Unilever’s supply chain

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Supply chain overview & strategy
Supply chain overview

Total spend: €32.5 billion
Total number of suppliers: 56,300

Figure 1: Suppliers per spend category
Supply chain overview

Total spend: €32.5 billion
Total number of suppliers: 56,300

Figure 2: Geographic distribution of Suppliers
Our supply chain strategy

The Connected Supply Chain:
superior products, superior service, superior value

Agility and resilience
Reshape asset and cost base
Positive for people and planet

Core enablers

Future-fit talent
Digital transformation
Partnerships for purpose
### Our supply chain strategy

**How we are delivering superior products, superior service and superior value through our Connected Supply Chain strategy**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
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<tbody>
<tr>
<td>Agility and resilience</td>
<td>We listen to signals and drive timely actions to orchestrate the end-to-end value chain to deliver superior service. We execute with rigour and discipline.</td>
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<tr>
<td>Reshape asset and cost base</td>
<td>We optimise our cost and asset base to drive competitive growth.</td>
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<tr>
<td>Positive for people and planet</td>
<td>Our purpose is to make sustainable living commonplace. Through our everyday actions we strive to improve the health of the planet and contribute to a fairer, more socially inclusive world.</td>
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<td>Future-fit talent</td>
<td>We create a diverse and inclusive culture, driven by values-based leadership. We enable a world class supply chain by investing in future-fit capabilities.</td>
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<td>Digital transformation</td>
<td>We harness the power of data and 4th industrial revolution technologies to transform end-to-end value chains, creating a sustainable, competitive edge.</td>
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<tr>
<td>Partner with purpose</td>
<td>We build purpose-led partner ecosystems that fuel market-leading innovations and protect and regenerate nature.</td>
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Supply chain spend analysis
Suppliers by geography
Total number of suppliers

56,300 Suppliers in 150 countries

Data as at end of 2020
Suppliers by geography
Logistics & Operations suppliers

Logistics & Operations in 107 Countries

Data as at end of 2020
Suppliers by geography
Marketing & Business Services suppliers

Marketing & Business Services in 144 Countries

Series 1

3000

1

Data as at end of 2020
Suppliers by geography
Contract Manufacturers
Suppliers by geography

Raw Materials suppliers

Raw Materials Suppliers in 90 Countries

Data as at end of 2020
Suppliers by geography
Packaging suppliers

Packaging Suppliers in 80 Countries

Data as at end of 2020
Critical suppliers
Unilever identifies **Strategic Suppliers** as those that represent a significant proportion of our spend or volume.

**Critical Suppliers** are identified in two categories;
- Those that represent a **RISK**: see next slide for critical supplier identification
- Those that represent an **OPPORTUNITY**: see following slide for Partner to Win

Neither type of supplier is mutually exclusive i.e. a critical supplier can represent both risk and opportunity.
Critical suppliers - RISK

Definition of critical suppliers:
Suppliers with spend over a defined threshold value, where there is a unique dependency, where the supplier cannot be easily replaced and they represent a high risk on external indices.

Critical Supplier Risk Management Process:

**STEP 1:**
All Production Item Suppliers analysed annually

**STEP 2:**
Suppliers with spend > Unilever Risk Threshold Value

**STEP 3:**
Unique dependency = Default of supplier would result in a capacity constraint for Unilever

**STEP 4:**
Supplier difficult to replace

**STEP 5:**
Euler Hermes Risk Rating = High

**CRITICAL SUPPLIER**

**QUANTITATIVE CRITERIA**

**QUALITATIVE CRITERIA**

**3rd PARTY CRITERIA**

**Supplier Risk Rating by external data provider:**
If high risk 

**Business Continuity Plan**

**Supplier Support Measures**
Towards the end of 2020, Unilever switched to a resilience framework with the focus on material level risk with focus on proactive risk management.

**Materials selection based on usage in our products:**
- Having high demand volatility / surge in sales
- Exceeding a certain Turnover exposure threshold

**High demand products**
- Limited Supply Capacity

**Sub-Tier Risks**
- Crop risk
- Feedstock risk
- Trader risk

**Supplier Health**
- Financial risk
- Operational risks

**Sourcing Landscape**
- Single source
- Patented materials
- Geopolitical risk

**Action Planning** (for high-risk materials)
- Build Stocks
- Build Flexibility
- Build Capacity

**Governance & Execution**
- Monthly Reviews
- Future-Oriented Risk Management
- Risk Mitigation for all high Risk Materials

1 Source: Rapid Ratings
2 Source: Risk Methods
Critical suppliers - OPPORTUNITY
Shifting to Partner with Purpose

Partner To Win (PtW)
(2011-2020)
Becoming the customer of choice and create a unique opportunity to unlock value for Unilever and its Partners.

