This extends to the growing of our raw materials (upstream from our factories) and with consumers using our products (downstream from our operations).

We tackle our upstream water imprint by working closely with our growers, especially those producing tomatoes, where drip irrigation techniques, for example, have cut consumption by half, while yields have doubled. Our Sustainable Agriculture Programme is leading this work [▶](#).

Downstream, we study how our products are used by consumers, and the potential effects on the environment. For example, the Unilever Centre for Environmental Water Quality – a partnership with Rhodes University in South Africa – is investigating the effects of chemicals in water ecosystems, including from washing clothes in rivers [▶](#).

We continue to support Living Lakes, an international partnership that promotes voluntary collaboration on projects protecting lakes and wetlands. See www.livinglakes.org for more information.

Find out more about our Sustainable Water Initiative online [▶](#).

LESS RINSING, LESS WATER



Buying water to do the laundry in the dry southern Indian states of Tamil Nadu and Andhra Pradesh can be more expensive than paying for the detergent. Our reformulated version of *Surf Excel* saves two buckets of water per wash. With little foam, clothes need less rinsing. The benefit to the local environment could be considerable because 23% of water consumption in these states is used to wash clothes.



LOOKING TO THE FUTURE

Unilever is participating in a two-year project run by the World Business Council for Sustainable Development (WBCSD) to develop ideas on how water issues might evolve over the next 20–25 years. Using a scenario planning process to explore the complex issues involved, participants will examine the influence of water-related issues on social, economic and environmental development and explore the role business can play in shaping appropriate actions and outcomes. See www.wbcd.org.

4. Our sustainability initiatives

Fish

Unilever is one of the largest buyers of frozen fish for our brands such as *Iglo*, *Birds Eye* and *Findus*. The world's major fisheries are under threat, and with them the future growth of our business. But progress towards sustainability is being made.

In 2004 one of the world's biggest whitefish fisheries, the Bering Sea Aleutian Islands Alaskan pollock fishery, was certified to the Marine Stewardship Council (MSC) Standard for sustainable fisheries. This dramatically increased the amount of certified fish commercially available. It marks a significant milestone in efforts, strongly supported by Unilever, to ensure the sustainability of fisheries worldwide. Additional progress includes the certification of other whitefish fisheries, including the South Africa hake fishery in April 2004 and the New Zealand hoki fishery in 2001.

Catches of the most important species for human consumption are at their lowest levels in recent years. According to the UN's Food and Agriculture Organisation, 48% of all fisheries are fully exploited, 16% over-fished and 9% depleted.

In 1996, in our Fish Sustainability Initiative, we made a long-term commitment to buy all our fish from sustainable sources. We set a milestone to achieve this by 2005.

Working with the conservation organisation WWF we jointly set up the MSC to establish a certification process for sustainable fishing practices (see box). In 2005, with the launch of our products made from the newly-certified MSC Alaskan pollock, the proportion of our European fish products made from MSC-certified fish will jump from 4% to 50%.

Certifying fisheries to the MSC Standard is time intensive – the pollock certification lasted more than four years. The multi-stakeholder process, which we fully support, encourages consultation with all parties interested in the state of the fishery, in order to build understanding and commitment to the outcomes.

For now, there is a lack of large quantities of certified fish on the market. For this reason, while we continue to support the MSC Standard, we have also developed our own additional programme. This assesses the sustainability of the fisheries that supply us. It is complementary to that of the MSC and, like the MSC, is based on the UN Food and Agriculture Organisation's Code of Conduct for Responsible Fisheries. Our dedicated sustainability management assesses each fishery against five indicators: fisheries research; quota system; regulatory tools; control systems; long-term management plan. The effect of fishing on marine ecosystems is also taken into account.

We now buy more than half our fish used in Europe from sustainable sources – as defined by our programme. By 2005 we expect this figure to rise to around 60%. Although this will fall short of the 100% target set in 1996, we have nevertheless achieved substantial improvements.

Find out more about our Sustainable Fish Initiative online  and see www.msc.org for more information.

WORKING IN PARTNERSHIP WITH WWF



In 1996, Unilever started to work with the conservation organisation WWF to establish the now independent certification organisation – the Marine Stewardship Council (MSC). Unilever and WWF had different motives but a common purpose: the need to assure the long-term sustainability of global fish stocks and the integrity of the marine ecosystem.

The two partners each brought wide-ranging skills, knowledge and networks to support the formation of the MSC. WWF had already pioneered a similar approach with the Forest Stewardship Council.

The Unilever/WWF partnership achieved a key milestone in July 1999 when the MSC became a fully independent, non-profit organisation. Although the MSC now operates independently from the founding partners, both Unilever and WWF clearly have a large stake in the successful implementation of the certification scheme among fisheries around the world.

MSC PRINCIPLES AND CRITERIA FOR SUSTAINABLE FISHING

Principle 1 A fishery must be conducted in a manner that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery.

Principle 2 Fishing operations should allow for the maintenance of the structure, productivity, function and diversity of the ecosystem (including habitat and associated dependent and ecologically related species) on which the fishery depends.

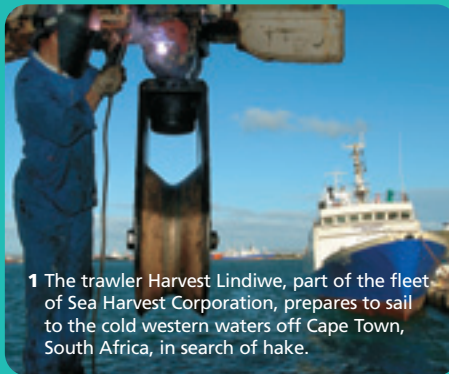
Principle 3 The fishery is subject to an effective management system that respects local, national and international laws and standards and incorporates institutional and operational frameworks that require use of the resource to be responsible and sustainable.

4. Our sustainability initiatives

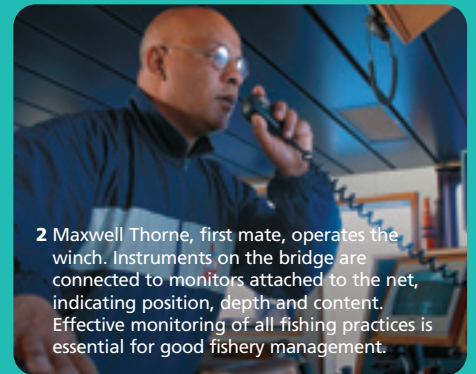
Fishing for a future

Certifying hake to the MSC Standard

Unilever encourages fisheries to seek certification to the MSC Standard for sustainable fisheries. In April 2004 the South African Cape hake fishery received certification. These pictures follow the crew of the hake trawler Harvest Lindiwe as they go about their daily tasks of catching fish in a sustainable way.



