

UNILEVER PLC  
Form 20-F  
March 06, 2009

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

**(Mark one)**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008  
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 001-04546**

**UNILEVER PLC**

(Exact name of Registrant as specified in its charter)

**ENGLAND**

(Jurisdiction of incorporation or organization)

**Unilever House, Blackfriars, London, England**

(Address of principal executive offices)

**S.H.M.A. Dumoulin, Group Secretary Tel: +31-(0)10-217 4999, Fax: +31 (0)10 217 4287,  
Unilever N.V. Weena 455, 3013 AL, Rotterdam, The Netherlands**

(Name, telephone number, facsimile number and address of Company Contact)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

**American Shares (evidenced by Depository  
Receipts) each representing one ordinary share  
of the nominal amount of 3 1/9p each**

**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**The total number of outstanding shares of the issuer's capital stock at the close of the period covered by the annual report was: 1,310,156,361 ordinary shares**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

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Annual Report on Form 20-F 2008

Adding Vitality to Life

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### Adding Vitality to Life

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.

### The Unilever Group

Unilever N.V. (NV) is a public limited company registered in the Netherlands, which has listings of shares and depositary receipts for shares on Euronext Amsterdam and of New York Registry Shares on the New York Stock Exchange.

Unilever PLC (PLC) is a public limited company registered in England and Wales which has shares listed on the London Stock Exchange and, as American Depositary Receipts, on the New York Stock Exchange.

The two parent companies, NV and PLC, together with their group companies, operate as a single economic entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

### Basis of reporting

Our accounting policies are based on International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and on United Kingdom and Dutch law. They are also in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Certain measures used in our reporting are not defined under IFRS or other generally accepted accounting principles. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to the Performance Review on page 29 and the Financial Review on page 35.

The brand names shown in this report are trademarks owned by or licensed to companies within the Unilever Group.

### Exchange rates

Details of key exchange rates used in preparation of these accounts are given on page 146, together with Noon Buying Rates in New York for the equivalent dates.

### Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements, including within the meaning of the United States Private Securities Litigation Reform Act of 1995. For a description of factors that could affect future results, reference should be made to the full Cautionary statement on the inside back cover.

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Our highlights

Financial

7.4%

underlying sales growth

Ungeared free cash flow of 3.2 billion

Profits on disposals of 2.2 billion pre-tax

Return on invested capital of 15.7%

Total shareholder return ranking 9<sup>th</sup> out of 21

Earnings per share of 1.79, including 0.36 net benefit from disposals and restructuring

Total dividend increased to 0.77 per Ordinary 0.16 share of NV and 60.74P, per Ordinary 3<sup>1/9</sup>p share of PLC

Social

22 000

products have had their nutritional profile assessed

Three quarters of the food products in our R&D pipeline bring specific nutritional or health benefits

16 million school meals delivered to 76 000 children in 2008 through our partnership with the World Food Programme

Four million children reached by Signal / Pepsodent / Close Up toothpaste brands through school-based oral health programmes in 2008

120 million people reached by Lifebuoy brand's handwashing programme in India since 2002

Environmental

10 years

as sector leader of the Dow Jones Sustainability Indexes

2015: the year by which we are committed to sourcing all palm oil from certified sustainable sources

c. 50% of the tea we sell in Western Europe is grown on Rainforest Alliance Certified farms

39% reduction in CO<sub>2</sub> emissions per tonne of production over the period 1995-2008\*

\*2008 data is preliminary. It will be independently assured and reported in our online Sustainable Development Report 2008 at [www.unilever.com/sustainability](http://www.unilever.com/sustainability)





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**Report of the Directors**

**Our brands and operations**

Our strong portfolio of foods, home and personal care brands is trusted by consumers the world over. 13 of our brands achieve annual sales of \$1 billion or more. Our top 25 brands account for over 70% of our sales.

**Operational achievements**

Strong broad-based underlying sales growth of 7.4% across categories

More competitive cost base: \$1.1 billion savings from supply chain and organisational efficiencies

Increased investment behind our brands

Portfolio reshaped through disposals, including North American laundry, Boursin, Lawry's and Bertolli olive oil

Portfolio strengthened through the acquisition of Inmarko ice cream in Russia and the planned acquisition of the TIGI hair salon brands

Named International Supplier of the Year by Tesco for the third year running

**Regional highlights**

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\* Some of our brands may be marketed under alternative names in certain countries.

