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About this report

This report presents an overview of Unilever's impact on society and the environment. Here we set out our commitment to responsible business practice and report on our performance in 2005.

Every day, people around the world choose our products to feed their families and clean themselves and their homes. This simple fact illustrates the main way in which we make a positive contribution to society: by meeting people's basic needs for nutrition, hygiene and personal care with the brands we sell.

Our commitment is to manage our social and environmental impacts responsibly, to work in partnership with our stakeholders and to contribute to sustainable development. In this we are guided by a clear set of values and standards that govern the way we do business. These are set out in our Corporate Purpose and our Code of Business Principles.

This report starts by focusing on three 'big picture' issues which we believe are our most important impacts:

- the social impact of our products, principally on people's health through nutrition and hygiene;
- the steps we are taking to minimise our environmental footprint and secure sustainable supplies of key raw materials;
- how our operations create wealth and how this benefits stakeholders and local communities.

We go on to explain our management approach to corporate responsibility and then, in the performance review section, address a range of issues of concern to stakeholder groups – current and potential employees, our partners in business and social projects, governments and specialist external audiences, as well as interested consumers and investors.

www.unilever.com

Our website is our principal means of reporting and is regularly updated during the year. It has further information on the issues we explore here, additional case studies and more detailed performance data. We also provide an index using the 2002 Global Reporting Initiative guidelines, an account of our contribution towards achieving the Millennium Development Goals and a report on progress against the UN Global Compact principles.

► Turn over for key facts about our business

About Unilever

Our Corporate Purpose and Vitality Mission

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 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.

150 million times a day, all around the world, people choose Unilever brands.

Unilever is one of the world's largest consumer goods companies with a turnover of nearly €40 billion and more than 200,000 employees. We produce 400 brands across a range of food, home and personal care products. We have operations in around 100 countries, and our products are sold in about 50 more.

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

The Unilever Group was created in 1930 when the British soap-maker Lever Brothers merged its businesses with those of the Dutch margarine producer Margarine Unie. Although we retain two parent companies with primary listings on the London and Amsterdam stock exchanges, we operate as one. We have a unified board with a non-executive chairman, a group chief executive responsible for the day-to-day management of the business and a streamlined executive team.



The Unilever brand

Our identity is an expression of vitality, which is at the heart of everything we do – our brands, our people and our values. Our company name is on the packaging of our brands, so that people know who we are, what we do and what we stand for.

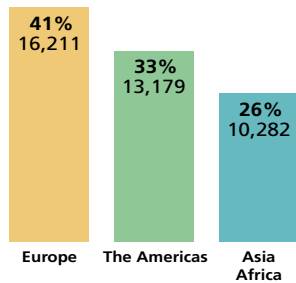


Key facts 2005

Turnover

€ millions and % by region

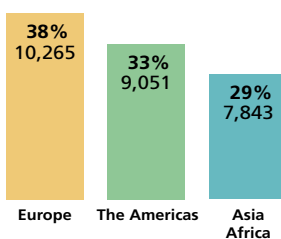
39,672



Purchases of goods and services

€ millions

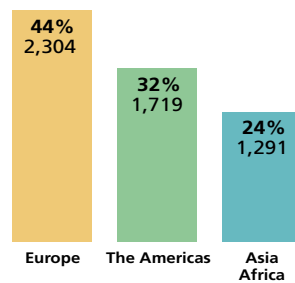
27,158



Operating profit

€ millions and % by region

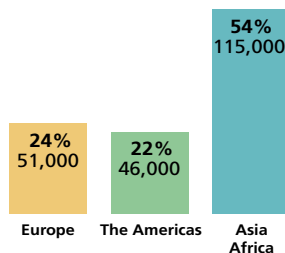
5,314



Number of employees

Average

212,000



Note: Unilever adopted International Financial Reporting Standards (IFRSs) as adopted by the EU with effect from 1 January 2005, with a transition date of 1 January 2004. For multi-year charts in this report 2004 is shown as IFRS and pre-IFRS to allow comparison with previous years.

For more information see www.unilever.com, including our Annual Review and Report and Accounts 2005.

Our brands

We have a powerful portfolio of food and home and personal care brands, including twelve €1 billion brands and global leadership of many of the categories in which we operate.



Introduction

Welcome to Unilever's Environmental and Social Report for 2005. In this document we describe how we deal with the impact that our business activities are having on the environment and the communities in which we operate around the world.

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. Our efforts are guided by our Code of Business Principles which sets the standards of behaviour we demand from all our employees. It is against these standards that, as a company, we expect to be judged.

For Unilever, 2005 was a challenging year. Our single-minded focus was to make the company more competitive and return it to growth. This involved a fundamental change to our system of governance, a reorganisation of our internal structures and a reduction in the numbers of senior managers. The impact of these changes gradually made themselves felt during the year and we exited 2005 with good rates of growth and satisfactory levels of profitability.

Improved business performance has not come at the expense of our environmental and social goals. We have continued to make good progress in our drive for eco-efficient manufacturing and have achieved all the targets that we set ourselves for 2005. We have retained focus on sustainability – particularly in agriculture. In addition to our own programmes on tomatoes, tea, peas and spinach, our strong support and leadership of the Roundtable on Sustainable Palm Oil has resulted in the creation of industry-wide guidelines and a membership of 100 organisations.

In the social area, too, we have maintained momentum. The highlights here have been our Nutrition Enhancement Programme where we

have improved the nutritional profile of our products as a response to growing concerns about poor diet and obesity. We have also strengthened our partnership with UNICEF, with whom we are working on ambitious plans to bring improved hygiene and better nutrition to large parts of Asia, Africa and Latin America.

Last but not least, the value of our community giving went up in 2005 to €79 million (from €65 million in 2004). Much of this increase resulted from the response of our business to the victims of the Asian Tsunami and Hurricane Katrina.

Clearly there remains much to be done. In October the new executive team reviewed our strategy for corporate responsibility. As one of the outcomes of this, we asked managers working in the areas of the supply chain, environment and sustainability to re-energise their programmes and set more challenging targets. We also set up a Corporate Responsibility Council to oversee all activities in this area. This will be chaired by an executive board member – Ralph Kugler.

In future, we intend to integrate our environmental and social activities into our business plans. We want them to become part of our business model and the day-to-day management of our company.

Thank you for taking an interest in this report of the progress we are making. Please tell us what you think – we welcome your honest feedback.



Antony Burgmans
Chairman (left)



Patrick Cescau
Group chief executive (right)



Our impacts at a glance

With operations in around 100 countries, directly and indirectly Unilever has a significant footprint in many areas of society. As a responsible business, we seek to understand and manage our social, environmental and economic impacts, working in partnership with our suppliers and customers, with governments and NGOs, and increasingly with the consumers who are at the heart of everything we do.

€953m
invested in R&D, equivalent to 2.4% of sales

5,169
scientific staff in R&D

€15.9bn

spent with some 10,000 suppliers of raw materials and packaging and goods purchased for re-sale

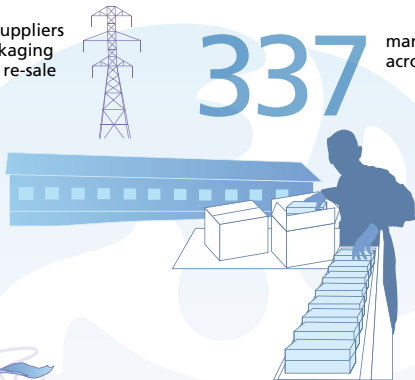
337 manufacturing sites across six continents



Exploring the future of world water resources with the World Business Council for Sustainable Development



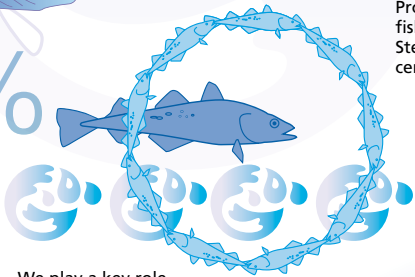
Working with UNICEF to reduce child mortality in Asia, Latin America and Africa through better hygiene and improved nutrition



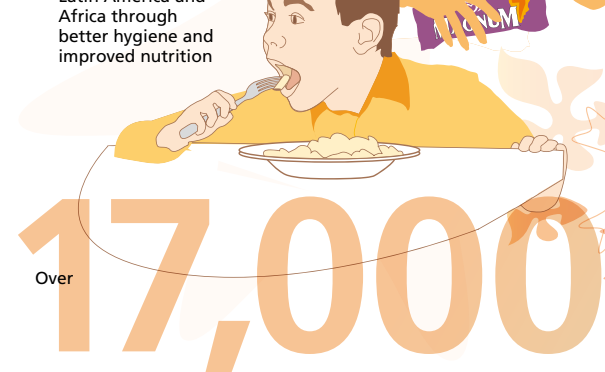
Promoting sustainable fishing through Marine Stewardship Council certification

Over 65%

of our raw materials come from agriculture



We play a key role in the Roundtable on Sustainable Palm Oil



Over 17,000

food products reviewed through our Nutrition Enhancement Programme

Production

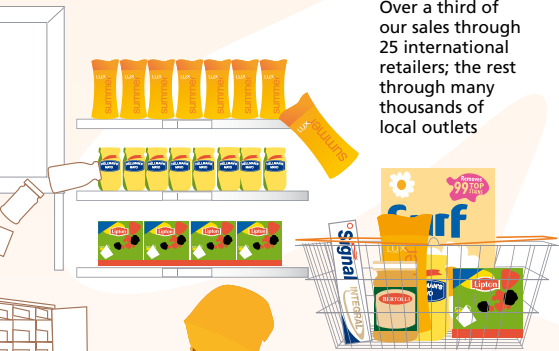
We source and buy raw materials and ingredients from suppliers to manufacture products that meet the needs and differing tastes of consumers all over the world.

2005

Nearly
€5 bn

invested in advertising and promotions

Over a third of our sales through 25 international retailers; the rest through many thousands of local outlets



Working with the FDI World Dental Federation to encourage better oral health



Consumers

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

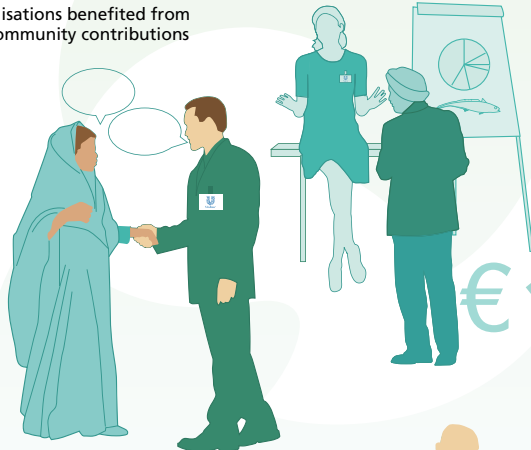
€1.6 bn

paid in taxes

11,900

organisations benefited from our community contributions

Explored our local economic impacts in Indonesia, through a joint report with Oxfam



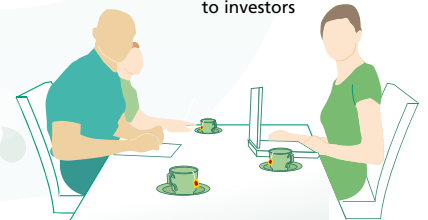
148 m

people reached through our community programmes



€1.9 bn

dividends paid to investors



The world around us

We share the wealth our operations create with investors, governments, employees and others, and work with partners at local, regional and international levels.

Health: nutrition and hygiene

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.

In India, rural women, such as Jaya Bharaehi (left), have been trained to give talks on basic health practices to community gatherings. This is part of 'Shakti Vani', a branded communication programme to educate rural communities about pre- and post-natal care, infant nutrition, sanitation, good hygiene practices and the prevention of common diseases. In 2005, the programme covered 20,000 villages, reaching around 20 million people.



Throughout our history we have developed brands that meet people's basic needs and make a difference to their lives. Over 120 years ago, William Hesketh Lever, one of Unilever's founders, explained his purpose: "to make cleanliness commonplace; to lessen work for women; to foster health and to contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products."

Today our vitality mission leads us to explore new ways to address this goal. With a product portfolio spanning food and home and personal care, we are uniquely placed to make a contribution.

People around the world are more and more interested in how the food they eat can contribute to a healthier, more fulfilling lifestyle. However, this is not always easy to achieve:

- some consumers must combine the need for a nutritious, well-balanced diet with the desire for convenience in their busy lives;
- many more lack adequate incomes even to make such choices;
- consumers can be confused by marketing claims or seemingly conflicting health advice.

And on hygiene, despite major advances in understanding of public health, too many people still suffer life-threatening diseases – even though simple changes in behaviour, such as washing hands with soap, can save lives. Lack of awareness and affordability of products remain barriers to progress, while millions still lack access even to clean water and basic sanitation. In this context, our products offer just one part of the solution in the drive towards better hygiene.

So our approach on nutrition and hygiene is twofold: to take action ourselves where we have a direct role and clear commercial rationale; and to work through partnerships with governments, non-profit organisations and community groups for longer-term solutions.

For example, we are working with the United Nations Children's Fund (UNICEF), to cut childhood mortality through nutrition and hygiene projects. This will help to achieve UN Millennium Development Goal 4 which seeks a two-thirds reduction, between 1990 and 2015, in the under-five mortality rate.

As well as activity at the local level, we seek to play our part in addressing global public health issues, working with a range of international health organisations such as:

- UNICEF on children's health and development;
- the World Heart Federation on cardiovascular health;
- the FDI World Dental Federation on oral hygiene and dental health; and
- the World Health Organization on combating chronic diseases including obesity.



Dutch margarine producer Margarine Unie and British soap-maker Lever Brothers came together in 1930 to form the Unilever Group. Three quarters of a century later, we remain one of the world's leading producers of soap and spreads.

Health and nutrition

As a leading food manufacturer, we can make a difference to the diets of millions of people around the world. The challenge is to make our products the healthy choice for consumers without compromising taste, convenience and affordability.