1 The trawler Harvest Lindiwe, part of the fleet of Sea Harvest Corporation, prepares to sail to the cold western waters off Cape Town, South Africa, in search of hake.



2 Maxwell Thorne, first mate, operates the winch. Instruments on the bridge are connected to monitors attached to the net, indicating position, depth and content. Effective monitoring of all fishing practices is essential for good fishery management.

3 The fishing net's mesh is set large enough to let small fish escape. The Cape hake fishery has been well managed in the past decade. Fishery managers agreed to make a number of small adjustments to fishing practices, as a condition of certification. An independent surveillance audit is carried out every year to ensure that the conditions of certification are met.



4 Bosun, Francisco Papier, uses hand signals to communicate with the bridge while the net is dropped - called a shoot away.



5 After two hours trawling, the net is hauled aboard and emptied into the processing plant below decks.



6 Hake are sorted before filleting.



7 Fillets are packed into boxes before freezing. Unilever buys frozen fish for use in its European frozen fish brands.



8 Primo Humphreys, quality manager, inspects a box of fillets. South African fisheries (based mainly in the Western Cape) support 27,850 jobs in fishing and processing. Of these, about 10,000 are involved with hake, according to official figures.



9 Primo, his daughter Lauren and his wife Harriet at home in the village of Mamre. Fishing largely supports Saldanha and the nearby communities of Darling, Hopefield, Mamre and Vredenburg.



10 The MSC logo on iglo frozen hake products tells Portuguese consumers the fish has been sourced sustainably and is MSC-certified.

5. Working with others

We connect with consumers and with our business partners on environmental challenges, aiming to reduce impacts throughout the life-cycle of our brands.

Connecting with consumers

The use of our brands by consumers has an impact on the environment. We are working to reduce these impacts, influence consumer behaviour and promote responsible disposal of packaging.

We endeavour to incorporate environmental considerations into the design of new and reformulated products. In 2004 we have extended our life-cycle analysis (LCA) approach so that we can identify and measure a wider range of environmental impacts. Product developers around the world can access environmental expertise and support during the innovation process and as a support to product launch. Recent applications of LCA have supported new laundry powder, fabric conditioner and deodorant products. More details about our life-cycle approach can be found on our website [↗](#).

We evaluate the environmental and human safety of ingredients using scientific risk assessment, and we do not launch a product if the risk is too high. We assess the environmental concentrations resulting from the use and disposal of the chemicals that we use. The ingredient is only acceptable if the environmental concentration is below the 'no-effect' level. Our environmental safety assessments also take into account the total potential loading of a chemical into the environment.

Through HERA (Human and Environmental Risk Assessment), Unilever is involved in conducting risk assessments of ingredients of detergents, standardised for the first time across the whole industry. HERA is a voluntary joint initiative of the detergent industry (A.I.S.E. – the European soaps, detergents and maintenance products trade organisation) and the chemicals industry (Cefic – the European Chemical Industry Council).

We also play an important role in helping consumers to adopt sustainable consumption patterns. For example, in Europe all our laundry detergent packs feature the 'Washright' panel with information on how to use laundry products efficiently, developed by A.I.S.E. [↗](#).

Careless disposal of consumer goods packaging leads to litter. In India, Indonesia and the Philippines we have begun a series of pilot projects to identify and test various solutions, seeking to balance technical feasibility with the environmental, social and economic aspects of each approach.

Current projects include a kiosk in Mumbai, India, for collecting and taking back packaging, and a targeted collection of packaging from houses of residents in Manila, Philippines. Findings from the projects will be used to shape thinking by Unilever in other countries to find appropriate local solutions.

Read more on our website about how reducing our environmental impact is part of our on-going improvement programme for the product/packaging systems of core brands [↗](#).

EXAMPLES OF RECYCLING INITIATIVES AROUND THE WORLD



Ghana: Unilever Ghana's Tema factory is supporting a recycling initiative that reduces waste and provides income for local people. Women's groups and small-scale industries are encouraged to convert plastic waste into economically viable and sustainable ventures. Plastics can be melted, coloured and wrapped around wood to make attractive jewellery and flower pots, which can then be sold.

Brazil: Shoppers in Brazil can bring their waste with them for recycling when they visit supermarket chain Pão de Açúcar, thanks to a partnership with Unilever Brazil. Environmental instructors teach consumers about recycling at collection centres at 80 supermarkets around the country. Visit www.cempre.org.br for more details.

6,500

tonnes of packaging materials were returned by consumers in Brazil in 2004.




Working with our business partners

Unilever's Code of Business Principles commits us to establishing mutually beneficial relations with our suppliers. We are working to ensure partnerships are built on shared values.

Rising raw material costs and competitive pressures on prices to consumers are leading many businesses to seek greater efficiencies in their supply chains. Unilever is no exception. But in the long-term trend towards partnership arrangements for different parts of our sourcing, production and distribution chain, cost is only one factor. External suppliers can often provide greater flexibility to match customer demand more quickly, or offer us product expertise and innovations. Across Unilever around 19,000 business partners supply raw materials and packaging to our own operations. Partners also carry out approximately 15% of our total production.

We are committed to working with our suppliers to raise standards across the board, including social and environmental impacts and longer-term sustainability.

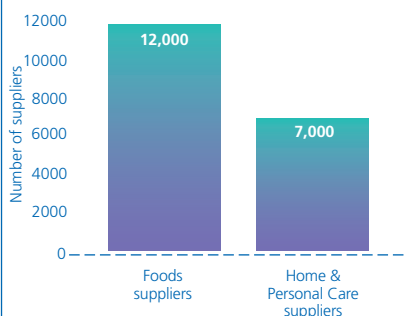
We have long had systems to ensure we know the source and quality of ingredients and products. Since 2003, we have been working to improve transparency in our requirements. Our Business Partner Code sets out our expectations that key suppliers and other partners adhere to business principles consistent with our own on ten key points covering business integrity, labour standards, consumer safety and the environment .

