



Unilever Sustainable Living Plan Progress Report 2011: Basis of Preparation

Unilever's Basis of Preparation 2011 for eight selected performance data in the online Unilever Sustainable Living Plan Progress Report for 2011.

1. Introduction

Early in 2012 we appointed PricewaterhouseCoopers LLP (PwC) to provide limited assurance of the Unilever Sustainable Living Plan (USLP). Specifically, a number of performance measures were selected on the basis of their materiality to the Plan. This Basis of Preparation document sets out the principles and methodologies we have used in the reporting of our performance against eight measures described in Section 2 below.

Our targets and the performance results achieved in 2011 are described in full in the online Unilever Sustainable Living Plan Progress Report for 2011.

This document is based on our internal reporting objectives and processes and takes into account regulatory requirements applicable to our operations globally, industry codes of practice and voluntary guidance from external bodies. Unlike financial accounting standards, currently there are no industry norms or globally recognised, established practices for measuring and evaluating performance data of this type. While these practices are evolving, it is important therefore to understand the approach we have taken with our data.

2. Scope

This document summarises eight aims, selected from across the USLP, together with their performance measures and the organisational boundary to which they apply. The preparation of the performance data is detailed in Section 4.

We have used three specific terms and they are defined as:

- Aim - the aspiration of what Unilever is trying to achieve within a particular pillar of the USLP.
- Performance measure - summary of what is being measured, e.g. "... number of people..", "... percentage of...".
- Performance data - the actual performance in 2011, e.g. "... 48 million people..", "... 80% of our portfolio...".





Health & Hygiene pillar

1. **Aim:** Reduce diarrhoeal and respiratory disease through handwashing
Performance measure: The number of people reached by Lifebuoy handwashing programmes since 2010.
2. **Aim:** Provide safe drinking water
Performance measure: The number of people gaining access to safe drinking water from Pureit since its launch in 2005.

Nutrition pillar

3. **Aim:** Reduce salt levels
Performance measure: The percentage of Unilever food products achieving salt levels equivalent to 5 grammes per day at the end of 2011.

Greenhouse gases (GHG) pillar

4. **Aim:** Reduce GHG emissions from washing clothes
Performance measure: The percentage of Unilever concentrated and compacted products within the total laundry products portfolio at the end of 2010.
5. **Aim:** Reduce GHG emissions from refrigeration
Performance measure: The number of ice cream freezer cabinets purchased using climate-friendly (hydrocarbon) refrigerants in 2011.

Water pillar

6. **Aim:** Reduce water use in the laundry process
Performance measure: The number of households using Unilever's One Rinse conditioner products in 2011.

Sustainable Sourcing pillar

7. **Aim:** Purchase palm oil from certified sustainable sources
Performance measure: The percentage of palm oil purchased from sustainable sources at the end of 2011.

Better Livelihoods pillar

8. **Aim:** Supporting small-scale distributors
Performance measure: The number of entrepreneurs ('Shakti ammas') selling products to households in India at the end of 2011.





Organisational reporting boundary

Unilever has offices, operations and channels to consumers in many locations globally. In 2011, our products were sold in over 190 countries worldwide. The nature of activities at these locations varies from research and manufacturing through to supporting local distributors and retailers, as well as functions such as finance and marketing.

In the light of the activities at these locations, including interactions with consumers, the organisational boundary for reporting varies for each of the eight selected performance measures. The organisational boundary applicable for each is described in more detail in Section 4.

The relevant performance data includes newly acquired businesses as soon as the appropriate processes and systems are implemented to enable consistent data collation and Unilever Group level consolidation.

Operations categorised as joint ventures or investments and where we do not have management control are excluded from the scope of all USLP performance data.

3. Data Sources

Our objective is to gather reliable and robust data. Our data reporting systems for Unilever Sustainable Living Plan targets and performance are evolving and we continue to work to align data recording and reporting methods across the Group. This includes working with third parties where we rely on their data to provide input and support our performance. We are committed to provide transparency on the quality of the data where we consider there are matters which are material to users of the information. The information we report is subject to internal review processes and, where relevant and/or required, external review and assurance.