Knorr Vie

People the world over do not eat enough fruit and vegetables. The World Health Organization and the UN Food and Agriculture Organization recommend a minimum intake of 400g/day, but the average is only 100g/day in developing countries and around 300g/day in the western world. In 2005 we launched *Knorr Vie* in Europe, a smoothie-style drink made from concentrated vegetable and fruit juices without any additives. In a 100ml bottle, it provides half the recommended daily intake of fruit and vegetables.



Individuals and governments are becoming seriously concerned about the role of food in healthier lifestyles. For some consumers, the issue is 'over-nutrition' – consuming too much of certain nutrients, which can lead to obesity and heart disease, especially when combined with a lack of physical activity. For others, it is 'under-nutrition' – not getting enough of the right type of nutrients.

In 2004 we publicly committed to a programme of action to help individuals make healthier choices:

- to seek improvements in the quality of nutrition in our brands;
- to enhance nutrition labelling and increase consumer information; and
- to develop new products through innovation.

We also recognised that working in partnership with others was essential to delivering these commitments.

Nutrition Enhancement Programme

We are reviewing our entire worldwide food portfolio through our Nutrition Enhancement Programme. Our aim is to achieve improvements in the nutritional composition of our products without compromising safety, quality, taste or affordability.

We are looking in particular at four nutrients: trans fat, saturated fat, salt and sugar. International dietary guidelines recommend that people reduce intake of these nutrients because of links with health problems such as obesity, heart and dental disease. The Unilever Food and Health Research Institute has translated these dietary guidelines into benchmark levels for nutrients in our products.

Over two years we have examined the composition of some 17,000 products, which represents our entire retail portfolio and just under half the portfolio of *Foodsolutions*, our

business for foodservice professionals. This has resulted in individual action plans being drawn up to improve, where possible, the nutritional profiles of products. The *Foodsolutions* team are looking to complete their remaining assessments in 2006.

Sugar in products as diverse as ketchups and *Lipton Ice Tea* in Europe is being cut by 10%, and added sugar in our children's ice creams in Europe by 10–20%. In Australia and New Zealand, we have cut salt by 25% from 130 savoury and meal products. Salt in our European soup brands will also be reduced by 10%. We will continue to make further improvements in nutritional composition across our portfolio.

Consumer information

We are committed to providing information to consumers to enable them to make informed choices. This means transparency on the nutrition values of our products through on-pack labelling, telephone carelines and websites.

We continue to work with national governments, retailers and other partners on how best to promote better information. One way is through front-of-pack labelling. We are working on a clear and simple logo that indicates the 'positive choice' on the front of our packs, based on the benchmarks developed through our Nutrition Enhancement Programme. We are exploring how best this can be implemented while taking into account wider industry developments.

We also support nutrition labelling on the back of packs, based on guideline daily amounts, to provide objective, fact-based information on how much of a nutrient like fat it is sensible to eat in one day.

Innovating to widen consumer choice

Another strand of our strategy is to broaden the choice of products available to consumers. We provide product varieties with different levels of nutrients, for example, low-fat versions of our spreads and mayonnaise, as well as different portion sizes. We are also investing in developing new products with added health and nutrition benefits. We expect these to become a growth area in our food portfolio in the future. This work is led by the Unilever Food and Health Research Institute which employs 450 scientific staff and collaborates with external experts on product innovation.

Continuing commitment




Reduced levels of fat and sugar are already helping consumers to manage their energy intake. Through the Nutrition Enhancement Programme, we are working to ensure products have optimal energy levels. We are piloting a system to assess the combination of energy density and portion size.

Where under-nutrition is the critical challenge, we are fortifying foods in some markets to overcome nutrient deficiencies, such as enriching *Rama / Blue Band* spread with vitamins A, B and D in Africa. Our aim is to provide high-quality, affordable products in a way that is commercially viable. In Kenya, we celebrated the 50th anniversary of *Blue Band* with a price reduction of 12%. This resulted in a significant volume growth of 20% and helped increase vitamin intake.

Working through partnerships

As part of our international partnership, UNICEF and Unilever are working together to raise awareness of the health benefits of using iodised salt in three African countries. In Latin America, the partnership focuses on fortified complementary feeding for children aged six to 24 months. A new global initiative, the Partnership for Child Nutrition, was formed in 2005 by UNICEF, Unilever and Synergos, an independent non-profit organisation working to deliver sustainable local solutions to poverty. This initiative is starting in India where a broad coalition of government, private sector and community-based organisations are thinking through solutions to combat child malnutrition.

Online

-  **Our nutrition policy**
-  **The Unilever Food and Health Research Institute**
-  **Working with others – UNICEF, Partnership for Child Nutrition, Micronutrient Initiative, Global Alliance for Improved Nutrition, World Heart Federation**

Ice cream

Ice cream is primarily about pleasure and indulgence, but eaten sensibly it can form part of a nutritionally balanced diet. We provide a broad range of options, with light, low-fat and no-sugar-added versions. Many brands, such as *Cornetto* and *Magnum*, are available in snack size, too, to help with calorie control. From 2006, most of our ice creams will be labelled with the values for eight nutrients, including energy, protein, fat and sugars.

We invest around €50 million in ice cream research and development each year, and 40% of this is now devoted to opportunities in the fast-growing health and wellness sector.

Becel/Flora pro-activ

According to the World Health Organization, heart disease is the principal cause of premature death worldwide. We work in partnership with the World Heart Federation and national groups to promote heart health. Reducing cholesterol is key to minimising risks. Our *Becel/Flora pro-activ* was originally launched as a spread to help people reduce cholesterol levels. It is now available as milk drinks and yoghurt products too. Between 2003 and 2005 sales of the *pro-activ* range grew by 40% and it now reaches some 13 million households.

Recognising the benefits, several health insurance companies in Europe are now encouraging their customers to use *Becel pro-activ*.



Health and hygiene

Better hygiene has led to dramatic improvements in public health over the last 150 years. Many Unilever products help to improve personal and home hygiene. Yet for too many people today, the potential for better health remains unrealised.

Preventable diseases such as diarrhoea lead to more than 2 million deaths every year. Yet a 2004 World Bank study estimates that simple hygiene practices like washing hands with soap could halve the number of childhood deaths from diarrhoea. Likewise, brushing with fluoridated toothpaste twice a day cuts the likelihood of tooth decay. But even in affluent countries, only around one in four people looks after their teeth properly, with even fewer in disadvantaged communities.

We do not simply make products like soap and toothpaste that can help provide basic hygiene. Our consumer understanding and skills in marketing mean that we can also help educate people about the benefits of simple hygiene improvements.

That is why in 2005 we brought together a team of experts from across the business to form the Unilever Global Health through Hygiene Programme (GHHP). Their aim is to co-ordinate and enhance the impact of our hygiene initiatives around the world. This includes taking the best examples of effective programmes from one brand or country, and developing them to address a broader range of consumer hygiene needs elsewhere in Unilever.

The GHHP will build and draw on strong relationships with international partners such as UNICEF and the London School of Hygiene & Tropical Medicine to develop and implement more effective hygiene programmes.

Hygiene education

Our five-year *Lifebuoy* 'Swasthya Chetna' ('Health Awakening') programme in India continues to expand in rural communities. We work in partnership with parents, health educators, teachers, community leaders and government agencies to deliver the biggest health education initiative ever undertaken in the country. Swasthya Chetna aims to educate 200 million people – 20% of the population – about basic hygiene habits, including washing hands with soap.

The campaign started in 2002 in the eight Indian states where deaths from diarrhoeal diseases are highest and soap sales are lowest. By the end of 2005 it had reached around 18,000 villages.

Swasthya Chetna is not a philanthropic initiative but a marketing programme with social benefits. In 2005 sales increased by 10%, with particularly strong growth in the eight states where the programme was launched. In 2006 the programme is being extended to a further 10,000 villages in these states. Discussions are also underway with the Indian government to consider extending the programme to other states and beyond *Lifebuoy's* initial five-year commitment.

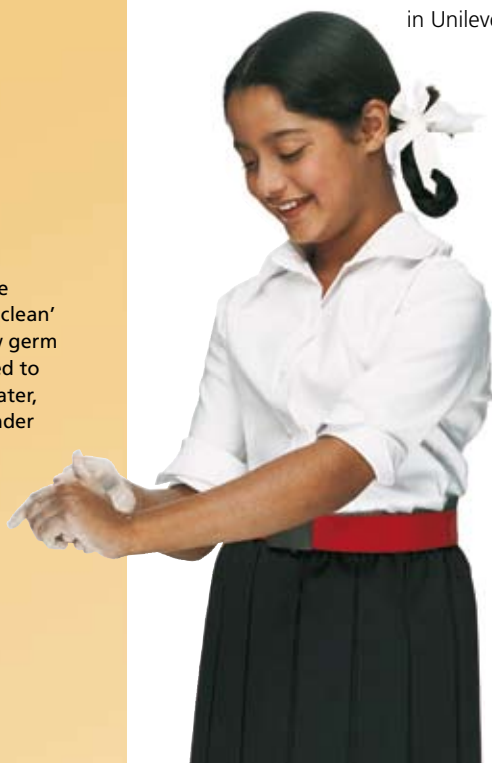
The World Health Organization estimates that around one in six people – about a billion individuals – does not have access to safe drinking water. Up to 80% of all diseases in developing and emerging countries, including cholera and typhoid, are water-related. Alongside promoting changes in behaviour such as handwashing with soap, we are exploring the commercial viability of our *Pureit* water purification product in India (see panel).



Pureit

Pureit is an in-home purifier providing water that is 'as safe as boiled' without needing electricity or pressurised tap water. Interim results from a trial conducted in a neighbourhood of Chennai, India by the National Institute of Epidemiology show a 51% reduction in incidences of diarrhoea with the use of *Pureit*.

Lifebuoy's 'glow germ' demonstration counters the misconception that 'visibly clean' is 'hygienically clean'. Glow germ powder glows when applied to hands washed only with water, providing a dramatic reminder of the need for thorough handwashing with soap.



Promoting oral health

Around the world, about 1 billion people do not brush their teeth at all, with some 2 billion only brushing once a day – an opportunity to grow our business while having an impact on their oral health.

During 2005, we entered an agreement with the FDI World Dental Federation, which represents 900,000 individual dentists, to launch Live, Learn, Laugh – a new global programme to improve dental health. Campaigns in 38 countries will stress that good oral care is essential for general health and well-being.



These campaigns will build on activity already taking place. For example, in Nigeria, our Nutrition and Dental Health Schools Campaign will educate 2 million people about oral health over the next five years as well as helping dentists to raise awareness of oral hygiene. In parallel, our *Close Up* toothpaste brand launched Project Smile to bring oral healthcare products and advice to rural communities in Nigeria, where only about 60% of the population use toothpaste. The campaign involved retailers of all sizes, including the very smallest, as partners. We created branded kiosks – tiny shops – to promote *Close Up*. These gave young unemployed people an opportunity to make a living by creating new long-term outlets, as well as offering existing retailers a way to showcase their wares. The success of the campaign meant that it was quickly extended into towns and cities and over the year, sales rose by 35%.

At the same time we are developing new products, including the world's first quality 25 US cent toothbrush, launched in early 2006.

Dental hygiene is important in developed markets too. In the UK, for example, we are working with the University of Liverpool to study ways to achieve long-term change in tooth-brushing practices among children from disadvantaged backgrounds.

Hygiene research

Over recent years, support from Unilever has enabled a hygiene centre to be set up at the London School of Hygiene & Tropical Medicine. Already recognised as a worldwide authority in hygiene, sanitation and household water treatment, the Centre develops evidence-based programmes for improving public health in the developing world.

We have agreed a new three-year research programme with the Centre. Its aim is to understand hygiene behaviour better, to identify barriers to change and from this to develop approaches to improving hygiene practices that can be complemented by our own products. The programme will include collaboration with other partners such as the Global Public-Private Partnership for Handwashing with Soap, in which we are already a key player.

Online

-  **Global Health through Hygiene Programme**
-  **Lifebuoy's Swasthya Chetna programme in India**
-  **FDI World Dental Federation**
-  **Hygiene Centre, London School of Hygiene & Tropical Medicine**
-  **Global Public-Private Partnership for Handwashing with Soap**



Domestos offers hygiene advice

It is estimated that 80% of food-poisoning cases in Britain are caused by poor food hygiene in the home and that over half of people in Britain are unaware of the risks associated with household germs. Our UK *Domestos* team launched an awareness-raising roadshow highlighting the importance of good hygiene, using a germ-testing box to show germs living on hands.

We also developed a cinema-themed website so that children, in particular, could explore the subject further. See www.millionsofgerms.com.

In South Africa our *Domestos* teams visited local health clinics and 'stokvels' (community savings clubs) in the three biggest cities. Reaching over 93,000 people, mainly women from townships, the teams used practical demonstrations to promote awareness of germs, diseases and the importance of home hygiene, especially in conditions where many people share toilets.

Sustainability

We recognise the need to align economic growth, environmental protection and social progress for a sustainable future.

Two growers hand-harvesting tomatoes in Goiânia, near Brasília, Brazil. As part of our Sustainable Agriculture Programme we are working with growers to improve their efficiency through pest control, waste reduction, better harvesting techniques, grower education programmes and financial incentives to install drip irrigation systems. Most of the tomatoes used in brands such as *Knorr Cica*, *Pummaro*, *Ragú* and *Bertolli* are grown under contract by farmers in Brazil, Greece and the United States.



We are committed to contributing to sustainable development and work with other businesses, civil society organisations and governments towards achieving this goal. We recognise this as a commercial imperative as we will only be able to maximise shareholder value and prosper in the long term if we operate in a more sustainable way.

When we first started thinking about sustainability in the mid-1990s, we chose areas where we had a direct interest and a clear contribution to make. We also understood that many of the crucial issues were outside our immediate control, so partnership working became central to our approach.

We have focused on three initiatives: in agriculture, fish and water. More than two-thirds of our raw materials come from agriculture. Over the past decade, we have been one of the world's largest whitefish buyers, so securing sustainable fish stocks into the future has been of crucial importance. Water stress, too, represents a growing issue for sustainable development, and is an increasingly critical factor in our own operations and for consumers who use our products for washing or cooking.