Our new supplier approval process now formally includes assessment and rating of environmental care, health and safety at work and compliance with our

business principles. We have trained auditors in place in all regions and are beginning to assess suppliers and co-packers.

This approach is being supported by the formal communication of the Business Partner Code to all raw material and packaging suppliers with whom we have direct relations (first-tier suppliers). During 2005 we will work with our first-tier suppliers to secure positive assurance, and we anticipate that by the end of 2005, a substantial majority of our supplies will have been covered by this process. Risk assessment will be used to prioritise and focus further on suppliers and third parties whose operations are potentially below standard. Where suppliers do not meet our requirements, we will work with them and agree time-bound improvement plans to achieve the desired level of performance.

First-tier suppliers of raw materials & packaging 2004 (total 19,000)



SUSTAINABLE PACKAGING

In 2004 a pilot project with suppliers in Europe investigated the source of fibre in the paper-based materials used to pack and transport Unilever products. We found that at least 83% of paper-based packaging comes from sustainable sources, of which 71% is recycled materials and the rest is new fibre from sustainably-managed forests. In 2005 we will extend the research to other materials.

83%

of our paper-based packaging in Europe comes from sustainable sources.

ROUTE TO MARKET

Our products get to market via a complex transport network of road, rail, sea and air links. In 2004 our Home and Personal Care business undertook a study, focusing initially on Europe and North America, to break down transport by type and analyse impact in terms of CO₂ and SO_x emissions. We are assessing the feasibility of further data collection and reporting in this area.

SHARING TRANSPORT

In Europe we partner with Swedish car-maker, Volvo, to use trains that would otherwise be empty on their return journey from Belgium to Sweden. By not using diesel lorries when transporting processed tea, Unilever Bestfoods Nordic has cut its annual diesel use by 140,000 litres, reduced pollution and lowered costs by €25,000 per year.

6. Towards sustainability

On our journey towards sustainability we are listening, learning and making progress, but there is still much work to be done.

Looking forward – making progress

In 2004 we continued to make progress in improving our environmental performance.

Targets for eco-efficiency are an integral part of our drive to improvement. We report our progress over the past ten-year period and present five-year targets moving forward in section seven. In our sustainability initiatives in agriculture, fish and water, progress is more difficult to quantify. When we first identified and developed the initiatives in the mid-90s, we knew we were embarking on long-term programmes of change. In 2004 we can certainly point to real changes in our sourcing impacts. But in many cases achieving change is a slow process. We are committed to working in partnership with many groups, including governments, and this takes time and makes target setting difficult, as our experience in fisheries testifies.

To bring further impetus to our sustainability commitments, eco-efficiency, eco-innovation and environmental care are being incorporated into good practice guidelines for all of our business leaders. Environmental management is being included in our corporate responsibility self-assessment tool for business leaders of all our operations. Specific projects are in progress to assess the environmental impact of product distribution, packaging disposal and recycling, and we are exploring ways to encourage efficient water use by consumers using our products.

We recognise that this is a journey where we do not have all the answers, and we remain committed to listening and learning from our stakeholders.

Making progress

Commitment	Timeframe	Progress and plans
Eco-efficiency in manufacturing	On-going improved efficiency.	See pages 15-17 for 2004 eco-efficiency data. On-going environmental management included in corporate responsibility self-assessment tool for business leaders of all operations.
Eco-innovation / Connecting with consumers	Trial 2005. Implementation by 2010.	Improving tools for brand environmental impact assessment. Projects being developed on packaging disposal and recycling; also on minimising water use.
Environmental principles in the supply chain	Implementation by 2010.	Roll-out of Business Partner Code to all first-tier suppliers in 2005. Programmes on transport and packaging in development.
Sustainable resource use		
Agriculture	Continue to engage farmers and business in dialogue on sustainable crops.	Sustainability guidance on key crops being rolled out. Programme being extended to additional crops.
Fish	By 2005, source all fish from sustainable sources.	BSAI Alaskan pollock fishery certified sustainable in February 2005, increasing the availability of certified fish. However, we are unlikely to exceed 60% sustainable fish in Europe by end 2005.
Water	On-going minimisation of water imprint of Unilever and its brands.	Unit water use in manufacturing reduced by 54% over 10 years. Continuing development of programmes to encourage efficient consumer use of water.

CLIMATE CHANGE



Concern is growing about the potential impact of climate change and many governments are asking business to find ways to reduce greenhouse gases.

We are acting to reduce our impacts, although life-cycle assessment shows that overall our manufacturing operations are not as energy-intensive as some other industries. Since 1995 we have lowered CO₂ emissions from energy use in manufacturing by 25% per tonne produced. Energy sources account for 94% of our emissions from manufacturing.

We set out our approach to climate change in full in our response to the Carbon Disclosure Project. Visit www.cdproject.net for more details.

During 2004, Unilever Ice Cream introduced around 15,000 HFC-free cabinets in Europe, each carrying an 'eco-friendly freezer' label. They reduce the threat to the ozone layer, while offering greater energy efficiency. Stephen Tindale, Greenpeace UK executive director, supports Unilever's actions. "Unilever has shown genuine commitment to the environment and genuine business leadership. This sends a powerful message to the rest of the industry that climate-friendly technology is available and must now be used."



Looking forward – an outside view

Jonathon Porritt, one of the five external advisors in the Unilever Environment Group, shares his views on Unilever's key sustainability challenges looking to the future [🔗](#).

How do you rate Unilever's record on corporate responsibility (CR) and sustainable development?

Unilever's record on CR and sustainable development is really a pretty good one. People in Unilever are often slower than in some companies to get into a certain area or to demonstrate leadership, but once they're into it, they stick with it, and gain expertise internally and externally through other stakeholders. There is now a clear sense of purpose in moving the agenda forward.

What is Unilever's biggest challenge over the next few years?

By a million miles the biggest challenge for Unilever is its relationship with its consumers. That's the bit that is going to stretch the imagination, stretch their genius, their creativity, much more than some of the conventional policy areas on the supply chain or environmental management. Many consumers remain either confused or disempowered – they're not persuaded that their individual actions will make much of a difference anyway. It isn't just information they need; they need an opportunity to engage in the issues, to look at both sides of arguments, to share in the challenge of more sustainable consumption on what is now a very, very stressed and pressured world.