4. USLP Performance Data Preparation

It is the responsibility of Unilever's management to ensure that appropriate procedures are in place to prepare performance data in line with, in all material respects, the principles and methodologies set out in this document. We endeavour to ensure that:

- the reported information reflects our performance;
- the data is meaningful and is consistent with the stated definitions, scope and boundaries;





- any specific exclusions are stated clearly and explained;
- we describe openly any assumptions we make and our accounting and calculation methods; and
- we aim for sufficient transparency to enable users to have confidence in the integrity of our reporting.

4.1. Health & Hygiene – Reduce diarrhoeal and respiratory disease through handwashing

Performance measure: *The number of people reached by Lifebuoy handwashing programmes since 2010 (this covers the period 1 January 2010 to 31 December 2011).*

Many Unilever brands offer hygiene benefits but none more so than our toilet soaps. Diarrhoea and pneumonia claim the lives of over 2 million children under five every year. Yet studies show that washing hands with soap at key times during the day reduce the incidence of these diseases.

The Lifebuoy behaviour change handwashing programmes are designed to reach children through schools, to reach mothers through health clinics and women's groups, and to reach people in remote areas via rural outreach programmes such as 'Khushion Ki Doli' (KKD) and Laser Beam Community outreach.

4.1.1. Definitions:

Reach is the total number of people influenced as a result of the handwashing programmes.

Direct contact is defined as an individual who has attended a handwashing programme consisting of interactive elements such as educational videos and comic book stories as well as demonstrations regarding handwashing and hygiene.

4.1.2. Boundary:

The countries in scope of this performance measure are: Bangladesh, India, Indonesia, Kenya, Malaysia, Pakistan and Vietnam.





4.1.3. Performance data preparation and assumptions:

Each individual attending one of the intervention programmes (a direct contact) is logged and consolidated into the total number of direct contacts per programme in each 'in scope' country.

The total reach number is:

- a) the total number of direct contacts per handwashing programme (excluding KKD and Laser Beam) multiplied by the average number of individuals in a household applicable in each of the 'in scope' countries. Based on previous research, it is assumed that each individual will take back to their household the learning from attending the intervention programme; plus
- b) the total number of direct contacts attending the KKD and Laser Beam outreach programmes.

The average number of individuals in a household in each 'in scope' country is based on national census data or recognised survey data.

It is assumed that there are no material overlaps between handwashing programmes in the same communities (ie. for mothers and schools) and therefore only one individual per household attends one of the programmes.

4.2. Health & Hygiene - Provide safe drinking water

Performance measure: *The number of people gaining access to safe drinking water from Pureit since its launch in 2005 (this covers the period 1 January 2005 to 31 December 2011).*

4.2.1. Definitions:

People gaining access to safe drinking water is the number of individuals having access to a Pureit appliance.

Pureit is an in-home water purifier appliance that operates without the need of electricity or pressurised tap water.

4.2.2. Boundary:

The countries in scope of this performance measure are: Bangladesh, Brazil, India, Indonesia and Mexico.





4.2.3. Performance data preparation and assumptions:

The numbers of Pureit appliances sold are obtained from the relevant Unilever sales management systems in each 'in scope' country. It is assumed that all Pureit appliances sold to retailers in each 'in scope' country are sold onto individual households in that country.

The number of people gaining access to safe drinking water is the total number of Pureit appliances sold multiplied by the average number of individuals in a household applicable to each of the 'in scope' countries. It is assumed that a single Pureit appliance will be used by a single household. It is also currently assumed that a Pureit appliance has an endless product life.

The average number of individuals in a household in each 'in scope' country is based on national census data or recognised survey data.

4.3. Nutrition – Reduce salt levels

Performance measure: *The percentage of Unilever food products achieving salt levels equivalent to 5 grammes per day at the end of 2011 (this covers the period 1 January 2011 to 31 December 2011).*

4.3.1. Definitions:

Unilever's food products portfolio consists of all the individual food and beverage SKUs (stock-keeping units) including food service marketed by Unilever worldwide.