Despite the announcement in early 2006 of our intention to sell the majority of our frozen foods businesses in Europe, our commitment to these sustainability initiatives remains unaltered.

At the same time, over the last ten years, we have been using life-cycle analysis techniques to find ways to reduce the environmental impacts of making, using and disposing of our products. We continue to expand our work looking at packaging and transport through pilot studies in Europe and North America. It is already clear that many of the solutions go beyond what one company alone can accomplish, reinforcing the need for a partnership approach.

Now we are extending our life-cycle approach beyond environmental impacts to broader social and economic issues. In 2005 we began a pilot project on four of our major international brands to understand their footprint, address concerns and explore new opportunities. By working through our brand teams, we will raise awareness of sustainability issues and integrate them into our product innovation and design process. Future progress in this area depends on realising sustainability solutions that engage with consumers and meet their needs.

“Meeting the needs of the present without compromising the ability of future generations to meet their needs.”

This, in brief, is the Brundtland definition of sustainable development and it is the one we use too.

“Business has to play a role in addressing the social, environmental and economic challenges of development.”

Antony Burgmans, Chairman, at the International Sustainability Forum, Zurich, Switzerland, 2004.

“For us they are drops, for the planet they are tears.” A poster encouraging water saving, produced by Unilever employees at our foods factory in Pilar, Argentina.



Agriculture

With over two-thirds of our raw materials coming from agriculture, we need to be confident that these key crops have been grown in a sustainable way.

Working with our partners, our Sustainable Agriculture Programme aims to ensure continued access to key agricultural raw materials.

Steady progress on key crops

Starting in 1998, we identified five key agricultural raw materials, for which we have pilot projects with growers: palm oil, tea, tomatoes, peas and spinach. In 2003 we published our Good Agricultural Practice Guidelines for all five crops.

These guidelines use ten indicators for sustainable agriculture: soil health, soil loss, nutrients, pest management, biodiversity, value chain, energy, water, social and human capital, and local economy.

In 2005, as we extended our programme to include dairy farming in the Netherlands, we added an eleventh indicator to our guidelines: animal welfare.

Measuring change in agriculture can be a slow process. It takes two seasons to establish a baseline to track improvements against each of the 11 indicators, and crop rotation cycles can be as long as seven years. However, evidence emerging in 2005 showed signs of gradual improvements for all five key crops.

Extending our approach

Two years ago we began extending our approach to include other agricultural products that are important to our business: milk, gherkins and oilseed rape. These new materials are in brands such as *Ben & Jerry's*, *Amora Maille*, and our range of margarines and mayonnaise products.

Last year, in the Netherlands, *Ben & Jerry's* Caring Dairy initiative continued to work with farmers to promote sustainable practices in the dairy industry. In India, our sustainable gherkins programme has been piloting water-saving systems such as drip irrigation. In Germany, we worked with oilseed rape farmers to use specialised software to track key indicators, which will help us develop sustainability guidelines for this crop.

We have now extended our programme further to include olives and sunflowers. Our *Bertolli* brand is the biggest olive oil brand in the world, accounting for almost 10% of retail sales volume, and sunflower oil is the key ingredient in *Flora* margarine. In South Africa, we have begun working with farmers to develop sustainability guidelines for sunflower cultivation.

The commodities challenge

We buy a significant proportion of our crops on the world commodity markets, where we have little control over their source or how they are grown. This is why we joined the Responsible Commodities Initiative, launched by the multi-stakeholder Sustainable Food Laboratory to develop a common approach to sustainability standard setting across commodities.

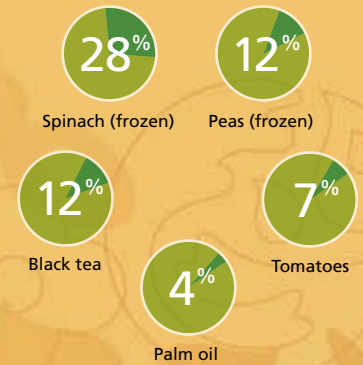
We will continue to share our expertise in this area, focusing on those commodities in which we are significant market players.

Online

-  [Sustainable Food Laboratory's Responsible Commodities Initiative](#)
-  [Roundtable on Sustainable Palm Oil](#)
-  [Roundtable on Responsible Soy](#)
-  [Sustainable Agriculture Initiative Platform](#)
-  [Growing for the Future 2005](#)
-  [Sustainability](#)

Unilever's share of world crops

% of world volume



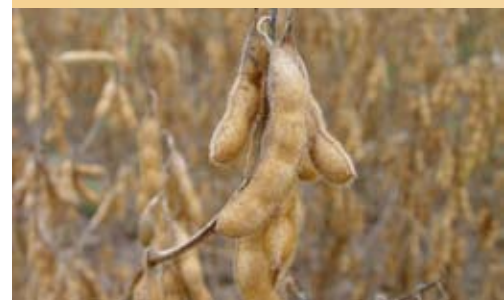
Palm oil and soya – an ongoing dialogue

We are founder members of the Roundtable on Sustainable Palm Oil and the head of our Sustainable Agriculture Programme, Jan Kees Vis, chairs its executive board. The Roundtable is unique in bringing together growers, processors, consumer goods manufacturers, retailers, investors and non-governmental organisations.

In 2005 the Roundtable published its Principles and Criteria for Sustainable Palm Oil Production, a key step forward in building shared understanding in the industry. These will be tested by a group of companies that have volunteered to take part in a two-year pilot.

We have joined the Roundtable on Responsible Soy, set up in March 2005. Soya beans (below) are a versatile source of raw material for us. We use the bean to produce our soya drink, *AdeS*, in Brazil, the oil in margarines and mayonnaise (outside Europe) and the lecithin as an emulsifier in many other products.

We are supporting responsible soya production by sharing our experience from our work on sustainable palm oil, as they have many issues in common.



Fish

Fish stocks worldwide are in serious decline, threatened by overfishing, so securing sustainable supplies is important for our business.

In 2005, we were one of the world's largest whitefish buyers for our frozen fish brands in Europe, including *Iglo*, *Birds Eye* and *Findus* (Italy). We also make fish products in India and Vietnam, and use seafood ingredients in some products in the US.

In February 2006 we announced plans to sell our European frozen foods business (except *Findus* in Italy). Our decision comes almost ten years after jointly establishing the Marine Stewardship Council (MSC) with the conservation organisation, WWF. The MSC, a non-profit, multi-stakeholder body, independent since 1999, has established a standard for sustainable fisheries management.

Although the sale of our European fish business will reduce our purchases significantly, we will maintain our active involvement in the MSC. We intend to offer the buyer of our European frozen foods business all our relevant knowledge and expertise on sustainable fisheries.

Supplier MSC certification



In 1996, we set a goal to source all our fish from sustainable sources by the end of 2005. We warned in early 2003

that we would not meet our target because of slow progress in fisheries converting to sustainable management practices.




Nonetheless we have made considerable progress. One of the world's largest fisheries, the Bering Sea Aleutian Islands Alaskan pollock fishery, was certified to the MSC Standard in early 2005. In the same year we introduced certified US Alaskan pollock in many of our European brands. Our use of certified pollock increased the proportion of our European fish products made from MSC-certified fish from 4% in 2004 to 46% in 2005.

Achieving scale

Despite the increase in fish certified to the MSC Standard on the market, insufficiently large quantities are available. This is why we have developed our own additional programme through which we assess the management practices of the fisheries that supply us. Our programme complements that of the MSC and, like the MSC, is based on the UN Food and Agriculture Organization's Code of Conduct for Responsible Fisheries.

At the end of 2005 we were buying 56% of our fish used in Europe (where we process the largest volumes) from sustainable sources. This includes fish from fisheries certified to the MSC Standard and those stocks that pass our own assessment.

Online

-  [Marine Stewardship Council](#)
-  [FAO Code of Conduct for Responsible Fisheries](#)
-  [Sustainability](#)



Leah Sheppard (above) is a certified on-board observer working for the US National Marine Fisheries Service: "We monitor the catch on board the fishing vessels and send the data back to base every day via satellite. This helps our scientists act quickly to prevent over-fishing, by setting limits. It is humbling to think that what I do helps protect the fishery for future generations."



Our German consumers were the first in Europe to be able to buy fish fingers made from sustainable Alaskan pollock (*Theragra chalcogramma*).



Water

Fresh water is crucial at every stage of our product life-cycle, from production and processing of raw materials to consumers using and disposing of our products.

The need for better water resources management is increasing in many parts of the world, due to rapid demographic, economic and social change. Through our Sustainable Water Initiative we are seeking to understand how we can contribute most effectively as a responsible user of a scarce resource. We are developing tools to understand our impacts better and to set targets for different parts of the business facing differing water challenges.

Our overall aim is to enable the business to grow without increasing our water footprint. We have been successful in reducing water use in our factories. We also recognise the need to address water use 'upstream', for example, in our agriculture supply chain, and 'downstream', when consumers use our products (see panel).

Understanding water use in our supply chain

Through pilot projects in our Sustainable Agriculture Programme, water impacts are currently measured at farm level. However, it is becoming more important to understand how water is allocated between competing local demands at catchment level where water is gathered from a river basin or lake system. In 2005, we reviewed our water impact across all five of our Lead Agricultural Programmes, in preparation for future work to measure water at catchment level.

Reducing water use in manufacturing

Through eco-efficiency in manufacturing, we have achieved further reductions in water use. In 2005, we reduced the total consumption of water in our operations worldwide by 2.3% and the load per tonne of production by 4.2%.

We have been able to maintain these continuous improvements through innovative projects run at factory level. Between 2003 and 2005, Project Medusa, a water-saving programme in our food factories across Latin America, achieved a reduction in total water


consumption of 7.9% and a 14.7% reduction in the load per tonne of production. During 2005, we initiated Project Conserve at our Vinhedo factory in Brazil. Focused on our personal care operations, this project aims to develop a step-by-step approach towards 'zero-effluent' factory operations. If successful, this approach will be extended to other Unilever operations around the world.

Innovating to help consumers reduce impacts

Water scarcity is a growing problem across India. A reformulated version of our washing powder, *Surf Excel*, was launched in India, which aimed to save two buckets of water per wash. In 2005, sales grew by 50% in the water-stressed states of Tamil Nadu and Andhra Pradesh in southern India. Sales also grew by almost 10% in northern India, where water is less scarce.

In South Africa, a Rhodes University project is assessing the impact of detergents used by local communities to wash clothes in a small South African river. Results indicate that the surfactants discharged into the river do not reach levels that could cause harmful effects. Further work is underway in the university laboratory to provide additional data that will help us model the biological responses to surfactants and apply the findings more widely.

Online

-  Sustainable Water and Integrated catchment Management principles (SWIM)
-  Eco-efficiency in manufacturing
-  Project Medusa
-  Rhodes University project
-  WBCSD water scenarios
-  Living Lakes Conference 2005
-  Water and Sanitation for the Urban Poor
-  Sustainability

Working with others

Locally

Critical to managing our water imprint is engaging with local community stakeholders, particularly in regions of high water stress. Unilever Philippines plays a leading role in the conservation of Laguna de Bay. With its partners, it hosted the 2005 conference of the Living Lakes programme which explored the role of communities in providing stewardship for lakes and wetlands.

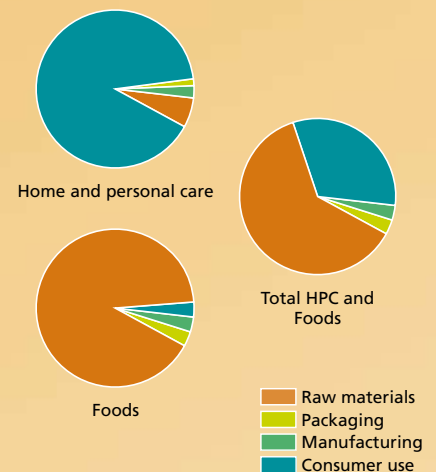
And internationally

Unilever has supported the World Business Council for Sustainable Development (WBCSD) water scenarios project over the past two years. The project, which completes its work in May 2006, will provide us with new insights into the linkages between technological progress, social, economic and environmental change and water governance.

We also continue our involvement in Water and Sanitation for the Urban Poor (WSUP), a partnership between the private, public and civil society sectors. WSUP seeks to demonstrate new approaches to meeting the water, sanitation and hygiene needs of low-income consumers in urban areas, particularly in developing and emerging markets. We are aiming to deepen our understanding of the impacts of product use in these areas.

Estimated water use by life-cycle stage

From sourcing of raw materials to consumer use of products %



Environmental footprint

As part of our approach to sustainability, we are seeking to continually reduce the total environmental footprint of our products.

We use life-cycle assessment to evaluate the potential effects of products on the environment, from the extraction and processing of raw materials, through manufacturing, packaging and distribution, to consumer use and eventual disposal. We are now using the knowledge gained to find additional ways to reduce our overall impact from packaging and distribution across our product categories.

Packaging

Unilever is a major user of packaging and we recognise our responsibility to reduce its impact. Our packaging provides a vehicle for brand communication, a way to protect products from damage and contamination, and important safety and usage information. Although the contribution of packaging to the total waste stream is small by weight (typically less than 5%), it represents a higher proportion of household waste by volume.

Our Packaging and Environment Group coordinates our approach. Its priorities include developing an overall strategy, mapping our packaging footprint and progressing the sustainability issues around the materials used. 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, including packaging producers, users and retailers. This group has developed a common definition of sustainable packaging, with which our own strategy is aligned.

A study we conducted in 2004 found that 83% of our paper-based packaging in Europe comes from sustainable sources. In 2005 we were invited by WWF to participate in the European Paper Group, a small group of leading companies exploring sustainable paper-based packaging. Over the next two years we aim to produce a global 'footprint' of our paper-based packaging, using this insight and learnings from the European Paper Group to develop and implement a

sustainable paper-based packaging purchasing policy. We will extend this work to develop similar footprints and policies for the other packaging materials we use.