So how well and how quickly will Unilever's marketing function take up this agenda, get conversant with it, and show its own brand of leadership around this? How is it going to create a new kind of dialogue with consumers? How is it going to help consumers to get to grips with sustainable food, with sustainable personal hygiene? All of these are very difficult issues, with no easy answers. But this company is in a fantastic position to play a pivotal role in these new conversations.

Are you concerned that in trying to meet financial targets, Unilever's commitment to sustainability and corporate responsibility may be cast aside?

I don't think that's likely to happen. The reason why the sustainable development agenda works for Unilever is because it's a business-based agenda. The opportunities, benefits and competitive advantages that can emerge from all of this are so clear now that it would be crazy for a company that is intent on improving its financial performance over the long term to ignore sustainable development as a key tool in achieving those performance improvements.

JONATHON PORRITT PROGRAMME DIRECTOR OF FORUM FOR THE FUTURE

Jonathon Porritt is programme director of Forum for the Future, a UK-based sustainable development charity. In July 2000 he was appointed Chairman of the UK government's Sustainable Development Commission.

Jonathon Porritt is one of our external advisors, who offer independent views and advise Unilever on emerging and long-term, complex environmental matters. The advisors represent a broad spectrum of opinion on the environment and sustainability. In 2005 we plan to extend the focus of the group to increase coverage of social issues.



The sustainable development agenda works for Unilever because it's a business-based agenda.



You can read comments from our other advisors online [🔗](#).

7. Eco-efficiency in manufacturing

Our manufacturing sites strive for continuously improved performance and reduced environmental impacts, using Unilever's environmental management system.

Ten years of achievement

This year we present a ten-year picture of Unilever's achievements in managing and delivering improved eco-efficiency at our sites around the world.

Over the past ten years we have improved our eco-efficiency performance across all of our seven key indicators, with reductions ranging from 25% to 67%, as shown in the table below. Since 1995 we have more than halved the amount of water we use per tonne of our production. This change was driven by a focus on minimising water usage and maximising opportunities for recycling through process optimisation. We have also reduced the amount of energy we use by more than a quarter per tonne of production, with a similar reduction in greenhouse gas emissions. These through efficiencies in boilers and refrigeration systems, reduced process losses, for example from the generation of compressed air and steam, and improved employee awareness of energy conservation.

Such achievements have been underpinned by the development of an effective global system for collecting environmental performance reporting (EPR) data from all of our manufacturing sites – now numbering 365. Over ten years we have continually improved the way we collect, use and report data, with better systems, more training and improved validation and accuracy.

The EPR system helps us identify trends and areas for improvement, review performance and progress against targets, and develop focused action plans to drive change. We recognise the personal contribution and commitment of Unilever employees who have worked hard to implement our strategy in their place of work around the world.

We regularly review the scope of our environmental reporting and the indicators we use, and make adjustments where appropriate. To make sure we are keeping pace with world-class standards we monitor reporting by peer companies and acknowledged leaders in the field. While it is difficult to compare the management and performance of environmental impacts of companies with different, and constantly changing, business activities, independent external ratings and benchmarks give useful indicators of comparative performance. For example, Unilever was ranked first in the food industry category in the Dow Jones Sustainability Indexes in 2004 for the sixth year running. In the diagram on page 15 we set out our own targets for further improvement going forward.

PROGRESS IN ACTION

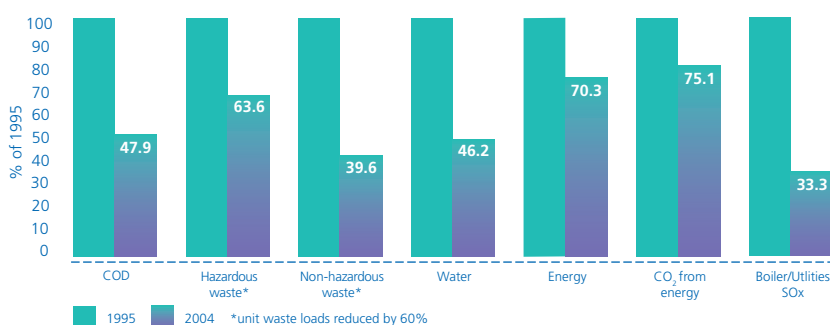
Arioaldo Nesso has been responsible for implementing the environmental performance reporting (EPR) process, both within the Latin America Business Group and also as a member of the central EPR team at SEAC.

"The EPR tool guarantees improvements in Unilever's overall environmental performance because it really helps business groups to manage environmental issues better. The review system allows operations to demonstrate improvements made, and secure commitment from management. In 2004 our business welcomed efforts to simplify the tool, making it easier to use."



More information on eco-efficiency, including details of our key indicators, is available online [↗](#).

Eco-efficiency performance 1995–2004, expressed as a % of 1995 load per tonne of production



We are conscious of our dependence on a healthy environment and the need to keep it that way with sound environmental practices of our own.

Unilever Chairman Antony Burgmans, International Sustainability Forum 2004, Zurich, Switzerland.



Summary of performance

The environmental performance of our manufacturing sites in 2004 is summarised on this page, along with trend data and future targets.

In 2004 we continued to make progress in improving our eco-efficiency performance.

Our Target scorecard (right) shows that in 2004 our performance has improved across all our key indicators except energy, which remained constant since the previous year.

Our achievements in 2004 included:

- on two key indicators, chemical oxygen demand (COD) and hazardous waste, we significantly exceeded our targets
- we reduced our impacts in absolute terms for every key indicator
- over 17% of the total energy used by our sites came from renewable sources.

2004 Target scorecard		
	Target % reduction (2004 vs 2003)	Achievement in 2004
COD	6.4	● ↑
Hazardous waste	6.5	● ↑
Non-hazardous waste	9.0	● ↑
Water	6.2	● ↑
Energy	3.8	● →
CO ₂ from energy	3.9	● ↑
Boiler/Utilities SOx	11.7	● ↑

Overall performance against target
 ● ahead of schedule >105% achievement
 ● on track 95 – 105% achievement
 ● behind schedule less than 95% achievement

Performance change since last reporting period
 → performance tracking steadily
 ↑ performance has improved
 ↓ performance has declined

However, while our performance improved, we did not meet all our targets in 2004. As we advance, the scope for further dramatic improvement gets less. The notes under the individual charts on pages 16 and 17 set out the reasons why, although our performance improved, we did not meet particular targets.