Reduce salt levels refers to the reduction in the sodium content of our food and beverage products which we assess on the basis of a change in the nutritional specification. These specifications are the basis for sodium or salt levels disclosure on the majority of our product packaging. The nutritional specifications are determined in line with globally and/or locally accepted food regulator methodologies.

The sodium content of individual food items is compared to benchmark data in order to determine whether it meets the salt level equivalent to 5 grammes per day. The benchmarks used are available at:
http://www.unilever.com/images/sd_USLP-Benchmarks_April%202012_tcm13-262014.pdf.





For 2011 we report the number of SKUs (irrespective of volume or sales) complying with these benchmarks.

4.3.2. Boundary:

All food and beverage products including food service sold by Unilever globally in all countries are 'in scope' of this performance measure.

4.3.3. Performance data preparation and assumptions:

The nutritional data for all food and beverage products including food service is taken from Unilever's product specification management systems.

4.4. Greenhouse gases (GHG) - Reduce GHG emissions from washing clothes

Performance measure: *The percentage of Unilever concentrated and compacted products within the total laundry products portfolio at the end of 2010 (this covers the period 1 January 2010 to 31 December 2010).*

4.4.1. Definitions:

Concentrated and compacted laundry products are those detergents formulated as concentrated and/or compacted, offering lower dosage and reduced GHG emissions to wash normal soiled clothes than the standard recommended dosage for a non-concentrated/non-compacted product.

4.4.2. Boundary:

The laundry products portfolio relates to those sold in our top 14 countries as measured by revenue. The period covered lags by one year in order to collect relevant data.

4.4.3. Performance data preparation and assumptions:

Products are categorised (i.e. as concentrated and compacted) based on data from Unilever's product specification management systems. Consumer behaviour research data is also used to determine if concentrated and compacted products are being used as intended. Where they are not, they are categorised as 'standard' laundry detergent products for the purposes of calculating this performance data.





The total number of washes per laundry product is calculated using the sales data and dosage measure when using the standard recommended dosage for normal soiled clothes. This number is then used to determine the percentage of the total laundry detergents portfolio that is from concentrated and compacted products.

4.5. Greenhouse gases (GHG) - Reduce GHG emissions from refrigeration
Performance measure: *The number of ice cream freezer cabinets purchased using climate-friendly (hydrocarbon) refrigerants in 2011 (this covers the period 1 September 2010 to 31 August 2011).*

4.5.1. Definitions:

The ice cream freezer cabinets are plug-in appliances that are directly owned or controlled by Unilever. This excludes:

- Cabinets purchased for resale onto Unilever customers; and
- Non plug-in cabinets used by Unilever for storage of frozen products.

Currently we have defined climate-friendly (hydrocarbon) refrigerants as propane and isobutane (R290 and R600a) refrigerants and HFC-free foaming gas.

4.5.2. Boundary:

Climate-friendly (hydrocarbon) ice cream freezer cabinets purchased by Unilever in all countries.

4.5.3. Performance data preparation and assumptions:

The number of ice cream freezer cabinets purchased is extracted from Unilever purchasing systems. This information is cross-referenced to a centrally maintained ice cream freezer specification catalogue detailing the types of refrigerants used.

While the majority of the newly purchased ice cream freezer cabinets are distributed for immediate use, the reported data includes cabinets that have been purchased during the year but have remained in temporary short-term storage at the end of the year.





4.6. Water - Reduce water use in the laundry process

Performance measure: *The number of households using Unilever's One Rinse conditioner products in 2011 (this covers the period 1 January 2011 to 31 December 2011).*

4.6.1. Definitions:

Product penetration is defined as the number of households which have, at some point through the reporting year, purchased any variant of One Rinse fabric conditioner.

Household refers to a group of individuals, primarily close family members, living together in a single dwelling.

One Rinse fabric conditioner products are a group of products with the same core specification (formulation) - Comfort One Rinse and Surf One Rinse.

4.6.2. Boundary:

The countries in scope for this performance measure are: Brazil, Vietnam, Thailand, Indonesia, and the Philippines.