Aware of the concerns surrounding the use of PVC in packaging materials in particular, we are currently reviewing its use by our business.





Transport

Our products get to market via a complex transport network of road, rail, sea and air links, all of which add to our environmental footprint. Retailers expect 'just-in-time' deliveries along with continuous cost reductions. Trends in manufacturing are moving towards fewer, more efficient production centres that can reduce both the overall cost and the environmental impacts of manufacturing, such as waste and emissions.

If the environmental benefits of centralised manufacturing are to be retained, the challenge is to make gains in the efficiency of transport systems through better use of logistics planning. For instance, we have reviewed the logistical efficiency of key product categories in North America and plan to reduce transport impact by rebalancing the supply network.

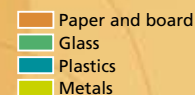
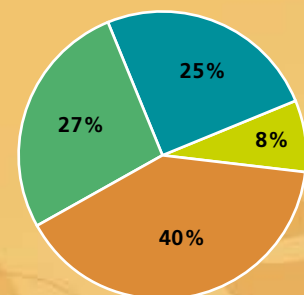
We have also reviewed transport impacts in Europe, where emissions have remained stable despite changes in our manufacturing configuration.

Online

-  **Life-cycle assessment**
-  **Packaging**
-  **Transport**
-  **Sustainable Packaging Coalition**

Unilever's use of packaging materials

Based on results of a study carried out in 2003



An example of our life-cycle approach is our new gel-layered laundry detergent tablet, *Skip Actigel*, which has reduced environmental impacts while still delivering the same effectiveness. Launched in 2005, it has helped *Skip* become our fastest-growing Home and personal care brand in France.

The chemical composition of the tablets has decreased by 20% and the size and weight of packaging have also gone down by 5%. This means savings in energy and resource use in making and transporting the tablets.

Creating and sharing wealth

Unilever generates wealth by meeting consumer needs: we add value to the raw materials and other supplies we buy in as we process them into branded goods, market them to consumers and sell them through our retail customers.

An Indonesian farmer harvests his crop of black soybeans, an ingredient in our *Kecap Bango* sweet soy sauce. To gain a steady and high-quality supply of soybeans, Unilever Indonesia set up a direct-sourcing scheme with a small group of producers. Working with a local university, we offered the farmers technical assistance and credit as well as a secure market for their produce. Both Unilever and the farmers have benefited from this arrangement, and the numbers wanting to participate in the scheme have grown steadily.



The economic benefits that our operations create are shared among the many people around the world with a stake in our business. One measure of this is how our 'value added' is distributed. In 2005, out of €39.7 billion sales income (turnover), we spent over €27 billion with suppliers and so created €12.2 billion value added through our operations. Our employees are the largest group of beneficiaries, earning nearly half the total (see panel).

Another share of the value created goes to the providers of capital who finance our operations, including many thousands of individuals and large holdings by pension funds on behalf of individual policyholders. Apart from dividends, they also benefit from changes in the value of their shares. Our target is to provide them with total returns in the top third of a peer group of 20 international consumer goods companies. Total shareholder return (TSR) combines the value of dividend income and changes in share price. At the end of 2005, our TSR ranking was 14th (compared to 13th in 2004).

Local economic impact

Our operations add value locally, in the many countries where we source our supplies and manufacture and sell our products. Our strong presence in developing and emerging markets is reflected in the fact that for example, 54% of our employees are in Asia and Africa even though only 26% of our sales are earned there. Purchases of goods and services are also disproportionately made in these countries.



Transfer pricing

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. Internal transfer prices are set at cost plus return on capital employed to reflect this principle.

Tax policy






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 tax payment as to any other issue. Our Code also encourages operating subsidiaries to promote and defend their legitimate business interests, and this too applies to taxation. Where we believe tax law or administration damages our business and economic prosperity as a whole, we may seek to persuade governments of our case, directly or through trade associations. In order to preserve value, we will also seek to minimise our liabilities while complying with all applicable laws.

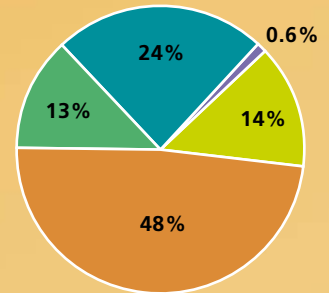
Online

-  [Code of Business Principles](#)
-  [Our full financial results](#)

Unilever Group distribution of cash value added 2005

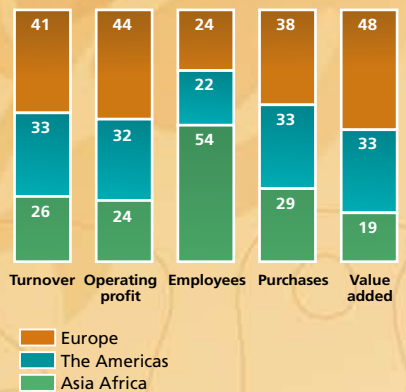
% of total (€12,221m)

-  Employees (€5,922m)
-  Governments (€1,571m)
-  Providers of capital (€2,970m)
-  Local communities (€79m)
-  Invested in business for future growth (€1,679m)



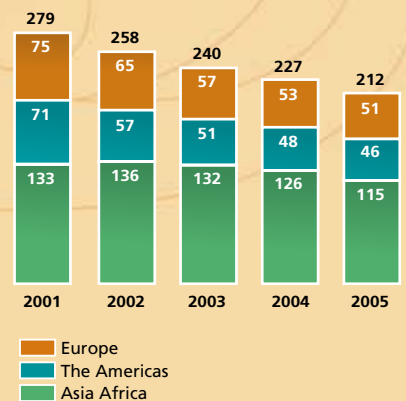
The share for governments represents direct corporate tax alone, and does not include taxes collected by local operating companies on sales nor those paid by them on purchases and wages. Only our voluntary contributions to charities and not-for-profit groups are shown in the community share.

% of turnover, operating profit, employees, purchases and value added by region 2005



Number of employees by region 2001–2005

Average (thousands)



Local economic impacts: Africa

More than eight out of ten people in the world today live in developing and emerging markets, where Unilever already has a strong presence. Improving their economic prospects in a sustainable way is central to our future growth.

The potential for growth, however, varies greatly between regions. In Asia, for example, and to a lesser extent in Latin America, development trends are generally positive. However, Africa is falling well behind the United Nations' development targets and will continue to do so without a significant change in the conditions that foster business growth. In 2005, the 'Year of Africa' sought to address this and to bind all parties – governments, civil society and business – to work together to achieve progress.

Unilever in Africa

Present in Africa for more than a century, we make products in 18 countries. Sales are around €2 billion, about 5% of Unilever's worldwide total. The majority of these products are sourced and manufactured on the continent. We employ 40,000 people directly and support many times that number of jobs through our supply and distribution chains. Over 90% of our one thousand managers are African.

We apply international standards on health and safety, training, ethics and environmental practices in our own operations and this helps to spread good practice and raise local standards. In some areas our African businesses are leading the rest of Unilever, such as the implementation of sustainable agriculture practices in our tea and oil palm operations.

Meeting consumer needs

We make and sell everyday products that meet consumers' fundamental needs. *Omo* washing powder, *Key* and *Lifebuoy* soaps, *Sunsilk* shampoo and *Close Up* toothpaste are examples of home and personal care products that bring benefits in cleanliness and hygiene. Our food brands include margarines such as *Blue Band* and *Rama*, *Royco* stock cubes and cooking oils such as *Frytol*. We fortify many of our oils and margarines with vitamin A and market them in countries where vitamin deficiencies are prevalent, such as Côte d'Ivoire and Malawi. Enriching food products with minerals and vitamins contributes to preventative healthcare. Where market conditions allow, we plan to extend this activity, learning the lessons from one country and applying them in others.

With per capita income in Africa averaging less than US\$1 a day, our brands must be affordable and accessible. We offer small packs and sachets, for example, so the unit price is low, while maintaining the quality of the product. Distribution is often through many small stallholders in open markets, which helps to increase the number of people who benefit economically.



Food products such as *Frytol* vegetable oil, *Blue Band* margarine and *Annapurna* salt are fortified to help people increase their intake of vital nutrients such as vitamins and iodine.



In Ghana, many small stallholders rely on the consistent quality and value of our brands – such as *Key* soap – to earn a living from consumers with little money to spend.





Extending impact

Through our business operations and by working in partnership with others, we can have a direct impact on the lives of many. With UNICEF, we are extending the reach of our iodised salt, *Annapurna*, from Ghana into other countries where iodine deficiency is a problem. In Nigeria, we are also working with UNICEF to help educate school children about basic nutrition and oral care, and supporting WaterAid to install wells and run hygiene-awareness campaigns in two rural states. In South Africa we offer women in low-income communities help from our small business start-up project, while in Kenya we are supporting a development programme for smallholder tea growers.

Partnerships for reform

Beyond our own actions, we also play our part in the collective business effort to assist in development and reform. We joined the Business Action for Africa group that committed itself to working on six themes, reflecting the business priorities within the Commission for Africa's report: governance and transparency; improving the climate for business; promotion of trade; enterprise and employment; human development; and improving perceptions of Africa. We have also contributed to action through the World Economic Forum, in particular to its agenda on combating hunger, and co-ordinate our effort with other companies through the Private Investors in Africa group.

To underline our commitment, we have pledged US\$1 million over two years to the Investment Climate Facility (ICF), a new public-private partnership designed to follow up the Commission for Africa report and to promote business-led economic activity. We have also responded to those governments that are keen to involve the private sector in their reform process. For example, our Chairman, Antony Burgmans, sits on Nigeria's Presidential Investment Advisory Council.

Intra-regional trade

Traditionally we have manufactured many of our products in-country for the local market, often using raw and refined materials from within that country. This brings socio-economic benefits at the local level. However growth potential can be increased – and economies of scale translated into lower costs and prices – where we can trade across national borders at intra-regional level. One example is selling our Ghanaian-made *Blue Band* spread in Nigeria and our Nigerian-made *Close Up* toothpaste in Ghana. We are now exploring customs facilitation projects with countries in West, East and Southern Africa, to identify specific barriers and find ways to spread best practice benefits more widely.

Online

-  **Working with others – Investment Climate Facility, Business Action for Africa, World Economic Forum, Business Alliance for Food Fortification**
-  **Our contribution to the Millennium Development Goals**
-  **Our approach to HIV/AIDS**

Millennium Development Goals

We are committed to working with governments to help achieve the UN Millennium Development Goals (MDGs). Our primary role is in helping to generate economic growth and wealth creation. Through our work with Oxfam and others, we are exploring ways in which we can increase the benefits business can bring, both through our own operations and along our value chain.

For other MDGs, such as education, child mortality and HIV/AIDS, our most effective contribution is working through partnerships with governments and non-profit organisations. Our principal partnerships include:

- The Business Alliance for Food Fortification, launched in October 2005, jointly funded by GAIN (the Global Alliance for Improved Nutrition) and the World Bank Institute, which Unilever chairs with Danone and Coca-Cola;
- Partners in Nutrition and Hygiene, a programme of action with UNICEF in Africa, Asia and Latin America.

Action on HIV/AIDS

As a leading business in Africa, we have sought to build a strategic private sector response to the challenge of HIV/AIDS. Voluntary testing, counselling and anti-retrovirals are available to employees throughout our business. We have also created a toolkit to help our suppliers and other companies. We support national business coalitions against HIV/AIDS in nine countries and internationally we are active members of the Global Business Coalition on HIV/AIDS.

Local economic impacts: Indonesia

Unilever and Oxfam have been exploring together the links between wealth creation and poverty reduction – how the local operations of a business like ours can contribute to sustainable poverty reduction.

Our focus has been Unilever's operations in Indonesia. In 2005 we published a detailed research report on the results of a joint project, involving Oxfam (GB) and Novib (Oxfam Netherlands). By mapping our impacts, we explored how business can contribute positively so that more people, particularly poor people, can benefit from involvement in business networks.

Unilever in Indonesia

Unilever has operated in Indonesia for over 75 years and is deeply embedded in the local economy. Our business contributes directly to the country's tax base and employment, and has an extensive network of local suppliers and distributors. Approximately 95% of Indonesians use at least one Unilever product, including brands such as *Pepsodent*, *Lux*, *Sunlight* and *Lipton*.

Our key finding from the research was that the potential poverty reduction impacts of a company like Unilever Indonesia are spread across the full breadth of its 'value chain': the long chain that links raw materials providers and other suppliers to the manufacturing of products, then through product distribution and retail outlets to the consumer.

- Unilever Indonesia employs about 5,000 people, of whom 60% are direct employees and 40% are contract workers. In addition, nearly 2,000 people are employed in factories solely making Unilever products under contract. Indirectly, however, the full-time equivalent of about 300,000 people make their livelihoods in Unilever Indonesia's value chain.
- More than half of this employment is found in distribution and retailing, among an estimated 1.8 million small stores and street vendors.
- Of the total value created, around two-thirds is distributed to participants other

than Unilever Indonesia, such as producers, suppliers, distributors, retailers and the Indonesian government which receives an estimated 26% of the total.


By examining the jobs and the value created at each point in this chain, we learned a great deal about where companies can have most positive and negative impact on poverty reduction. The value created by people working at either end of the value chain (for example in agriculture and retailing) is much lower than the value captured by those at the centre of the chain (companies directly supplying Unilever Indonesia). It is possible to increase the value created by people at the ends of the chain, for example through producer co-operatives or alternative supply-chain models.

But participation in value chains alone does not guarantee improvements in the lives of people living in poverty: other social institutions and resources are needed. Thus a joined-up approach to poverty reduction involving governments, international institutions, business and civil society organisations is essential.