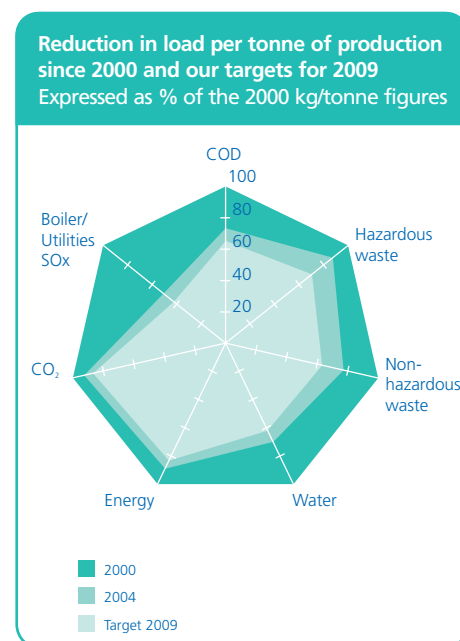
Setting and achieving targets at site level can be difficult because of the dynamic nature of our business. The number of manufacturing sites in Unilever is constantly changing due to acquisitions, disposals and closures. Often there are significant changes in the mix of products made in our factories. This makes target setting difficult, particularly for new sites.

We remain committed to further progress, as evidenced by our future targets, as shown in the charts on pages 16 and 17, and in the diagram below.

The table below shows our performance, expressed as load per tonne of production, for the last five years.

Load per tonne of production 2000 2004						
Parameters	Units	2000	2001	2002	2003	2004
COD (chemical oxygen demand)	kg/tonne	2.50	2.33	2.31	2.10	1.89
Hazardous waste†	kg/tonne	0.50	0.50	0.55 (0.42)*	0.55	0.44
Non-hazardous waste†	kg/tonne	12.00	11.26	9.88	9.65	9.35
Water	m ³ /tonne	5.43	5.04	4.29	3.73	3.67
Energy	GJ/tonne	2.27	2.19	2.15	2.06	2.06
CO ₂ from energy	kg/tonne	197.91	198.59	195.17	191.46	185.67
Boiler/Utilities SOx	kg/tonne	0.42	0.34	0.29	0.24	0.23

* Figure without one-off disposal of contaminated soil
 † The table shows hazardous and non-hazardous waste disposed to landfill/incineration (not recycling)

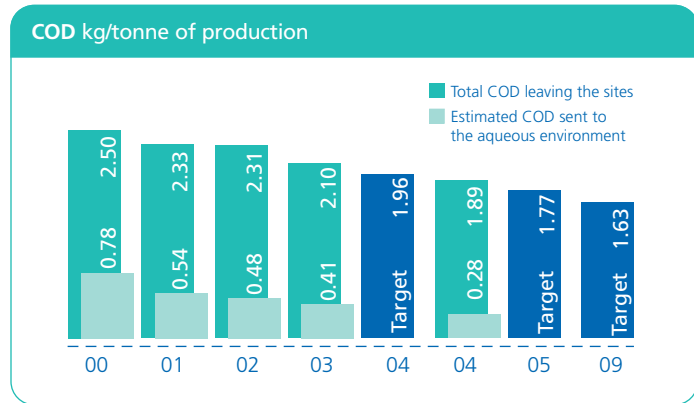


7. Eco-efficiency in manufacturing

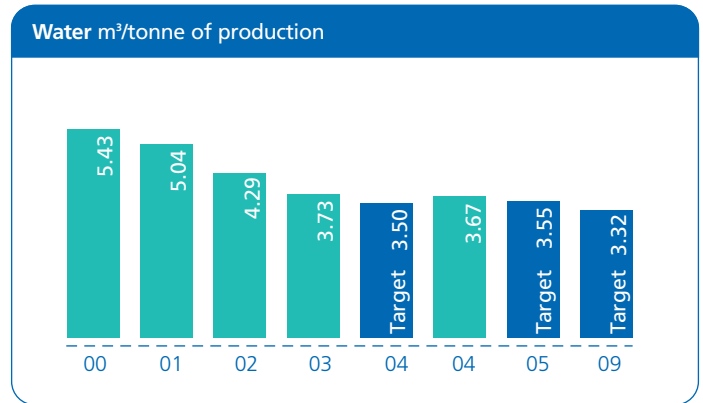
Performance trend data

These charts show trends in the key performance indicators of our manufacturing sites between 2000–2004, and set out our targets towards 2009. We explain in brief our progress in 2004, and direct readers to more details on our website [↗](#).

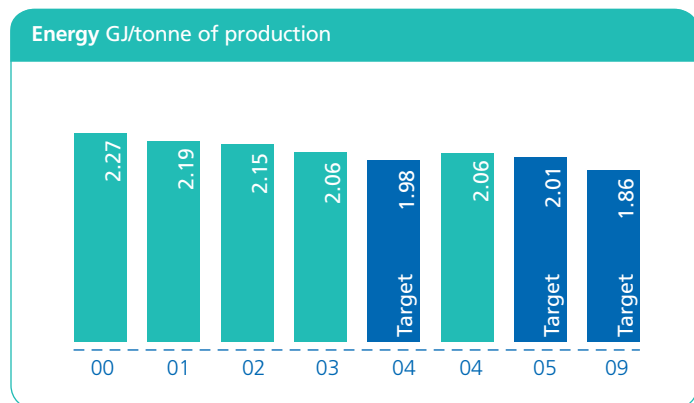
Unilever manufacturing performance 2000–2004 and targets for 2005–9: reductions in load per tonne of production



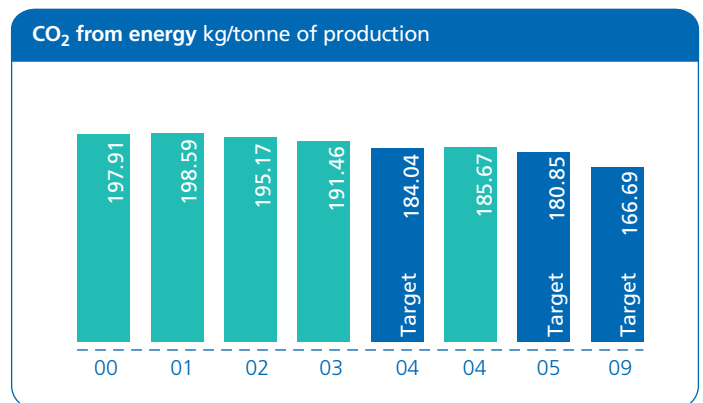
In 2004 we achieved a 9.9% reduction in total COD per tonne of production, a 16.3% reduction in absolute load, and our target was comfortably met. The amount of COD sent to the aqueous environment continues to decrease. Over 94% of the total COD leaving our sites is subsequently treated in municipal works. We estimate that 89.7% of this COD is removed, so the COD reaching the aqueous environment is significantly less than the total COD leaving our sites [↗](#).