4.6.3. Performance data preparation and assumptions:

Third-party research companies are used to determine the One Rinse conditioner products' penetration in each of the 'in scope' countries. The third-party research companies organise consumer panels in each of the 'in scope' countries to determine the amount of product purchased as a percentage compared to other brands (Unilever and non-Unilever).

The consumer panels in each of the 'in scope' countries are made up of individuals selected primarily from urban areas.

The product penetration percentage is multiplied by the number of households in each 'in scope' country. Household data is sourced by the third-party research company in each country and this data can come from local government departments, national census data or recognised survey data.





4.7. Sustainable sourcing – Purchase palm oil from certified sustainable sources
Performance measure: *The percentage of palm oil purchased from sustainable sources at the end of 2011 (this covers the period 1 January 2011 to 31 December 2011).*

4.7.1. Definitions:

Palm oil is defined as crude palm oil, palm oil mixtures/fractions and palm based derivatives. These are used in home care, personal care and food products.

Sustainable sources are defined as:

- a) Purchases of physically certified RSPO palm oil that can be traced back to a certified mill i.e. to a producer who has been certified as complying with the Roundtable on Sustainable Palm Oil's (RSPO) Principles and Criteria – 'segregated supply' or 'mass balance supply'; and
- b) Purchases of GreenPalm certificates in lieu of segregated supply. For further details of GreenPalm certificates see <http://www.greenpalm.org/en/what-is-greenpalm/how-it-works>.

4.7.2. Boundary:

Palm oil purchased (in its various forms) by all Unilever operations, excluding any purchased by third parties that manufacture products for Unilever.

4.7.3. Performance data preparation and assumptions:

All palm oil purchases are consolidated from the relevant Unilever purchasing systems. The segregated supply volumes are identified based on the certified volumes provided by the relevant suppliers.

Palm oil fractions (e.g. palm kernel oil, palm stearine, palm olein) contained in a specific commodity purchase are consolidated from the relevant Unilever purchasing systems. The proportion of palm oil within the volume of ingredients purchased is based on details obtained from Unilever's product specification systems.





Purchases of oleo chemical derivatives are obtained from the relevant Unilever purchasing systems. Due to the inter-changeability of underlying feedstocks to produce the same oleo chemical derivative, conversion factors are applied to determine the volume of palm oil contained in such derivatives. The conversion factors are based on guidelines issued by the RSPO for oleo chemical derivatives and are used consistently across Unilever.

The total volume of palm oil purchased by Unilever in metric tonnes is consolidated from the above sources.

GreenPalm certificates are purchased and logged in the GreenPalm trading platform. Each GreenPalm certificate equates to one tonne of sustainable palm oil.

The percentage of palm oil purchased from sustainable sources is the total volume sourced as GreenPalm certificates and segregated supply as a proportion of the total volume of palm oil purchased by Unilever in metric tonnes.

4.8. Better Livelihoods – Supporting small-scale distributors

Performance measure: *The number of entrepreneurs ('Shakti ammas') selling products to households in India at the end of 2011 (this is as at 31 December 2011).*

4.8.1. Definitions:

'Shakti ammas' are women identified in rural villages who sell Unilever products. 'Shakti ammas' are required to purchase Unilever products from one of Unilever's main distributors. 'Shakti ammas' are not employed by Unilever.

A 'Shakti amma' is considered to be active if the individual regularly purchases Unilever products from the main distributor.





4.8.2. Boundary:

The 'Shakti ammas' initiative currently operates only in India.

4.8.3. Performance data preparation and assumptions:

'Shakti ammas' are allocated a unique identification number in Unilever's sales management system. This system is used by the main distributors who sell products to the 'Shakti ammas'.

Details of purchases by each 'Shakti amma', including date and value, are registered in the sales management system. The system also flags those individuals that are no longer active (those that have not purchased products within the preceding 3 months).

The number of active 'Shakti ammas' is extracted from the sales management system.

It is assumed that, on average, each 'Shakti amma' sells products to 70 households.

October 2012