Learning lessons

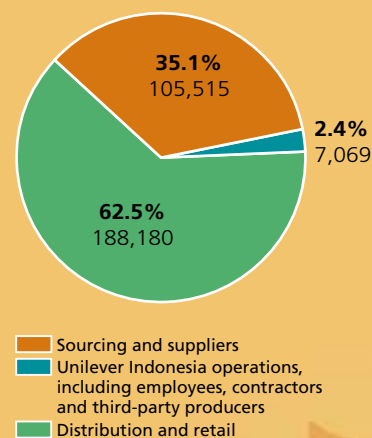
Building on the lessons learned from our Indonesia study, during 2006 we are working with a leading European business school, INSEAD, to extend our approach. This will include a wider assessment of local economic impact in one of our African businesses.

Online

 [Exploring the links between international business and poverty reduction: a case study of Unilever in Indonesia](#)

Estimated employment linked to Unilever Indonesia's value chain 2003

300,764 (full-time equivalents)



"During the project Oxfam and Unilever came to realise that, despite their very different missions and goals, they share a commitment to contributing to poverty reduction and development."

Source: Exploring the links between international business and poverty reduction: a case study of Unilever in Indonesia.



Our approach to corporate responsibility

We aim to manage and grow our business successfully and sustainably as a trusted corporate citizen around the world, respected for the values and standards by which we behave.

Following our reorganisation in 2005, the Unilever executive (UEX) is now our principal decision-making body. UEX has reviewed our strategy for corporate responsibility. It reaffirmed existing commitments to our long-standing sustainable sourcing strategies and to specific activities such as responsible marketing, supplier standards, business integrity, employee well-being and community engagement. UEX also agreed additional priorities and a new management framework, so that today we have a three-tier strategy for corporate responsibility:

- to maintain and build on our existing activities, with renewed targets;
- to integrate social, economic and environmental considerations into the development plans of our brands, beginning by mapping the 'imprint' of four of our global brands;
- to focus our external partnerships on two main vitality themes, nutrition and hygiene, where we can make the most impact.

A new Corporate Responsibility Council leads and co-ordinates activity, aligning it with business priorities. Chaired by executive board director Ralph Kugler, President of our Home and personal care category, its members include senior executives from across the business. The Council values external input and works with a group of specialist advisers. It also supports our External Affairs and Corporate Relations Committee, which comprises non-executive directors.

Alongside these changes, our environmental management system and community programmes have continued to deliver results and remain a core part of our approach.

Listening and learning from all stakeholders helps us achieve our business goals and is central to our approach. Our business success depends on relationships of mutual benefit

with many people: consumers, employees, investors, suppliers, customers and the distributors and retailers who take our brands to market.

We also engage with specialist stakeholders and learn from their feedback. In 2005, through a series of structured stakeholder discussions, we received suggestions on improving our social and environmental reporting from a cross-section of international experts and have taken their comments on board in producing this report.

We value the insights provided by external assessments and ratings conducted by specialist agencies, including those used by socially responsible investment funds. During the year these have included the Dow Jones Sustainability Indexes, the FTSE4Good Index Series and the Business in the Community Corporate Responsibility Index.

Online

-  **Our governance**
-  **External Affairs and Corporate Relations Committee review of 2005**
-  **Stakeholder engagement**
-  **Reporting**
-  **Summary of stakeholder feedback on reporting**

Working with others

Our approach goes beyond consulting and engaging with stakeholders. Through active partnerships, we can combine our expertise in research and development and marketing with our partners' strengths in distribution or understanding of complex social issues.

Unilever is an active participant in the work of the World Business Council for Sustainable Development and our Chairman, Antony Burgmans, is a member of its executive committee. During 2005 we contributed to projects on water and sustainable development and on sustainable livelihoods, as well as initiatives on reporting and accountability. See www.wbcsd.org.

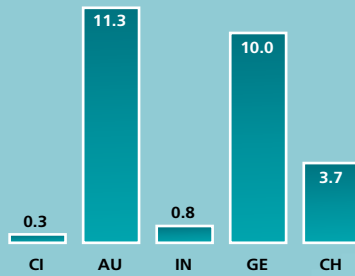
We are also members of a range of corporate responsibility organisations at national and regional levels, such as Business for Social Responsibility in the United States, Instituto Ethos in Brazil and CSR Europe.



Consumers

Lowest-priced laundry detergent in five countries 2005

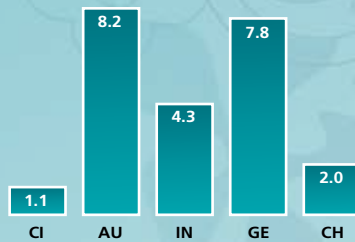
Equivalent cost in terms of number of eggs



Côte d'Ivoire (CI) – *Omo*
 Australia (AU) – *Surf Refill*
 Indonesia (IN) – *Rinso*
 Germany (GE) – *Omo*
 Chile (CH) – *Rinso*

Lowest-priced spreads in five countries 2005

Equivalent cost in terms of number of eggs



Côte d'Ivoire (CI) – *Blue Band*
 Australia (AU) – *Flora*
 Indonesia (IN) – *Blue Band*
 Germany (GE) – *Rama*
 Chile (CH) – *Margarina Dorina Pan*

Our research showed that for example, in Côte d'Ivoire, our lowest-priced spread, *Blue Band*, costs the same as 1.1 eggs in that country. In Germany, our lowest-priced spread, *Rama*, is equivalent to the local cost of 7.8 eggs.

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

With 400 brands spanning a range of food and home and personal care, Unilever products meet the everyday needs for nutrition, hygiene and personal care of millions of people around the world.

Affordability

People everywhere, whatever their income level, aspire to use high-quality and innovative products on occasions when looking good and feeling good are important. We seek to make our products accessible in terms of price and affordability by offering them in small, low-cost packs. This brings our products within reach of consumers on limited incomes and those with only small amounts of cash to spend each day.

Examples of small pack sizes priced at less than 10 US cents include *Royco* soups, *Close Up* toothpaste and *Omo* laundry powder in Africa and one-rupee sachets of *Lux* and *Sunsilk* shampoo in India.

In order to understand better the affordability of our products, in 2004 we compared the cost of Unilever's lowest-priced product with minimum daily wages in 82 countries.

In 2005 we extended this analysis to compare our lowest-priced products in 35 countries with the cost of an egg – a common staple food – as another measure of affordability.

The results demonstrate how we meet consumer needs in countries with a low per capita income by offering products in small pack sizes with low per-unit prices (see panel).

We also looked at the proportion of our total sales income from these lowest-priced products. In some countries, for example Indonesia and Nigeria, the share is as high as 16%.

Advertising and marketing communication

As one of the world's leading consumer goods companies, we use many forms of brand communication to connect with those who buy our products. We recognise the influence of marketing and advertising on consumers and take our responsibilities seriously. Four core principles guide our communications with consumers (see panel).

In addition, our Food and Beverage Marketing Principles ensure that all nutrition and health claims we make have a sound scientific basis and that all our marketing materials take a responsible approach to messages regarding diet, nutrition and healthy lifestyles. The Principles include specific points on marketing to children, which we recently revised. The new version includes voluntary restrictions on paid marketing communications directed primarily at children under six.



Consumer safety

Safety is always considered at the design stage of a new product or process. Our Safety and Environmental Assurance Centre (SEAC) works with our research and development teams to ensure that any potential safety issues are identified at the early stages of innovation. We adopt a consistent approach to our risk assessments wherever in the world our products are manufactured or sold. Before launch, new ingredients, product formulations and process designs are submitted to SEAC for an independent safety approval decision.

Despite this, on occasion, substandard products can reach the market. In 2005 we performed eight public recalls (compared to six in 2004) because of potential risk to public health or non-compliance. All incidents were successfully managed, risk reduction measures taken and follow-up carried out to prevent future occurrence.

We recognise that consumers may be concerned about the use of chemicals in products. We continue to work with research organisations, industry partners and regulators towards building consumer confidence in chemicals. We believe in the objectives of European legislation on chemicals – known as REACH – and support the creation of a single regulatory framework for evaluating the safety of chemicals. We have also taken a leading role in a pilot study, called PRODUCE, in partnership with the European Commission. This is exploring the potential impacts of REACH on consumer product manufacturers and will help shape guidance for companies.






But this legislation will only be truly successful if it reassures the public about the safety of chemicals used in everyday products. We believe transparency is the key to building consumer trust in our brands. In 2005 we were the first company to launch a searchable database on our website where consumers can find out exactly what ingredients are used in our home and personal care products in Europe.

Animal testing

We are committed to eliminating animal testing for our business. We apply the strictest internal control procedures to ensure that animal testing is only carried out when no alternatives are available. As a result we have considerably reduced the amount of animal testing required. The vast majority of our products reach consumers without testing any material on animals.

We continue to invest in developing and applying new approaches that will replace animal testing in safety assessments for consumer products. We are sharing our research and collaborating with others to achieve safety without animal testing. Through our involvement in the European Partnership for Alternative Approaches to Animal Testing, we have been at the forefront of developing collaborative efforts between industry and EU institutions with the active participation of animal welfare organisations.

Online

-  **Affordability**
-  **Safety and Environmental Assurance Centre**
-  **Consumer confidence in chemicals**
-  **Consumer information database**
-  **Animal testing**

Consumer communication

Ensuring consumer confidence is an essential part of the success of our business. To do this we are guided by four principles in our communications with consumers.

- We are committed to building trust through responsible practices and through transparent communication – both directly to consumers and indirectly through other key stakeholders and thought-leaders.
- It is our responsibility to ensure that our products are safe and that we provide clear information on their use and any risks that are associated with their use.
- We fully support a consumer's right to know what is in our products and will be transparent in terms of ingredients, nutrition values and the health and beauty properties of our products.
- We will use a combination of channels, which includes product labels, websites, carelines and/or consumer leaflets to communicate openly with our consumers.

Advertising and promotions

2001–2005
% of turnover



*See note, inside front cover.

Customers

Diverse routes to market

Australia (AU), South Africa (SA), Philippines (PH)

	AU	SA	PH
Population (million)	20	44	88
Distributors	84	30	118
Wholesalers	420	720	1,423
Retailers	7,771	9,158	606,229
Small outlets and kiosks	53,000	177,500	849,717

Ben & Jerry's PartnerShops®

PartnerShops – Ben & Jerry's ice cream scoop shops – are independently owned and operated by community-based non-profit organisations. PartnerShops offer young people facing barriers to employment an opportunity to develop relevant job skills through customised training. The usual franchise and royalty fees are waived and all profits flow back to the parent non-profit organisation to support social programmes.

Wal-Mart

In 2005 in the US, we launched 'all' Small & Mighty, a new concentrated laundry detergent in reduced-size packaging. Wal-Mart gave it prominent on-shelf placement and highlighted its consumer benefits (easier to carry, pour and store) and environmental benefits (less water, cardboard and energy used in production, packaging and transport). 'all' Small & Mighty presents a significant growth opportunity.



Franchise distributor jobs for the unemployed

In Egypt our customer team tested an initiative to extend access to brands, such as *Signal* and *Lipton*, while addressing rural unemployment. Young people are offered support to become authorised distributors, with a loan for a tricycle and a monthly allowance of products. Assigned a sales area, these new distributors are encouraged to engage other unemployed people to help. Sales in the trial areas have tripled and we plan to expand the scheme to 14 new rural areas.



Unilever products reach consumers through a network of retailers and distributors. Around the world, retailing is changing fast. The overall trend is towards consolidation, with the market share of large international retailers growing.

Unilever's traditional strength has been in developing brands that consumers want to buy. Today we have to be first choice for major retailers too, as around a third of our worldwide sales now come through 25 major retail chains. As part of our internal restructuring, we have created teams at national, regional and international levels to focus strongly on customers, working across operating companies.

This closer working offers the potential to go beyond commercial and operational issues such as product promotions and stock availability. After more than a decade working on sustainability initiatives, we believe we can help retailers who are responding to consumers' growing expectations about social and environmental issues too. For example, in 2005 Wal-Mart announced new commitments to reduce environmental impacts and to work with suppliers on sustainability issues. We are contributing to their thinking on some of their priority topics and targets, which include a move to sustainably sourced products such as MSC-certified fish, increased fuel efficiency in distribution and reduced packaging.

Our *Foodsolutions* business supplies a growing number of customers in the restaurant and contract catering trade as the trend to eating out grows in many markets. Here we are working directly with our customers on healthier menu options and with industry partners through initiatives such as the European Food Information Council which provides consumer information on food safety and healthy eating.

Diverse routes to market

In many parts of the world our route to market is through a diverse network of small, independent retailers and distributors (see panel). Carrying popular, well-advertised and trusted brands is often essential to their businesses. In these markets, consumers on very limited incomes rely on small, local retailers, street markets and kiosks for daily purchases – and with little money to spend, they rely on the consistent quality and value that Unilever brands offer.

Here our approach is equally to work in partnership for mutual benefit. By offering support to small and start-up retailers, we can increase our market share and penetration while also helping local economic development. During 2005, we expanded Project 'Shakti' – our rural distribution initiative in India – to reach 85 million rural consumers through 20,000 women entrepreneurs at village level. We follow this partnership approach in other markets too (see panel).

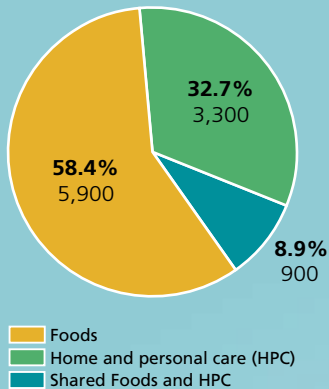
Online

- ☞ **Project Shakti – creating rural women entrepreneurs in India**
- ☞ **Recycling partnership with Brazilian retailer Pão de Açúcar**

Suppliers

First-tier suppliers of raw materials and packaging 2005

% Foods, HPC and shared (total 10,100)



Engaging with suppliers

Our approach is to collaborate with suppliers to help build their capabilities to our mutual benefit. In South East Asia, for example, we have worked with an aerosol packer to improve its operating capabilities and to align its practices with our safety standards. These improvements benefited both Unilever and our supplier by enabling the factory to compete for new business.

Where this collaborative approach is not possible, we have either not offered business or terminated supplier contracts, consistent with the principles now outlined in our Business Partner Code. In China, for example, we had to withdraw business from a chemical manufacturer when improvements to waste management procedures were not undertaken to the required standards.