Category highlights

**Savoury, dressings and spreads**

Turnover of 14 232 million

Underlying sales growth of 7.6%

**Ice cream and beverages**

Turnover of 7 694 million

Underlying sales growth of 5.9%

**Personal care**

Turnover of 11 383 million

Underlying sales growth of 6.6%

**Home care**

Turnover of 7 214 million

Underlying sales growth of 9.8%

Key facts

174 000 employees at the end of 2008

20 nationalities among our top tier managers

Around 100 countries in which we operate

91m invested in community programmes worldwide

927m spent on R&D worldwide

Around 270 manufacturing sites worldwide

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**Adding Vitality to Life**

**Chairman's statement**

**Our strategy, in an unpredictable economic environment, is to maintain our growth momentum and deliver competitive levels of profitability.**

2008 was a difficult and turbulent year generally for business all around the world. It was dominated by a banking crisis which started in the US sub-prime property market and which quickly spread to other asset classes and countries. These problems were exacerbated by the volatile price of mineral oil and, for companies like Unilever, record rises in the cost of vegetable oils like palm, soy and rapeseed.

Despite these unprecedented circumstances I am pleased to report that Unilever performed well in 2008 and emerged as a stronger, more competitive company. It delivered good results on both top and bottom line and its strong cash flows allowed it to produce substantial returns to shareholders in the form of both share buy-backs and dividends. Part of this was due to the inherent strength and stability of the company. Partly it was the result of a robust strategy, effectively implemented. But partly, too, it was due to the leadership of Patrick Cescau who retired from the business on 31 December (see panel opposite).

As a Board team, one of our most important tasks in 2008 was to manage Patrick's succession once he had signalled his intention to retire. The process, initiated and led by our Nomination Committee, was wide-ranging and thorough. It was as a result of this search that we were lucky enough to find Paul Polman.

We are delighted that Paul accepted our offer to become Chief Executive Officer. He has immense experience of the markets in which we operate, having spent 26 years in our industry. Paul brings with him a deep understanding of brands, consumers and customers. He also has an enthusiasm for consumer goods which is palpable and will bring new energy and ideas to Unilever.

The other change in personnel since our 2008 AGMs has been the transition of Geneviève Berger from Non-Executive Director to Chief R&D Officer on the Executive team. In this capacity she will be able to bring her great knowledge of science and technology to the service of the business. In an industry where innovation is such a critical success factor I believe that this is an important and far-sighted appointment.

At our 2008 AGMs Kees van der Graaf and Ralph Kugler stepped down from the Boards. They are currently composed of 12 members of whom two are Executives.

David Simon will be retiring as a Non-Executive Director at the end of our 2009 AGMs after three terms of three years. During that time he has served as our Vice Chairman, Senior Independent Director and Chairman of our Nomination and Remuneration Committees. On behalf of our Boards, I take this opportunity to thank him for his contribution, wise counsel and service since 2000. It is intended that David will be succeeded in those roles by Jeroen van der Veer, with effect from the 2009 AGMs.

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As part of the time that the Boards spent with the business during the year, we visited our laboratories in Bangalore and our customer innovation centre in New Jersey. The Boards reviewed the strategy at a two-day meeting in October. One of the striking things to emerge from our strategy session was the consistency of Unilever's approach. While the strategy has evolved to take account of the changing external environment, its essential elements remain unchanged. The Group is still committed to growing competitively and will do so by developing its core assets of brands, technology, geographic spread and marketing excellence. Just as importantly its principles remain unchanged. The Group will deliver its results in a sustainable fashion – seeking to manage its social and environmental impacts in a manner which meets the needs of all its stakeholders.

We are proposing to change to a simpler and more transparent dividend practice for the Unilever group from 2010 onwards. These changes will result in more frequent dividend payments through the payment of quarterly dividends to shareholders. They will also better align dividend payouts with the cash flow generation of the business. Further details are included in the 2009 AGM Notices.

Looking forward, I remain confident. Unilever entered 2009 with a realistic assessment of the challenges which it would have to face. Its plans were built on the assumption of a deep and prolonged global economic downturn. We are determined to emerge from this in good shape.

Finally, on behalf of the Boards, I would like to extend my sincere thanks to all of Unilever's 174 000 employees. They have had to cope with, and manage, a huge amount of change. They have done this in an exemplary and responsible fashion.