In 2004 we achieved a 1.4% reduction in water use per tonne of production, and an 8.2% reduction in absolute load. Fifteen of our sites reduced their water consumption by more than 100,000m³. Despite these improvements we missed our target. This was mainly due to increased production complexity with more washdowns, and improved measurement of non potable water [↗](#).



In 2004 our unit energy load remained constant but we achieved a 6.9% reduction in absolute energy use, partly due to energy efficiency programmes in three regions. However, we missed our target, largely due to: lower efficiency at some sites caused by reduced production; acquisitions of new sites with relatively high energy production; and a new bottle-blowing operation. Despite the overall increase, 15 sites reduced their energy use by more than 50,000GJ, and a further 52 reduced their energy use by more than 10,000GJ [↗](#).



In 2004 we achieved a 3% reduction in load of CO₂ from energy per tonne of production, and a 9.7% reduction in absolute load. Despite this, we narrowly missed our target reduction for the same reasons mentioned under Energy. Energy sources account for 94% of our greenhouse gas emissions from manufacturing. Of the total energy used by our sites, over 17% comes from renewable sources, of which approximately 11% comes from our own site initiatives, and the remaining 6% is from the national electricity grids in the countries where we operate [↗](#).

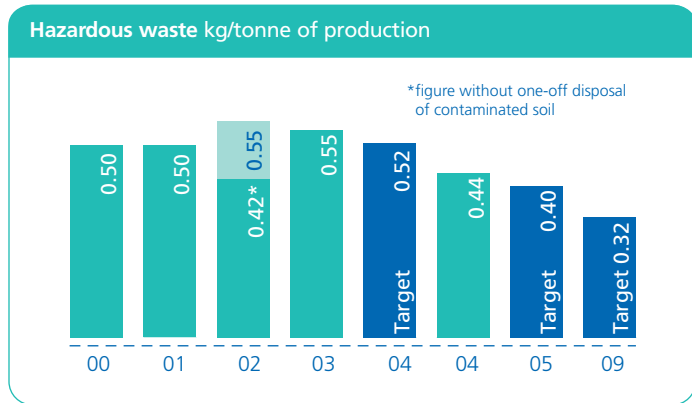
SAVING ENERGY AT SAGIT IN ITALY

Sagit, a Unilever frozen foods company, is working to reduce energy use at its factories in Italy. In 2000 the Cisterna factory near Rome carried out an energy audit, introduced an energy monitoring system and set energy reduction targets. Energy used for lighting was cut by 35% by reducing the applied voltage, new freezers were installed which needed only half the power of conventional models, and the compressed air system was improved. By 2003, energy use was reduced by 6.7%, compared with 2002. The approach has been adopted with similar success at Sagit's ice cream factory in Caivano, near Naples.

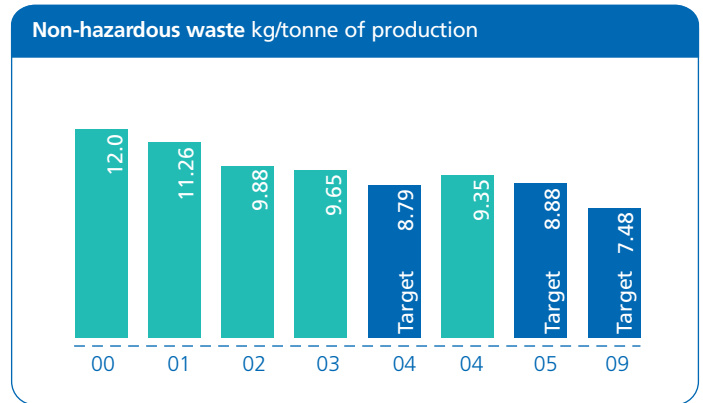


7. Eco-efficiency in manufacturing

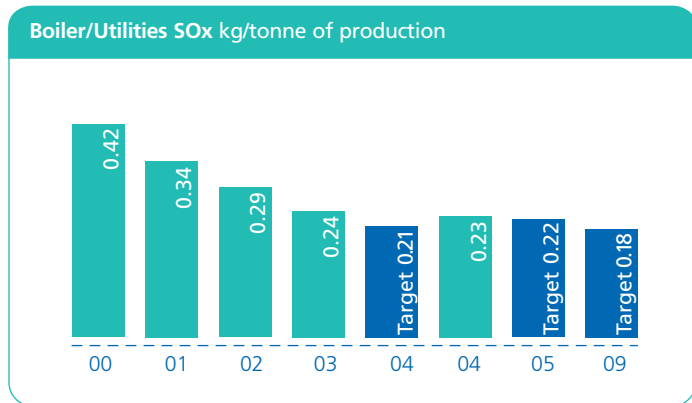
Performance trend data (continued)



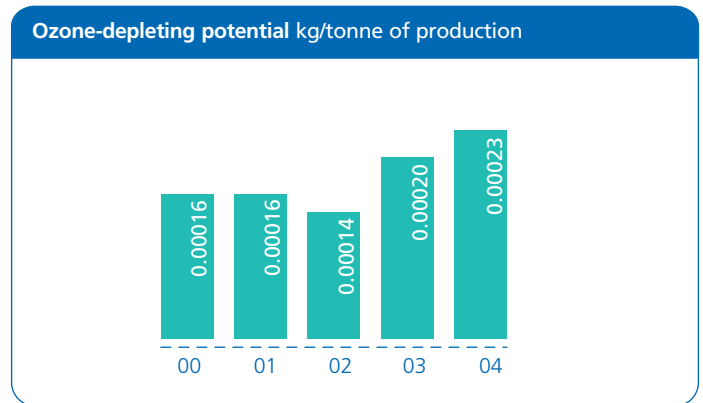
In 2004 we exceeded our target for reduction of hazardous waste, achieving a 20.7% reduction in load per tonne of production and a 25.9% decrease in absolute load. This was largely achieved through: reduced product losses at some sites, leading to less effluent treatment plant sludge; improved management of hazardous waste; and restructuring at two sites (sale of a refinery and the closure of a bleaching operation) ↗.