We are building partnerships based on shared values with thousands of suppliers around the world who help us source and produce our brands.

In 2005, Unilever conducted business with around 10,000 suppliers of raw materials and packaging to our manufacturing operations. These are our first-tier suppliers of 'production items' and are part of a wider pool of potential suppliers (more than 19,000) who are registered in our central database. They represent 58% of the €27 billion we spend on bought-in goods and services. They include third parties who provide complementary capabilities to our own manufacturing and undertake about 15% of our total production.

Our approach

We are committed to working with all our business partners to raise standards, including social and environmental impacts. In 2003 we introduced our Business Partner Code, based on our Code of Business Principles, to make this commitment explicit. The Business Partner Code clarifies our expectations of suppliers with respect to health and safety at work, business integrity, labour standards, consumer safety and the environment.

Positive assurance

In 2004 we began to communicate our Business Partner Code to all our current suppliers of production items and to gain their assurance that they adhere to its principles. We planned to complete this in 2005 but have delayed contact with some groups of suppliers due to our internal restructuring. By the end of 2005, we had written to the headquarters of approximately 80% of these suppliers requesting that they acknowledge the principles of the Code and provide positive assurance, namely evidence of relevant policies and operating standards used in manufacturing operations supplying Unilever.

Currently, 70% of those suppliers contacted have replied. Overall, the replies were positive, with the Code's principles acknowledged and supported by the vast majority. A small proportion expressed some concerns about the process, which we are in discussion to resolve. Where the level of positive assurance provided was not adequate, we are carrying

out risk evaluation to determine our response. During 2006 we will complete the process of communicating the Code and engaging with any suppliers who have not replied.

Risk evaluation

Evidence from the positive assurance process is used in a systematic and broad-based risk evaluation of all supplier operations. This complements the established and ongoing work by Unilever's supply assessors, and takes full account of the principles embodied in the Business Partner Code. These evaluations, started in 2005, will continue throughout 2006 and be embedded as part of our routine supply assurance process.

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 is large, highly localised and complex. Pilot studies about the risk profiles of these suppliers are underway to help to determine the most effective way to integrate them into the positive assurance process.

It is becoming apparent that suppliers of all types are encountering difficulties with the multiplicity of information requests from customers like us. We are in early discussions to develop an industry-wide approach towards assurance in supply-chain areas of common interest.

Online

 **Business Partner Code**

 **Positive assurance**

Employees

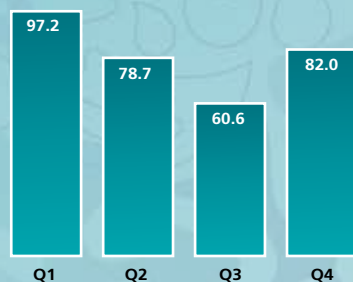
It is our people who bring vitality to life in the business. At a time of great change, our continued commitment to the well-being of our employees, inside and outside work, is as important as ever.

Living out our values

The Code of Business Principles brings together our values and sets the framework within which we work. Each year company chairmen give an assurance that their business is in compliance with the Code. The Code is communicated to all employees and translated into 47 languages, with processes in place to raise concerns and report breaches. In 2005, we dismissed 66 people for breaches of our Code (compared to 89 in 2004).

Responses to Code of Business Principles Survey 2005

% of total (20,949 responses)



Questions

- 1 Awareness of the code
- 2 Awareness of line management reporting
- 3 Awareness of ethics hotline
- 4 Confident appropriate actions taken when breaches reported

We regularly survey employee awareness of our Code of Business Principles. In 2005 some 21,000 employees in the Middle East, Asia, Africa, Europe and the Americas participated in the survey.

During 2005 the number of people employed by Unilever fell by 17,000, a 7.6% reduction over the year, as a result of internal restructuring and business divestment. We made major changes in both the structure of the organisation and the way it operates as we sought to address business under-performance.

Our aim was to simplify the way the company works, through a significant reduction of management roles at senior levels and by ensuring that we leverage most effectively Unilever's global scale. By the end of 2006, for example, the number of senior managers will have decreased by a third. We have moved from a corporate structure with two chairmen to a single group Chairman and a Group chief executive. We have an executive team responsible for all aspects of day-to-day business operations and overall financial performance, led by our Group chief executive. A new group-wide human resources strategy supports our business priorities, led by our Chief human resources officer.

The process of change extends to outsourcing 'back office' transactional activity in the HR, finance and IT functions. For example, financial transaction services in some 20 European countries are being transferred to IBM from spring 2006, affecting around 750 people. In making these changes, our approach is always to follow agreed consultation processes. We make every effort to treat those affected fairly, with the offer of help to find alternative employment if redundancy is necessary.

Listening and learning

It has been more important than ever that we get feedback from our people on the difference that the organisational changes have made. Our biennial Global People Survey (GPS) in 2004 found that more needed to be done in the area of leadership. We conducted an interim GPS in 2005 to understand and assess progress. Results showed positive trends on

strategic direction, pace of change and confidence in the decisions made by senior management. There were also negative trends about the communication and execution of the recent changes which we are now addressing.

Investing in people

We aim to offer reward packages that are competitive within local labour markets to attract and retain the best people. In every country we invest in local employees and in the development of local leadership. Harnessing the potential of the diverse talent in the organisation depends on effective support and training. We encourage our people to learn continuously and develop their professional skills. In line with our new strategic priorities, last year we focused on strengthening the capabilities of people working directly on consumer and customer relationships – two crucial aspects of our new business strategy.

Diversity and inclusion

As an employer of around 100 nationalities, with 45 nationalities among our top one thousand managers, Unilever is an inherently diverse organisation. We have consumers from many different cultures and backgrounds, and diversity in our workforce helps us better understand and respond to their needs.

Our approach to diversity is to focus on building an inclusive culture, so everyone feels they are valued, belong and can make a difference. In 2005 we conducted a company-wide review of diversity. We now have a global diversity board and detailed and regular diversity monitoring. Women continue to hold over 30% of management posts.

Health and safety

We seek to improve continuously the health, safety and well-being of everyone working for the company to a standard which is at least comparable with the very best companies in our industrial sector. Our global health and safety standards apply wherever we operate in the world. These standards are based on the international standard OHSAS 18001.

Our goal remains the elimination of all employee and contractor fatalities and the continual improvement of our overall health and safety performance. During 2005, most regrettably, four employees and one contractor lost their lives. Lessons learned from these incidents were communicated throughout the organisation.

Two of our employee fatalities resulted from car accidents. Safe travel and transport therefore remain a priority area. From pilot studies conducted in 2005 in Africa, Asia and Latin America, we are beginning to gain some insights into the very complex nature of safe travel and transport in emerging markets. The greatest challenge we face is in countries that lack even the most basic road safety infrastructure and the consistent enforcement of road safety legislation.

In some areas the HIV/AIDS pandemic is a serious risk to employees and communities. Our approach is to deploy effective programmes of health education and to secure appropriate treatment for our employees at all stages of the disease. Our policies are aligned with the key principles of the ILO Code of Practice on HIV/AIDS, and respond and adapt to fit local needs.

People vitality

In 2006 we will develop the work for our People Vitality Framework which promotes employee well-being and effectiveness at work. It includes policies and activities that focus on health and nutrition, flexible working, work environment and community engagement.

Respecting rights






In every region, our businesses work to the same good standards of employment as set out in our Code of Business Principles. We abide by core ILO labour standards and manage the business to ensure that human

dignity and labour rights are maintained. Our Code sets out requirements such as not using any form of forced, compulsory or child labour.

As part of our search for more effective measures in this area, we sampled our 40 largest businesses. This showed that our youngest employees in 2005 were aged 15. One, in the US, works part time in an ice cream scoop shop, while the other is an apprentice in our German operations (see panel). Both are in compliance with relevant local and national legislation.

We recognise the right of employees to freedom of association. National laws differ in the many jurisdictions where we operate. For example, in some countries, only non-management employees are eligible to join trade unions. In Europe, our Works Council comprises 35 representatives chosen by employees in 23 countries. In the 40 countries covered by our 2005 sampling around 50% of our eligible employees are members of trade unions. In all these countries, wages paid by Unilever exceed the minimum wage established by the relevant national authority.

Online

-  **Code of Business Principles**
-  **Restructuring**
-  **Diversity**
-  **Health and safety**
-  **HIV/AIDS**



Fatal accidents (recordable¹) 2001–2005



Accident rate 2001–2005²

AFR and TRFR per 100,000 hours



-  **Accident Frequency Rate (AFR)**
Workplace accidents resulting in time off work or some temporary restriction in the work that the injured person can undertake.
-  **Total Recordables Frequency Rate (TRFR)**
All workplace accidents, excluding only those that require simple first aid treatment.

Employees aged 15–18 in 2005

Based on our 40 largest businesses

Age	Country
15	Germany, United States
16	Switzerland, United Kingdom
18	Argentina, Austria, Brazil, Czech Republic, India, Japan, Mexico, Philippines, Russia, South Africa, Spain, Turkey

¹ In addition to the recordable 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.

Environment

We aim to reduce the impacts of our own operations and work with others to understand better our wider environmental footprint. In 2005 we continued to make good progress.

Our approach to eco-efficiency in manufacturing

An organisation's 'footprint' describes its total environmental impact, referring to direct and indirect resource use, effluent and waste generation and other changes it brings about to the natural environment.

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

Every year data is collected from each of our manufacturing sites around the world on key measures of environmental performance. This is collated and analysed using a global environmental performance reporting (EPR) system. Over the last ten years we have continually improved the way we collect and report data.

Performance in 2005

Last year we reported on our 1995–2004 figures and progress against the targets we set ourselves for each of our KPIs.

Despite major changes in our business, we have continued to make good progress in our eco-efficiency performance.

Our target scorecard shows that in 2005 we made improvements for all our KPIs with each of our targets being exceeded.

The table and diagram show our performance, expressed as load per tonne of production, for the last five years.

We remain committed to further progress as shown by the targets in the diagram and in the KPI data provided in the flap at the back of this report and on our website.

Target scorecard 2005

	Target reduction 2005 vs 2004	Achievement in 2005
COD (chemical oxygen demand)	5.6%	
Hazardous waste	8.2%	
Non-hazardous waste	5.1%	
Water	3.4%	
Energy	2.2%	
CO ₂ from energy	2.6%	
Boiler / Utilities SO _x	4.0%	

Overall performance against target: Ahead (>105%) On track (95-105%) Behind (<95% achievement)

Load per tonne of production 2001–2005

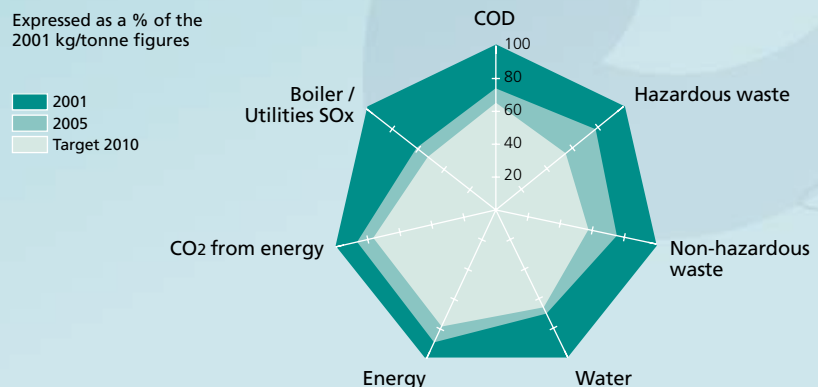
Parameters	Units	2001	2002	2003	2004	2005
COD	kg/tonne	2.33	2.31	2.10	1.89	1.75
Hazardous waste*	kg/tonne	0.50	0.55*	0.55	0.44	0.40
Non-hazardous waste*	kg/tonne	11.26	9.88	9.65	9.35	8.35
Water	m ³ /tonne	5.04	4.29	3.73	3.67	3.52
Energy	GJ/tonne	2.19	2.15	2.06	2.06	1.92
CO ₂ from energy	kg/tonne	198.59	195.17	191.46	185.67	171.30
Boiler / Utilities SO _x	kg/tonne	0.34	0.29	0.24	0.23	0.21

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

*Figure without one-off disposal of contaminated land = 0.42 kg/tonne

Reduction in load per tonne of production 2001–2005 and our targets for 2010

Expressed as a % of the 2001 kg/tonne figures



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 below cover our manufacturing sites (337) and our corporate head offices and research laboratories (8).

In 2005 there were five prosecutions: four related to exceeding regulatory limits for liquid effluent and one to poor housekeeping standards identified during an inspection visit.

Environmental prosecutions and fines 2001–2005

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 (€)
2001	472	464	9	19,222
2002	409	408	2	1,939
2003	384	383	6	3,749
2004	374	374	8	24,430
2005	345	345	5	4,226

Kodaikanal site restoration

Decontamination activities started in 2005 at our closed factory site at Kodaikanal in India, where Hindustan Lever used to make medical thermometers. Subject to regulatory approvals, we expect these activities to be completed during 2006.

Eco-efficiency projects

Our eco-efficiency programme is supported by a range of projects helping us to achieve our targets.

An important aspect is the eco-efficiency training programme for site staff covering energy and water management and waste minimisation. In 2005 we ran a three-day course for the Asia region, and two more regional courses are planned for 2006.

We have also developed a benchmarking approach to analyse the environmental data we collect from our annual reporting cycle.






This benchmarking allows us to identify sites that are underperforming and indicates ways in which environmental performance can be improved.

Project Medusa, our water use reduction initiative in Latin America, has received a Business Commitment to the Environment Award. Following the success of Project Medusa we are rolling out a Triple 'R' (Reduce, Re-use, Recycle) programme to our sites in Africa, the Middle East and Turkey, mirroring the Medusa approach but focusing on waste reduction. The sites are collaborating to share best practice and setting targets to reduce waste levels and disposal costs. Our operations in these regions have committed to an overall reduction target of 30% for all types of waste by the end of 2006. A similar collaborative initiative, Electra, to reduce energy consumption in Latin America, will be launched in 2006.