Michael Treschow

Chairman

**Patrick Cescau**

On behalf of the Directors and everyone at Unilever, I want to express our appreciation to Patrick Cescau for his services to Unilever over the last 35 years. By any standards, Patrick's career has been a remarkable one, culminating with his appointment in 2005 as Unilever's first ever Chief Executive Officer.

Since that time he has helped to transform the company. Significant organisational – particularly the implementation of One Unilever – change has been accompanied by a consistent improvement in business results and overall performance. Patrick leaves the business stronger than he found it, well placed to meet the challenges that lie ahead. Throughout his time in the business, Patrick also came to embody the qualities and values that help to make Unilever a special business: respect, humanity, integrity. It is for these reasons that he is liked and respected in equal measure, both inside the company and outside.

We all wish Patrick a long and happy retirement.

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**Adding Vitality to Life**

Chief Executive Officer's review

It is a great pleasure to report to you for the first time as Unilever's Chief Executive Officer. I am delighted to be a part of the team and to have the opportunity of leading this great company.

Paul Polman

Chief Executive Officer

Taking this role is an honour and privilege, but equally a huge responsibility. These are tough times; and tough times demand the very best of all of us. That is the spirit in which I intend to take the business forward.

Despite the fact that I have joined the Group at a time of unprecedented economic turmoil, my first message to you is a positive and reassuring one: your company is in good shape. The scale and the extent of the changes over the last four years have been a positive surprise to me. They have made Unilever stronger and more confident, well placed to weather the storms currently blowing through all sectors of the economy.

I want first, therefore, to acknowledge the hard work and dedication of Unilever employees all around the world.

Thanks to their efforts, Unilever is a leaner, more focused business with a strong portfolio of leading brands. All this is vital given the intense nature of the competitive and economic environment.

The transformation was led with a mixture of skill and determination by my predecessor, Patrick Cescau, and I want to take this opportunity to recognise Patrick's accomplishments as Chief Executive. He leaves a remarkable legacy: a wide-ranging change programme combined with steadily improving results. In short, the engine was replaced while the car kept running. Quite an achievement and I am grateful to Patrick for what he hands over.

Last year saw an acceleration of Unilever's transformation agenda.

The rationalisation of our manufacturing base continued across all regions. During the last year we closed or sold a further 14 sites, bringing the total to 26 over the last two years. We are now on course to exceed our target set in 2007 of closing or streamlining 50 to 60 sites by 2010. All these projects are being handled with great sensitivity to the workforce. Together they are helping to provide Unilever with a modern, cost competitive supply chain, capable of meeting the demands of competing in the 21<sup>st</sup> century. To further aid speed and efficiency, we have brought all our logistical and supply chain operations in Europe together in one regional structure based in Switzerland. And we are currently embarked on a similar move in Asia by centralising our supply chain management for the region in Singapore.

The brand portfolio was further strengthened and sharpened. This included the sale of the North American laundry business. We also divested some smaller, non-strategic parts of our portfolio, including Boursin cheese, Lawry's seasonings and the Bertolli olive oil businesses. These deals were all done at good prices, achieving significant value for the company. At the same time, the acquisition in 2008 of the leading Russian ice cream maker, Inmarko, filled an important gap in a critical market for us. And we are in the process of obtaining a vital entry into the fast-growing salon sector of the hair care market with our planned acquisition of the TIGI hair product business. And we are alive to similar value-creating opportunities that may present themselves during the year.

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The One Unilever programme under which multiple business units are integrated into a single operating structure became a reality across most of the Group's key markets, bringing greater speed and simplicity to all our operations. These changes contributed to a good set of business results in 2008. We achieved strong underlying sales growth of 7.4%, broadly based across all our major product categories. Growth was driven by increased pricing as the Group moved quickly and decisively to offset the unprecedented rise in commodity costs.

Supply chain and other organisational savings of more than 1 billion meant that we were also able to increase the level of investment behind our brands, while at the same time delivering an underlying improvement in operating margin.

By any standards, this represents solid progress and a good set of results.

However, despite the positive changes to the business, there are still a number of areas in which we need to improve. Our market share positions suggest we are not yet winning in enough of the key categories and geographies in which we compete. Market positions and brand strength are two key determinants of long-term earnings capacity. So we need to do better.

Equally our costs are not yet at competitive levels. Huge progress has been made but again there is still work to do. In order to invest behind our brands and win the battles for the hearts and minds of an increasingly value conscious consumer, we must eliminate all the costs that consumers are unwilling to pay for.