In 2004 we achieved a 3.1% reduction in load per tonne of production and a 9.8% reduction in absolute load of non-hazardous waste. Despite these improvements, we missed our target for non-hazardous waste by 6%. This was primarily due to higher levels of discontinued product returns, more development trials and overloading of two effluent treatment plants. In 2004, 79% of our total waste (hazardous and non-hazardous) was sent for recycling ↗.



In 2004 we achieved a 6.3% reduction in SOx emission load per tonne from our boilers and utilities, and a 12.4% reduction in absolute load. The trend continued away from heavy fuel, oil and coal towards using gas in our boilers, resulting in lowered SOx emissions. However, we did not meet our stretching target of 11.7% reduction, largely due to: greater coal usage at a growing site; non-availability of low-sulphur fuel oil in some cases; and improved measurement of sulphur content of fuels ↗.



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 2004, the amount of ODP increased on 2003, largely due to losses occurring during plant decommissioning and improved reporting of fumigation activities. Overall there was an improvement in the management of ODPs: 70 sites reduced their ODP by more than 50% of the value in 2003 ↗.

AIMING FOR ZERO PROCESS EFFLUENT

In 2004, 75 (approximately 20%) of Unilever sites worldwide achieved zero process effluent. Our Warrington laundry detergent factory in the UK is just one of the sites working towards this goal. In 2004, the factory's action plan to reduce offsite effluent also made a saving of more than €800,000 (compared to 2003). Six key changes were made to the production processes, aimed at reducing excess water usage, enabling reuse and improving recovery of used water. At the end of 2004 the Warrington team had achieved the target of zero effluent offsite.



7. Eco-efficiency in manufacturing

Environmental impact data

In addition to reducing our impact per tonne of production, in 2004 the total environmental impact of our manufacturing sites decreased for most of our key performance indicators.

Unilever manufacturing performance 2000–2004: trends in absolute load to the environment



Prosecutions, fines and measuring performance

Scope of data

In 2004, 365 manufacturing sites reported environmental performance data. These were located in 70 different countries. 27 new sites reported. 37 existing sites were sold or closed; most of these did not report. We also collect data on environmental prosecutions and fines, including from our corporate head offices and research laboratories (an additional nine sites). We do not collect data from third-party companies that manufacture or pack our products.

Quality of data

We have continued to simplify and improve the collection and reporting of environmental performance data via a global electronic system. Highlights for 2004:

- 100% of sites reported environmental data
- 98.6% of sites reported on all key environmental parameters, apart from COD
- 93.4% of sites reported COD data

- following feedback from the business, the pro-forma used for collecting the environmental performance data was simplified and updated guidance was provided to support this.

Environmental prosecutions and fines

The table below is a summary of the penalties incurred for infringement of environmental regulations. The prosecutions and fines cover our manufacturing sites (365) and our corporate head offices and research laboratories (9).

There were eight fines in 2004, seven of which were for exceeding regulatory limits for liquid effluent as a result of non-compliance and spillages, and one of which was for exceeding noise emission limits. There were no serious environmental incidents reported from Unilever sites in 2004. Our aim remains to achieve 100% compliance.

RESTORING OUR SITE AT KODAIKANAL



We continue to prepare for final restoration of our site at Kodaikanal in India, where Hindustan Lever used to make medical thermometers containing mercury. In March 2001 the factory was closed, after information provided to us by a local NGO showed breaches of procedures for the disposal of scrap glass containing mercury.

Back in June 2002 we applied to the Tamil Nadu Pollution Control Board (TNPCB), the regulatory authority that has jurisdiction over this issue, seeking permission for remediation of the site to the more stringent Dutch residential standards. As soon as this approval is received we will commence the remediation work, which we expect to complete within 12 months from that time.

Environmental Prosecutions & Fines 2000 - 2004
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 (€)
2000	435	435	8	45,814
2001	472	464	9	19,222
2002	409	408	2	1,939
2003	384	383	6	3,749
2004	374	374	8	24,430

TELL US WHAT YOU THINK

We welcome feedback on our environmental reporting. Please tell us what you think. You can contact us via our website [🌐](#). Alternatively send your comments direct to society.info@unilever.com.

8. Assurance

Independent verification of our Environmental Report has been carried out since 1996. The latest statement from our verifier, URSVL, is published below, together with our response.

Verifier's statement

URS Verification Ltd (URSVL) was commissioned by Unilever to provide an independent verification of selected environmental data and related claims presented on the Unilever website (www.unilever.com/ourvalues under the Environment and Society section) and in the printed Environmental Report 2004. The scope of this statement is the Environmental Report 2004; a further statement which covers the website will be produced once the website has been updated.

Key objectives of the verification included reviewing the:

- materiality and completeness of the environmental information reported;
- effectiveness of data collection systems;
- accuracy of environmental performance data at a sample of sites; and
- progress in implementation of the environmental strategy.

Responsibilities of Unilever and Verifiers

The information contained in the Environmental Report 2004 is the sole responsibility of Unilever. This verification statement represents the independent opinion of URSVL. URSVL was not involved in the preparation of any material included in this report or on Unilever's website.

Verification Method

URSVL environmental auditors conducted the verification process following the general principles of environmental auditing and audit procedures as contained within the international standards, ISO 19011. We have also embedded in our approach certain principles of the Global Reporting Initiative (GRI) and the assurance element of AA1000, an accountability framework.

URSVL has developed an appropriate sampling strategy to meet the requirements of Unilever's three-year verification cycle. This year the scope comprised:

- verification of quantitative data from ten sites identified as being significant contributors to Unilever's environmental footprint, representing 4–7% of the impact from key parameters;
- interviews at a corporate and business group level; and
- an interview focusing on Unilever's sustainable water initiative.

The site sample and business group interviews focused on three business groups (HPC Latin America, Ice Cream and Frozen Foods Europe; and the Africa, Middle East and Turkey (AMET) business group).