Our wider footprint

While we focus here on our direct impacts, we are increasingly looking at ways to improve our total environmental footprint. We aim to help consumers reduce their impacts, through our product information and innovations. We also work in partnership with our suppliers and customers to address the wider environmental impacts involved in the sourcing, manufacture, distribution, consumption and disposal of our products. You will find these activities described in the Sustainability section of this report and in more detail on our website.

Online

-  **Environmental management system**
-  **Environmental KPIs**
-  **Project Medusa**
-  **Climate change**
-  **Sustainability**

Climate change

Businesses are increasingly being asked to find ways to reduce greenhouse gas (GHG) emissions to address climate change. Global warming could potentially affect agriculture, availability of clean water and sea temperatures, and this in turn could have direct effects on our business.

In 2005 we achieved our targets in this area with a 4.9% reduction in total energy use, and a 6.4% reduction in total CO₂ emissions. We were recognised at the inaugural Low Carbon Leader Awards by The Climate Group in December 2005 for our performance on these KPIs.

Of the total energy used by our sites, 16.5% comes from renewable sources, of which 10.1% we generate ourselves through on-site initiatives, and 6.4% is from national electricity grids. As part of our commitment to achieving our CO₂ reduction targets, we plan to look at opportunities to increase our use of renewable energy.

Another way we can make a difference is by reducing hydrofluorocarbon (HFC) emissions, which are potent greenhouse gases, from the refrigeration we require for both storage and sale of our products.

For industrial-scale refrigeration, all our ice cream and frozen foods factories use ammonia, which does not contribute to global warming or ozone depletion. For our retail refrigeration, we are replacing ice cream freezer cabinets using HFCs with more energy efficient and climate-friendly hydrocarbon refrigerants. We continued the roll-out of these new cabinets in Europe, installing a further 40,000 in 2005, bringing the total to 60,000.

We are also exploring new technologies, such as thermoacoustic (sound wave technology) and solar-powered freezer cabinets.

Working together with McDonald's, Coca-Cola, Greenpeace and the UN Environment Programme, we formed the Refrigerants Naturally initiative that promotes HFC-free refrigeration in retail equipment. This initiative received a US Environmental Protection Agency award in 2005 for leadership in climate-friendly refrigeration.

We continue to participate in the Carbon Disclosure Project. In 2005, Unilever was listed in its Climate Leadership Index, which identifies companies that show best practice in reporting on GHG emissions and climate change strategies. See www.cdproject.net.

Civic engagement

Wherever we operate, Unilever strives to be a trusted member of society, working transparently with governments and other partners to fulfil our responsibilities and achieve our goals.

The United Nations Global Compact

As a founding signatory of the United Nations Global Compact (UNGC), 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 UNGC's goals. These extracts show how our Code mirrors the UNGC's four core value areas.

Human rights

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees.

Labour standards

Unilever is committed to diversity in a working environment where there is mutual trust and respect. We will not use any form of forced, compulsory or child labour. We respect the dignity of the individual and the right of employees to freedom of association.

Environment

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

Anti-corruption

Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain.

To supplement the actions highlighted in this report, on our website we present our annually updated Communication on Progress, explaining how we are implementing the Global Compact principles across the business. This includes a statement of continued support from our Group chief executive and a cross-reference to indicators of progress using Global Reporting Initiative guidelines.

Conducting our operations with integrity and with respect for the many people, organisations and environments that our business touches is at the heart of our approach to corporate responsibility. Our Code of Business Principles guides our behaviour in all aspects of our work, including external engagement.

Unilever does business within the legislative frameworks of the many countries where we operate. 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 better understand their concerns.

In line with our Code, we do not support political parties or fund groups that promote party interests.

During 2005, we began a review of the extent of our main external relationships, including trade associations, intergovernmental organisations and NGOs, focusing on Europe. On our website we have listed some of our principal 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.

In this report we have addressed many of the public policy issues on which we are engaging with governments and others at regional or international level. These include:

- **consumer confidence in chemicals** – working with the European Commission, consumer organisations and industry partners, focused on the new European regulatory framework for chemicals, REACH;
- **alternatives to animal testing** – collaborative efforts between industry and EU institutions with participation by animal

welfare organisations, in line with our commitment to reduce animal testing;

- **nutrition and health** – dialogue with international organisations such as the UN Food and Agriculture Organization and other agencies, especially around revisions to the World Health Organization's global strategy on diet, physical activity and health;
- **marketing** – helping to improve industry self-regulation, working through organisations such as the World Federation of Advertising, and developing responsible approaches to marketing to children;
- **international trade** – supporting efforts including those of the World Trade Organization to increase economic growth and prosperity by integrating developing and emerging markets more fully into the global economy;
- **tackling counterfeiting** – addressing the growing problem of fake goods, which undermine consumer confidence, increase risks and hamper innovation. We are working through the Global Business Leaders Alliance against Counterfeiting to encourage effective national enforcement of intellectual property rights.

Our aim through these activities is to find workable solutions that benefit consumers and give incentives to businesses like ours to invest in research and innovation.

Online

- 🔗 [Code of Business Principles](#)
- 🔗 [Stakeholder engagement](#)
- 🔗 [Global Business Leaders Alliance against Counterfeiting](#)
- 🔗 [UN Global Compact](#)



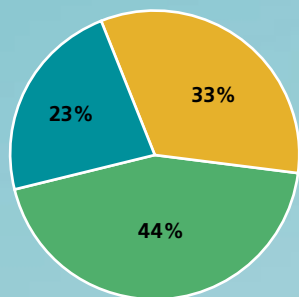
Communities

We seek to make a positive impact on the communities in which we operate. Our people and our partners are key to the success of the many projects we engage in.

Community spend by motivation 2005

% of total (€79m)

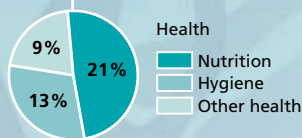
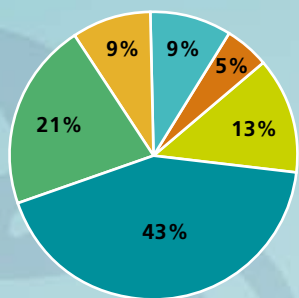
- Charitable donations
- Social investment
- Commercial initiatives



Community spend by subject 2005

% of total (€79m)

- Health
- Economic development
- Education
- Arts & culture
- Environment
- Other



Our companies are involved in a huge range of community activities that respond to local needs. In 2005 we contributed around €79 million, equivalent to 1.7% of pre-tax profit.

In 2005 we supported nearly 12,000 community organisations around the world, both through cash donations and support in kind. We worked with a range of partners, including national and local governments, non-profit organisations, NGOs and international agencies. While the challenges we address are global, such as health, education and the environment, the emphasis given to each of these themes differs from country to country. Rather than a central policy for community contributions, our approach is to encourage our local managers to decide what is right for their business and communities, within the framework of our Code of Business Principles.

The motivation for our support also varies. In some cases, such as the money raised for the 2004 Asian Tsunami disaster, it is a charitable response to a pressing need. In others we aim for a long-term partnership with mutual benefits. Around a quarter of our projects seek clear commercial benefits alongside positive community impacts.

We seek to assess the impact of our projects, as we increasingly align our community investment with social issues that are relevant to our business. More than a third of our contributions in 2005 went to projects that support our vitality themes of hygiene and nutrition. In total, we estimate that up to 148 million people benefited from programmes we support.

Getting employees involved offers new ways for them to connect with our consumers in local communities. Our employees gain skills and motivation and enjoy 'making a difference', contributing positively to their own personal vitality. In 2005, we estimate that around 16,000 people got involved in community activity.

Disaster response

The Asian Tsunami and Hurricane Katrina in the US prompted a rapid response from our businesses in the areas affected and our employees around the world.

In the immediate aftermath of the tsunami, our companies in Thailand, Indonesia, India and Sri Lanka moved quickly to make distribution networks available to emergency relief operations, working alongside local agencies to distribute essential food and hygiene products. At a global level, we matched employee donations to a central fund.

Initial relief work was followed by rehabilitation and reconstruction projects. These include the rebuilding of 150 homes in Sri Lanka and new schools in Thailand to replace those destroyed by the tsunami. Our Indian company, Hindustan Lever, has donated land to enable the government to build nearly 1,000 permanent homes in Chennai for tsunami affected families. Unilever Indonesia has joined the Asia Pacific Philanthropy Consortium, a group of around 100 Indonesian NGOs and businesses working together with the Indonesian Navy and Air Force to provide a co-ordinated response to the disaster.

Employees also donated generously in response to Hurricane Katrina in the US. Our local business provided in-kind donations of food and soap, while cash donations were split between the American Red Cross and the Salvation Army.

Online

- Working with communities
- Measuring community involvement

We use the LBG international benchmarking model to evaluate our activity. In 2005, Unilever became a founding member of LBG Australia, working with other companies to develop systematic and comprehensive measurement of corporate community contributions.



Commitments, progress, plans

In last year's separate social and environmental reports we set out our future commitments. During 2005 we made less progress than we had hoped on some of these, due to the extent of internal restructuring.

Here we summarise our achievements in 2005 and set out our targets and milestones for major group-wide

initiatives. Many more actions are underway in our companies around the world. Increasingly, we expect action to become more integrated into the day-to-day management of our business and brands.

Goal: address consumers' concerns for health through nutrition and hygiene

Nutrition

Progress in 2005: Nutrition Enhancement Programme: portfolio assessment substantially complete.

Plans 2006 and beyond: Complete remaining assessment. Continue to reduce sugar, salt and fats. Develop work on: obesity, including energy density, portion size and consumer information. Fortified foods, especially in Africa, and complementary foods in Latin America. Finalise and roll out group-wide approach to nutrition labelling.

Hygiene

Progress in 2005: Set up Unilever Global Health through Hygiene Programme and mapped priorities.

Plans 2006 and beyond: Continue working towards *Lifebuoy* Swasthya Chetna goal of raising health awareness of 200 million Indians by 2007. Roll out *Lifebuoy* health awareness programme to five countries in Africa.

Partners

Progress in 2005: Agreed work plan with UNICEF to improve nutrition and hygiene. Implemented partnership with FDI World Dental Federation.

Plans 2006 and beyond: Launch programmes with UNICEF in India, Africa and Latin America. Continue roll-out and implementation of dental and oral health care programmes with national dental associations. Renew partnership with the World Heart Federation. Identify most effective ways to reach target communities by working with a range of partners, eg Partnership for Child Nutrition, London School of Hygiene & Tropical Medicine. Establish internal partnership development group to co-ordinate and strengthen key nutrition partnerships.

Goal: secure sustainable supplies of key raw materials and contribute to wider sustainable development

Agriculture

Progress in 2005: Sustainable agriculture indicators expanded to include animal welfare measures. Additions to programme: oilseed rape, sunflowers, olives, gherkins and dairy.

Plans 2006 and beyond: Continue to work with suppliers to implement sustainability standards for key crops. Further embed sustainability criteria into purchasing policy. Progress multi-stakeholder programmes on soya beans and olive oil. Confirm programmes with growers on oilseed rape and sunflowers.

Fish

Progress in 2005: Despite good progress, did not meet target of sourcing 100% of fish sustainably. 56% of our fish in Europe now purchased from sustainable sources.

Plans 2006 and beyond: Ensure knowledge and expertise on sustainable sourcing is transferred to purchaser of European frozen foods business. Continue to work with our suppliers to improve sustainability of our fish supply base. Support the MSC.

Water

Progress in 2005: Continued to make water savings in our own manufacturing operations by reducing total water use per tonne of production by 4.2%.

Plans 2006 and beyond: Work towards achieving future water reduction targets as part of the continuous improvement process. Deepen involvement with Water and Sanitation for the Urban Poor (WSUP) through engagement at project level. Continue work on assessment of catchment-level water impacts.

Environmental footprint

Progress in 2005: Achieved all seven eco-efficiency targets for our manufacturing operations. Completed research on sustainable paper-based packaging footprint. Reviewed transport impacts in two regions.

Plans 2006 and beyond: Continue to achieve eco-efficiency reductions in all areas. Continue Triple 'R' waste reduction project in Africa, Middle East and Turkey. Evaluate potential to extend the use of renewable energy. Extend research on paper-based packaging to other packaging materials with plastics as the next priority. Continue to review use of PVC.

Goal: secure sustainable supplies of key raw materials and contribute to wider sustainable development, cont.

Partners

Progress in 2005: Joined Roundtable on Responsible Soy and Responsible Commodities Initiative. Increased understanding of our total water footprint through involvement with World Business Council for Sustainable Development. Continued involvement with Sustainable Packaging Coalition and WWF's European Paper Group to build shared definitions of sustainable packaging.

Plans 2006 and beyond: Continue engagement with others on sustainable crop sourcing through commodity markets. Continue involvement in: Roundtables on Sustainable Palm Oil and Responsible Soy, and the Marine Stewardship Council. Continue working with WWF.

Goal: create and share wealth

Competitiveness

Progress in 2005: Good progress with restored growth but not in top third of total shareholder return (TSR) peer group.

Plans 2006 and beyond: Continuing ambition to be in top third of TSR peer group. Sustain business growth and improve margins.

Market reach

Progress in 2005: Implemented a unified approach to customer management in a number of European countries. Project Shakti's 20,000 entrepreneurs reached 80,000 villages across 12 Indian states. Completed further affordability analysis of lowest-priced products in 35 countries.

Plans 2006 and beyond: Continue working towards 2010 target of establishing 100,000 Shakti entrepreneurs, reaching 600 million people in 500,000 villages.

Partners

Progress in 2005: Published findings of joint research project with Oxfam to understand local economic impacts in Indonesia.

Plans 2006 and beyond: Work with INSEAD to refine social and economic impact assessment methodology and apply in Africa. Commit US\$1m to Investment Climate Facility for Africa.

Goal: manage and report on our corporate responsibilities

Governance

Progress in 2005: Reviewed corporate responsibility strategy. Established new governance model.