Growing our volume base, while keeping closely focused on protecting our margins and cash flow, will be our priority in 2009. The economic environment is unprecedented and will require flexibility and fast action. But Unilever has long experience of operating in difficult markets and at times of great economic stress. It should be remembered that the Group was born in the era of the Great Depression of the 1930s. On each occasion since, it has learnt from the experience and emerged stronger and more resilient as a business. There are good reasons to believe we can do so again.

For one thing, we possess a highly relevant and inspiring mission. Vitality with its emphasis on helping people to feel good, look good and get more out of life resonates with the hopes and aspirations of consumers the world over.

Vitality is even more valid today as consumers face increasingly tough economic challenges.

That is why we have made it the theme of this year's report and why we want to extend the concept of vitality right the way through our products, our organisation and our engagement with societies at large.

We have an excellent, balanced portfolio of strong brands fulfilling basic needs; 13 have an annual turnover of 1 billion or more and we are not overly exposed to the premium sector at a time when this segment of the market is under increasing pressure. We have strong, well-established businesses in many of the world's fastest growing markets and our global presence is building all the time. Add to this the Group's simplified organisation and a sound and healthy financial structure and you can see why, we believe, Unilever is so well placed to win.

Underpinning these strengths, Unilever exhibits a set of deeply ingrained values based on trust and integrity which date back to the days of its founders and which are so well captured in the concept of 'doing well by doing good'. These values will never be compromised, no matter how difficult the economic conditions become, and nor will the Group's commitment to help tackle deep-seated global issues in such areas as nutrition and hygiene. In pursuit of these objectives we continue to work closely alongside agencies like the World Food Programme (WFP) and UNICEF. In 2008, our partnership with the WFP extended its scope to six countries and delivered 16 million meals to 76 000 schoolchildren.

Given the increasing problems of resource scarcity around the world, it is also vital that we take a lead on the issue of sustainable consumption. That is why we have made a clear commitment to move to sustainable palm oil sourcing by 2015 and are working with Greenpeace and others to achieve this challenging objective.

It was heartening to see the Group's commitment to these issues publicly recognised and rewarded in 2008. For the tenth year running Unilever was named foods sector leader in the Dow Jones Sustainability Indexes – the only company ever to achieve such an accolade. And the award of Platinum standard in the UK's Business in the

Community Corporate Responsibility Index was further recognition of the Group's willingness to act as an agent for social and environmental improvement.

All these attributes, I believe, will not only help to sustain the Group during a period of economic difficulty, but are also the pillars of long-term competitive advantage and a high performing business.

However, there is no cause for complacency. We must not underestimate the challenges ahead. If we are to prosper, we will need to continue the programme of organisational change, further increasing our ability to move quickly and decisively in response to shifting market dynamics. But internal change must be accompanied by greater external focus: we have to put the consumer and the customer at the heart of everything we do. This external focus, coupled with speed and discipline, will be the key to success.

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**Adding Vitality to Life**

Chief Executive Officer's review continued

These will be our guiding principles as we manage the business through a period of continuing turbulence and prepare for the future. We are also taking a number of additional steps:

We are driving brand innovation, the lifeblood of our business, to a new level. The move to a One Unilever R&D structure under the Group's Chief R&D Officer, Professor Geneviève Berger, will help us to win in the marketplace by focusing on fewer, bigger innovations and rolling them out more swiftly around the world.

We are also raising the bar when it comes to our supply chain. Through the appointment of a Global Supply Chain Officer, we are looking for even better ways to leverage our scale in global buying and thereby reduce the overall cost of raw materials. In 2008 our supply chain savings were almost 100 million greater than the previous year. To drive the process even further we have appointed our first Chief Procurement Officer. We expect a continued strong programme in 2009 and beyond.

We are ensuring that our brands address the needs of value-conscious consumers everywhere. Our Bertolli restaurant-quality Italian dinners for two, for example, offer North American consumers an excellent alternative to eating out. And in South East Asia, our Knorr brand has been quick to introduce low-cost single units of stock and seasoning.

Finally, we are using the current economic environment to bring about a step change in our approach to costs and cash flow. Hence, we are accelerating our savings programmes and reducing many discretionary costs. We are also challenging ourselves to be ever more efficient and striving to be best-in-class in the management of working capital.

In conclusion, 2008 was a good year for Unilever. In volatile markets and in the face of a severe economic downturn the Group's performance stood up well.