Partner with Purpose (UPwP)
(2020 onwards)
Deliver mutual 4G growth while doing good for People & Planet.
Unleashing hidden opportunities for all with a new partner ecosystem

Partner With Purpose
Critical suppliers - OPPORTUNITY

Unilever Partner with Purpose (2020 – onwards)

Unilever’s Partner with Purpose (UPWP) programme, launched in 2020, is taking purpose-led partnerships to a new level to fuel market-leading innovations, protect and regenerate nature and to make sustainable living commonplace.

The UPWP programme intends to increase focus on advanced partnerships that are built on a shared purpose - to develop a Partner Ecosystem that fuels responsible growth, improving the health of our planet.

**AMBITION**
Deliver mutual 4G growth while doing good for people and planet

**GOAL**
Build a new partner ecosystem which creates opportunities for all

- Innovate and engage responsibly
- Operate with agility and drive simplification
- Collaborate with transparency and trust
Critical suppliers - OPPORTUNITY
Partner to Win (2011-2020)

Quality and Service
Quality is about delighting consumers, every day. At Unilever, we have 2.5 billion opportunities a day to delight our consumers so it is of utmost importance we get it right every time. Quality and service are therefore integral to our selection and contracting processes with suppliers and we have solid service and quality level agreements in place. We ask our suppliers for real-time information transparency which we enable through close collaboration and usage of our integrated supplier platform Supplier Net. Together with our suppliers we win through continuous improvement which we do by focusing on a quality-driven value chain with global scale and local agility.

Capacity and Capability
To continue to grow our business, we need to enable our suppliers to grow with us. We aim to leverage our suppliers’ potential to grow by building capacity in emerging markets and some of the world’s fastest growing regions, looking for joint opportunities to drive efficiency of supply, investing in cutting edge technology, leveraging innovation and fostering continuous development of new capabilities.

Innovation
Innovation is at the core of our success and suppliers play an instrumental role in fueling our innovation pipeline – approximately 30% of our growth comes from innovation and more than 70% of that innovation comes from our suppliers. Partner to Win has been paramount in building partnerships with suppliers that lead to the new breakthrough concepts, ideas or innovations that help us win in the market. With our suppliers, we turn consumer insights into technical solutions across the whole value chain and source cutting edge expertise from industry leaders to creative startups.

Value
To achieve long term and sustainable growth it is paramount we realise continuous and steady gross margin improvement. Creating joint value through collaboration and deep value chain integration with suppliers is a key enabler - achieving complete cost transparency helps us to ensure our competitive position in every market we operate in.

Responsible and Sustainable Living
Unilever has a simple but clear purpose – to make sustainable living commonplace. We believe this is the best long-term way for our business to grow. One of our priorities is to ensure a better future for farming and farmers which is anchored in the Unilever Sustainable Living Plan. By working with our suppliers, we aim to ensure all the major commodities on which we depend are produced sustainably for mainstream consumer markets.
Risk and third-party due diligence
Unilever uses a risk based approach to determine which supplier sites need to undergo additional due diligence, which can include 3rd party audits and/or certification through fully benchmarked standards. The risk based approach uses country risk as one element of the risk assessment.

Non-conformances found in the audits require an action plan by the supplier to be implemented and verified in a follow-up audit to confirm and verify that the identified issues have been effectively remediated.

Unilever is focused on effectively and positively improving the conditions for workers in the supply chain, not simply identifying the issues, and this is why we continue to work with our suppliers to address the more difficult issues through identifying and tackling root causes.

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<tr>
<th>Category</th>
<th>Data as at end of 2020</th>
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<tr>
<td>Total number of suppliers risk assessed to date</td>
<td>56,351</td>
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<tr>
<td>Number of suppliers classified as High Risk</td>
<td>7,880</td>
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<td>Total Responsible Sourcing audits to date</td>
<td>13,244</td>
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<tr>
<td>Total audits of high risk supplier sites in last 3 years</td>
<td>7,217</td>
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<tr>
<td>Total audits at Production Item (PI) Suppliers in last 3 years</td>
<td>6,309</td>
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<tr>
<td>Number of PI supplier sites with identified issues in last 3 years</td>
<td>3,108</td>
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<tr>
<td>Number of PI supplier sites with verified corrective action plans in last 3 years</td>
<td>2,069</td>
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