Plans 2006 and beyond: New Corporate Responsibility Council to lead with input from external advisory group.

Integration

Progress in 2005: Revised strategy for corporate responsibility.

Plans 2006 and beyond: Integrate economic, social and environmental considerations into development and innovation plans of four major brands.

Measurement

Progress in 2005: Limited progress on consolidating social performance indicators to parallel our longstanding environmental eco-efficiency KPIs.

Plans 2006 and beyond: Develop and consolidate social measures for revised corporate responsibility strategy.

Reporting

Progress in 2005: Piloted web-based environmental performance reporting (EPR) system in three regions. Goal of combining environmental and social reports achieved ahead of schedule.

Plans 2006 and beyond: Roll out web-based EPR system to all sites. Continue to refine our approach to reporting, recognising external developments, eg those of the Global Reporting Initiative and using www.unilever.com as our principal means of communication.

Partners

Progress in 2005: Revised strategy for corporate responsibility led to focus on key partnerships to support our vitality mission. Continued to support UN Global Compact and other key initiatives. Took part in RESPONSE research project by European business schools into societal demands on business organisations.

Plans 2006 and beyond: Continue to engage with specialist corporate responsibility stakeholders and learn from their insights.

Assurance

URS Verification Ltd (URSVL) was commissioned by Unilever to provide independent assurance of selected data and related claims presented in the 2005 Environmental and Social Report ('the report'). Their statement and Unilever's response are published here.

Independent Assurance Statement

Scope and objectives

URS Verification Ltd (URSVL) was commissioned by Unilever to provide independent assurance of Unilever's social and environmental management processes, selected data and claims presented on Unilever's website, and in the printed report. This statement has been prepared to provide assurance for this document, the 2005 Environmental and Social Report.

A further statement will be prepared to cover additional material presented on Unilever's website, planned for June 2006.

Key objectives of the assurance process included reviewing the:

- materiality, completeness and responsiveness of the social and environmental information reported;
- implementation of management processes and strategy for corporate responsibility;
- robustness and completeness of data reporting systems for social and environmental data; and
- accuracy of environmental and safety data at a sample of sites.

Responsibilities of Unilever and URSVL

The information contained in the 2005 Unilever Environmental and Social Report is the sole responsibility of Unilever. This assurance 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.

Assurance approach

URSVL assessors conducted the assurance process according to the principles of the AA1000 Assurance Standard and associated guidance.

A sampling strategy was adopted which built on previous assurance programmes undertaken for Unilever. This year the scope comprised:

- checking and verifying quantitative data from ten sites identified as being significant contributors to, and regionally representative of, Unilever's social and environmental footprint;
- interviews with over 40 Unilever individuals at group and regional level, and in certain countries within Asia, with a specific focus on the implementation of the Business Partner Code; and
- review of the Sustainable Fish Initiative.

The scope of work did not include a review of social and environmental data and programmes associated with consumers.

Opinion

Unilever has made significant cultural, organisational and management changes during the course of this reporting year. An integral part of the introduction of the vitality mission was a drive to focus the business on key issues such as health, nutrition and hygiene. The approach to managing these issues should benefit both the overall business and corporate responsibility initiatives.

We found that the corporate responsibility strategy and framework for action has progressed significantly and has led to improved communication of social and environmental issues as well as a greater empowerment of staff to take action. We anticipate that performance improvements will follow as the corporate responsibility strategy and management changes are fully embedded within the organisation.

Materiality and responsiveness

Has Unilever applied an effective process to identify material issues? Has it engaged actively on these with key stakeholders?

Unilever has strengthened its group level approach to gathering opinions from stakeholder groups with which it engages. There is encouraging evidence that this stakeholder feedback has influenced Unilever management practices, and is reflected in this report. Unilever has also introduced robust processes, such as those for issues management, and this information is integrated into the company's risk management processes.

There is evidence that issues of interest to stakeholders are increasingly being systematically and comprehensively addressed. However, we note that Unilever's strategies for human rights and transportation are at various stages of review and development. Strategies and programmes are in place for the implementation of the Business Partner Code, and additional resources have been identified to roll out these programmes. The deployment of these additional resources should lead to more effective management and mitigation of non-financial risk associated with suppliers.

Completeness

Does the report provide a complete, fair and balanced representation of material issues?

Unilever's 2005 report is its first integrated environmental and social report. This has significantly improved the accessibility and transparency of reporting on material issues. We commend Unilever for continuing to report openly, even where progress has fallen short of some goals.

Overall, Unilever reports on the management of material corporate responsibility issues in a fair and balanced way. However, business change has resulted in major reorganisation of the global workforce. There has been significant headcount reduction, and the resulting impacts on the workforce, communities and their economies have not been fully reported.

Accuracy

Are the data contained in this report accurate?

All data are generally accurate when aggregated at corporate level. Although significant variances were identified in environmental data at a small number of sites, these were limited to a single region. The variances identified were due to the sites not meeting corporate requirements for reporting and have been corrected in the reported data set.

We note planned and executed process improvements, which should lead to even greater accuracy and efficiency in human resource and environmental data reporting. Further benefits will accrue from the plan to base all safety performance reporting on the proven environmental performance reporting system.

URS

Verification

URSVL is a leading provider of independent assurance to the AA1000 Standard. It is part of URS Corporation, a global company providing environmental, social and engineering services to international companies and governments. See www.urscorp.com.

Assurance

URSVL's assurance statement concludes here with Recommendations. Unilever's response to the statement is shown below.

Recommendations

The following suggestions are made to support continuous improvement in Unilever's corporate responsibility and reporting:

- the social and economic impacts of Unilever's re-organisation on its workforce and communities have not been reported and, for completeness, should be included in future disclosure;
- Unilever is further developing its approach to managing human rights and the impacts of transportation and should build on this process by implementing plans and programmes to deliver these strategies; and
- the root causes of differences between regions in the accuracy of sampled environmental data should be confirmed and appropriate remedial measures implemented.

Unilever response

This year, for the first time, we have published a combined Environmental and Social Report and have commissioned URS Verification Ltd (URSVL) to provide independent assurance of this.

We value this independent scrutiny of our report and our underlying management systems and processes, not only for the assurance it offers to external readers, but also for the added rigour it brings internally.

We are pleased that URSVL have recognised the progress made and that we have maintained our level of performance in corporate responsibility at a time of great organisational change for our business, and have reported on the management of our material social and environmental issues in a fair and balanced way.

We recognise, however, that there is still much work to be done in the areas outlined by URSVL. We will endeavour to incorporate their suggestions into our future programmes in order to further improve the management and reporting of our material social and environmental issues.



David Westwood

Director

For and behalf of URS Verification Ltd
London, April 2006



Veri i i

URSVL has carried out its services by checking samples of data, which have been made available to URSVL by Unilever. Accordingly, URSVL has not checked or reviewed all of Unilever's data. The assurance 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.

External opinion

We value feedback on our social, environmental and economic performance. Here are some highlights from 2005.

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 seventh year running;
- included again in the FTSE4Good Index Series;
- named in the Global 100 Most Sustainable Corporations in the World, a new global business rating unveiled at the World Economic Forum in Davos, Switzerland, in 2005;
- joint 31st in the top 100 Companies that Count in the UK's Business in the Community Corporate Responsibility Index 2005;
- included in the Carbon Disclosure Project's Climate Leadership Index of companies showing best practice in greenhouse gas emissions and climate change strategies;
- winner of the Best Environmental Report in the ACCA UK Awards for Sustainability Reporting.



National

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

- we were included in the top 10 Most Admired Companies in Brazil;
- in Greece, Unilever Hellas was ranked first in the Best Places to Work index;
- included in the top 10 of *Fortune* magazine's Most Admired Companies in the US;
- Unilever Nigeria was placed 13th in the Most Admired Company league;
- Unilever Indonesia was named Best Employer of the Year by *SWA* magazine.

www.unilever.com

Our website expands the contents of this report with further information, case studies and more detailed performance data.



Also available to download are further publications covering some of the topics in this report in more depth. These include our annual report, our latest sustainable agriculture brochure, our joint report with Oxfam / Novib 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 at our website – we welcome your feedback.

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pre-consumer fibres; 10% recycled post-consumer fibres)

Key performance indicators

These charts show trends in the eco-efficiency performance of our manufacturing sites between 2001–2005, and set out our targets towards 2010. We also explain in brief our progress in 2005. More details are available on our website.

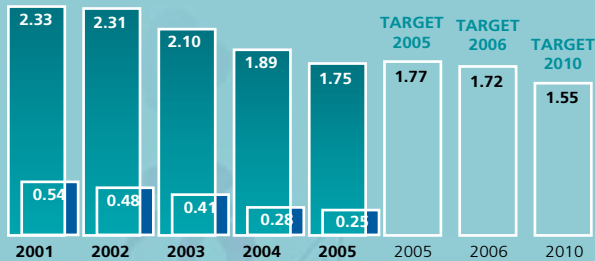
Unilever manufacturing performance 2001–2005 and targets 2006–2010

Reductions in load per tonne of production

COD (chemical oxygen demand)

kg/tonne of production

■ Total COD leaving the sites
■ Estimated COD to the aqueous environment



In 2005 we achieved a 7.3% reduction in total COD per tonne of production, and a 4.6% reduction in absolute load, comfortably meeting our target mainly through improved processing and reduced product losses. The amount of COD sent to the aqueous environment continues to decrease. 97% of the total COD leaving our sites is subsequently treated in municipal works. We estimate that 88.2% 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



In 2005 we achieved a 4.2% reduction in water use per tonne of production, and a 2.3% reduction in total consumption, meeting our target. This was largely due to process improvements (eg using dry condensing systems and more water re-use), improvements to monitoring / management of water, together with efficiencies resulting from supply-chain restructuring. 11 of our sites reduced their water consumption by more than 100,000m³ and a further 10 sites by 50,000 m³.

Energy

GJ/tonne of production



In 2005 we comfortably met our target with unit energy load reduced by 6.7% and a 4.9% reduction in absolute energy use. This was mainly due to regional energy efficiency programmes and further supply-chain restructuring which has focused key production activities at a smaller number of sites. During 2005, 9 sites reduced their energy use by more than 50,000GJ, and a further 43 sites reduced theirs by more than 10,000GJ.

CO₂ from energy

kg/tonne of production



In 2005 we achieved a 7.7% reduction in load of CO₂ from energy per tonne of production, and a 6.4% reduction in absolute load, comfortably meeting our target. Energy sources account for 94% of our greenhouse gas emissions from our manufacturing sites. Of the total energy used by our sites, 16.5% comes from renewable sources, of which 10.1% comes from our own site initiatives, and the remaining 6.4% is from the national electricity grids in the countries where we operate.

Scope of data

In 2005, 337 sites in 69 countries reported environmental performance data. Of these 8 sites were new reporters. Due to changes in the organisation, 34 sites were closed or sold and did not submit any data. A further 4 sites consolidated into 2 combined sites for their reporting. We also collect data on environmental prosecutions and fines, including from our corporate head offices and research laboratories, which together

represent an additional 8 sites (see page 29). We do not collect data from third-party companies that manufacture or pack our products (these account for 15% of production).

Quality of data

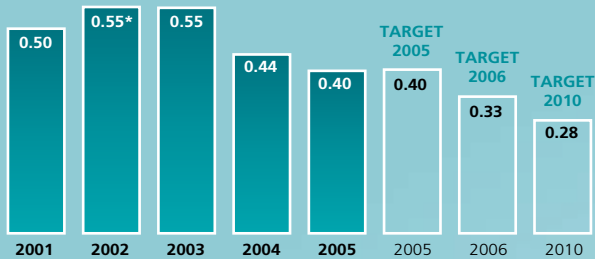
We have continued to improve our global system for the management and reporting of environmental performance data through the development of a web-based system.

This will help improve the management and validation of site-level data, deliver the collated worldwide data in a way that is faster, easier and more transparent, and improve management of performance at site level. We have piloted the system in three regions (approximately 60 sites) and intend to roll it out to all sites in 2006.

100% of sites reported environmental data with 98.5% of sites reporting on all key environmental parameters.

Hazardous waste

kg/tonne of production



Despite more stringent classification for hazardous waste (eg in UK and South Africa), in 2005 we exceeded our target for reduction of hazardous waste, achieving a 9.2% reduction in load per tonne of production and a 7.3% reduction in absolute load. This was largely achieved through reduced product losses at some sites (eg in Europe), improved waste segregation, greater use of offsite recycling routes and changes at two sites (sale of a refinery and the closure of a soap-manufacturing plant).

*Figure without one-off disposal of contaminated land = 0.42 kg kg/tonne

Non-hazardous waste

kg/tonne of production



In 2005 we achieved a 10.8% reduction in load per tonne of production and a 9.2% reduction in absolute load, significantly exceeding our target. This was mainly due to reduced product losses with less concentrated effluent being tankered offsite, improved waste segregation and new recycling routes, eg for olive oil residues, boiler ash and effluent treatment plant sludge. In total 16 sites reduced their non-hazardous waste by more than 500 tonnes. In 2005, 81.7% of our total waste (hazardous and non-hazardous) was sent for recycling.

Boiler/Utilities SOx

kg/tonne of production



Despite some sites in India having difficulty sourcing low-sulphur fuel oil, we achieved our targets with an overall reduction of 7.6% in SOx emissions per tonne of production from our boilers and utilities, and a 6.1% reduction in absolute load. This has been achieved largely through some sites sourcing fuel oil with a lower sulphur content, increased burning of waste material in boilers (eg in Brazil and India), and the favourable impact of regional energy efficiency programmes on our SOx emissions.

Ozone-depleting potential

kg/tonne of production



We measure the amount of ozone-depleting gases (CFCs, HCFCs and mixtures) used 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 2005, the amount of ozone-depleting potential substantially decreased compared with 2004, largely due to improved maintenance, avoidance of major leaks and increased use of more ozone-friendly refrigerants. 78 sites reduced their ozone-depleting potential by more than 50% of the 2004 value.

www.unilever.com

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.



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