Opinion

Materiality & Completeness

Unilever has considered its environmental impacts and identified which are material and required to be managed through its environmental strategy. Overall the company reports on its management of these material environmental issues in a fair and balanced way, and is to be commended for its open reporting where performance has fallen short of targets. However, a fuller discussion of certain impacts, dilemmas and challenges would provide a more complete account of Unilever's environmental performance.

At the end of 2004, Unilever conducted a stakeholder engagement process to inform the development of its environmental and social reporting. Unilever has begun the process of addressing how stakeholder opinion should be reflected in its report. However, further work remains to be done to ensure that the depth and

emphasis of reporting on certain issues responds to stakeholder opinion and that the relevant information is readily accessible to key stakeholder groups.

In Unilever's response to the verifier's statement in the 2003 Environmental Report, the company committed to considering ways of measuring progress towards implementation of the environmental strategy. There has been significant activity related to the key goals of the environmental strategy, however, it is difficult to assess progress towards meeting those goals in the continued absence of a timetable for implementation.

Accuracy

Our assessment of data accuracy is based on a sample of environmental data related only to eco-efficiency within Unilever's manufacturing operations.

The environmental performance reporting (EPR) process remains an effective data collection and reporting tool which is embedded in business processes. URSVL notes that the data collected is being used to review and prioritise efforts in eco-manufacturing within some parts of the business, and further benefits could accrue from the wider adoption of these practices.

It is our opinion that data generated by the EPR process is generally accurate when aggregated at a divisional and corporate level. Improvements in business group data validation processes have been implemented, and these have increased efficiency in data management and reporting.

No systemic failures affecting data accuracy were identified during the assurance process, however, a number of minor variances in site reported data were recorded. These were mostly due to omissions and errors in calculations. One error, which was significant when

8. Assurance

aggregated to a business group level, was due to a particular site not meeting corporate requirements in reporting practice. Variances identified during the site visits have been amended in the reported data set as part of the assurance process.

Suggestions for Improvement

We invite Unilever to consider the following:

- conducting a fuller discussion of certain impacts, dilemmas and challenges in the context of its environmental strategy
- how the emphasis and depth of its reporting should best respond to the results of the stakeholder engagement process and how access to relevant information for stakeholders can be best presented
- the development of milestones for implementation of the environmental strategy to enable a more transparent assessment of progress towards meeting the strategic goals
- encouraging the wider use of environmental performance data collected to review and prioritise efforts within eco-manufacturing.



David Westwood

Director

For and on behalf of URS Verification Ltd,
London, April 2005



URSVL has carried out its services by checking samples of data, information and documents which have been made available to URSVL by Unilever. Accordingly, URSVL has not checked or reviewed all of Unilever's data, information and documents. The verification statement provided herein by URSVL is not intended to be used as advice or as the basis for any decisions, including, without limitation, financial or investment decisions.

UNILEVER RESPONSE TO VERIFIER'S STATEMENT

URSVL have continued their programme of verifying our environmental performance on a rolling basis covering each of our global business areas. As the verifiers indicated, they have focused on implementation of our environmental strategy, management systems and our data collection programme and have reviewed our progress in these areas.

URSVL conclude that we have reported progress against our material environmental issues in a fair and balanced way in the 2004 Environmental Report. In addition URSVL have acknowledged further developments in our stakeholder consultation on reporting and wider use of the environmental performance reporting (EPR) data in our eco-efficiency programme. They have identified areas where we can improve and we will take this on board in our programme for 2005/2006.

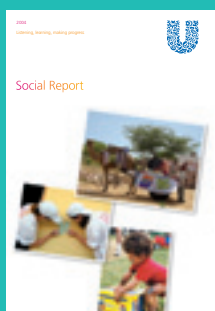
With regard to the verifier's suggestions for our environmental programme and future reporting, these will be taken into account in our on-going work programme.

- in our reporting we will continue to look for ways to build a greater understanding of our business through discussion of our impacts, dilemmas and challenges
- our printed report is a summary of our environmental performance. In the light of the feedback from our stakeholder consultation on reporting we are working to make it easier to access performance information online
- as part of the implementation of our environmental strategy, we will be developing milestones to monitor successful implementation
- we will increase the use of EPR data to improve the eco-efficiency of our manufacturing operations.

In addition to publishing an annual Environmental Report, we regularly update the Environment and Society section of www.unilever.com/ourvalues. Check these pages to follow our progress.

Online links and publications

For information on our social performance, please see our Social Report, published alongside this Environmental Report and our Annual Review. More information on our environmental and social activities is available on our website, at www.unilever.com/ourvalues/environmentandsociety. The site is our principal means of communicating our performance and is updated throughout the year.



Social Report 2004



Unilever Annual Review and Summary Financial Statement 2004

Unilever sustainability initiatives



Growing for the Future II
Unilever and Sustainable Agriculture (2002)

Fishing for the Future II
Unilever's Fish Sustainability Initiative (FSI) (2003)

Unilever and Water
Towards sustainability (2003)

SWIM Water for the Future
Through working with our partners (2003)

Living Lakes
Guidelines and case studies for improving lake management (2003)

Unilever sustainable agriculture initiatives



Tea A Popular Beverage
Journey to a Sustainable Future (2002)

Palm Oil
A Sustainable Future (2001)

In Pursuit of the Sustainable Pea
Forum for the Future in collaboration with Birds Eye (2002)

Growing for the Future*
Spinach: For a Sustainable Future (2003)

Growing for the Future†
Tomatoes: For a Sustainable Future (2003)

Good agricultural practice guidelines



Sustainable Tea
(2002)

Sustainable Palm Oil
(2003)

Sustainable Vining Peas*
(2003)

Sustainable Spinach*
(2003)

Sustainable Tomatoes†
(2003)

*Available in English, German and Italian †Available in English and Portuguese

Unilever N.V.
Weena 455, PO Box 760
3000 DK Rotterdam
The Netherlands

T: +31 (0)10 217 4000
F: +31 (0)10 217 4798

www.unilever.com

Unilever PLC
PO Box 68, Unilever House
Blackfriars, London EC4P 4BQ
United Kingdom

T: +44 (0)20 7822 5252
F: +44 (0)20 7822 5921

Unilever PLC registered office
Unilever PLC
Port Sunlight
Merseyside CH62 4ZD
United Kingdom



Unilever