Our priority in 2009 will be to get sales volumes growing again, both sustainably and profitably. That is why we are focused on driving our costs down faster, so that we can reinvest in the business and strengthen our brands. We are also focusing in 2009 on improving the size and quality of our innovations, and rolling them out further and faster around the world. In 2008, for example, we launched Dove Go fresh in January in two markets. Within just six months it was in eight markets, and by the end of the year in 55. We can do it. We just need to do it more often.

To re-ignite volume growth, we also need to concentrate on improving our capabilities in the marketplace from leveraging the global scale of our supply chain to sharpening the focus we give our more successful and fastest growing customers. And finally, we will continue to develop the organisation itself, building a strong performance culture around the principles of clear accountability, a bias for action, speed of delivery and external focus.

2009 will be a challenging year. The depth and uncertainty of the current recession means that we must be able to respond quickly to rapidly changing market conditions. I am confident that we have the tools and the organisation to do that. If we can, then we will emerge from the current difficulties stronger than ever, just as we have done many times before.

**Paul Polman**

Chief Executive Officer

**Unilever Executive (UEX)**

Responsible for the performance of the Group, guided by the Chief

Executive Officer

Left to right:

**Harish Manwani**

President, Asia, Africa and



Central & Eastern Europe

**Jim Lawrence**

Chief Financial Officer

**Sandy Ogg**

Chief HR Officer

**Michael Polk**

President, Americas

**Vindi Banga**

President, Foods,  
Home & Personal Care

**Geneviève Berger**

Chief R&D Officer

**Doug Baillie**

President, Western Europe

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Vitality through R&D

Unilever is a global leader in research and development, believing that powerful vitality-based innovations are crucial to delivering sustainable growth.

The year saw two important milestones. Firstly, Geneviève Berger was appointed Unilever's first Chief R&D Officer. Secondly, our 6 000 plus R&D professionals came together in one unified organisation.

With an integrated global research, product development and implementation programme, the new R&D structure aims to give us competitive advantage in the market through greater efficiency and focus. This R&D organisation is designed to accelerate the delivery of ground-breaking advances, increase the focus on big innovations and optimise the balance between short- and long-term projects.

**Unique products with proven benefits**

Our R&D teams focus on creating distinctive new products with proven benefits that meet consumer needs and help add Vitality to Life.

Knorr Stockpot bouillon uses patented jelly technology. It looks natural, smells delicious, melts naturally into dishes and has a rich, authentic taste. Containing no preservatives or colourings, it was first launched in China and has recently been launched in Europe.

Our anti-dandruff shampoo Clear delivered steady market share gains compared to the previous year in markets from Brazil to the Philippines. Thanks to our superior technology, Clear's ability to destroy dandruff-causing microbes makes the scalp healthier and prevents dandruff from returning if the shampoo is used frequently.

And we put our nutritious Blue Band margarine within reach of low-income consumers in Africa by developing an affordable single-serve sachet that keeps the product fresh even at high ambient temperatures.

Innovation also makes a vital contribution to our sustainability agenda. For example, in 2008 we made important strides in establishing verifiable environmental metrics and reducing the weight of our packaging, helping to decrease the overall impact of our portfolio.

**White teeth, White Now**

Our scientists share best practice and knowledge across product categories. The ground-breaking White Now toothpaste, launched under the Signal brand in seven European countries, is the first whitening toothpaste with an instant effect.

It transfers optical-effect technology developed by our laundry team to the field of oral care, using a blue pigment to make yellow teeth appear whiter. Signal White Now exceeded its sales targets and will be rolled out in a number of additional countries in 2009.

[www.unilever.com/signal](http://www.unilever.com/signal)

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**Adding Vitality to Life**

Vitality through our brands

**Every Child has the Right**

Unilever's laundry brands are making a positive social impact while continuing to grow sales. Dirt is Good, the unifying campaign for leading brands such as Omo and Persil, promotes getting dirty as a natural and positive part of growing up - essential to a child's learning experience. Under the Omo brand, the campaign was taken in a fresh direction when it commissioned a unique study into child development. 1,500 mothers shared their hopes and concerns for their children, with 63% revealing they feared their youngsters were being deprived of their childhood. This insight inspired the Every Child has the Right campaign, focusing on giving children the freedom to experience, learn and develop. It has been launched in Latin America, Europe and Asia.

[www.unilever.com/omo](http://www.unilever.com/omo)

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Vitality is at the heart of everything we do. It defines the many ways our brands help people get more out of life and is core to our growth agenda.

Our Vitality mission reaches across our whole organisation and provides the basis for our category, regional and functional strategies. Central to the way we manage our brand portfolio is identifying how each brand can best bring Vitality to Life.

We do this through focusing on three areas: personal vitality, social value and environmental impact.

### **More personal vitality**

Our nutrition, hygiene and wellness brands deliver personal benefits, both functional and emotional, to the millions of consumers who choose them.

For example, the new Flora/Becel pro.activ Blood Pressure range enriched with potassium offers a simple way to help manage blood pressure. Potassium helps maintain a healthy blood pressure eliminating excess sodium in the body. A healthy blood pressure is important for maintaining a healthy heart.

Another example of personal vitality is Hellmann's Light mayonnaise, which is rapidly becoming a consumer favourite around the world. In 2008, the brand launched its new Light and Extra Light formulations which incorporate Unilever's patented citrus fibre technology. This technology gives Hellmann's Light and Extra Light variants a smooth and creamy taste almost indistinguishable from the full fat variant, but with 60% to 90% less oil.

One of our key challenges is to ensure we make a positive impact on the world while continuing to grow sales. Our oral care team launched the next phase of Unilever's Night Brushing Campaign. This aims to reinforce the day and night brushing habit among four- to eight-year-old children and their parents. Brushing teeth twice daily leads to dramatic oral health improvements as well as increased toothpaste consumption.

### **More social value**

We believe our brands can be a powerful means of improving the lives of large numbers of people, by championing social causes or prompting widespread changes in behaviour and attitudes.

For example, by the end of 2008, the Dove Self-Esteem Fund campaign had reached over 3.5 million young women around the globe, helping to improve their self-confidence by challenging conventional definitions of beauty. Such activities help build a strong connection with our consumers while underpinning the brand's successful advertising campaigns.

The Vaseline Skin Fund campaign aims to give at least three million people better access to information about managing a range of skin conditions such as eczema and ectodermal dysplasia. It was launched in the UK and the US in 2008, with more countries to follow in the coming years.

Meanwhile, Lipton continued its journey towards sourcing all the tea for its tea bags from Rainforest Alliance Certified farms, a goal the brand aims to achieve by 2015. In 2008, eight independent tea estates in South India became the latest of Unilever's suppliers to achieve Rainforest Alliance Certified status by reducing waste and pesticide use, conserving soil quality, protecting wildlife, and paying employees a fair wage. The benefits are being felt by thousands of employees and their families, to whom the estates provide free healthcare, housing, childcare and education.

And our Blue Band/Rama brand continued to raise funds as part of our three-year partnership with the World Food Programme (WFP). This partnership helped the WFP school feeding scheme provide 76 000 children in Indonesia, Pakistan, the Philippines, Colombia, Kenya and Ghana with a nutritious daily school meal throughout the year.

### **Less environmental impact**

We aim to grow our business in a sustainable and environmentally responsible way through focusing on cutting water consumption and waste, reducing our carbon footprint and obtaining more raw materials from sustainable sources.

Our Small & Mighty concentrated liquid detergent is a shining example: it fits into a much smaller bottle, requiring half the packaging, water and lorries to transport it. First launched in the US, Small & Mighty is now available across Europe and has proved a huge hit with consumers.

Meanwhile, Rexona offers one of the most environmentally friendly 50ml roll-on deodorants available. This was due to new manufacturing and packaging processes that underscore how our R&D expertise in responsible packaging can lead to both environmental and business benefits (see page 17).



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**Adding Vitality to Life**

Vitality through our customers and suppliers

We work hard to build strong, lasting relationships with our customers and suppliers around the world – essential in today’s competitive marketplace.

**Winning with customers**

We are always looking for new ways to work with customers to bring Vitality to Life in their stores. We do this through activities that help consumers better understand our brands’ health, environmental and ethical benefits. For example, Unilever is participating in four of Wal-Mart’s 13 sustainability networks which aim to bring its suppliers together to share best practice. Unilever is taking the lead in water by developing a reliable way to measure how efficiently its suppliers are using water in growing crops. Unilever ran an irrigation study among Californian tomato growers, the results of which will contribute to a sustainability scorecard for Wal-Mart suppliers.

In a further example of close co-operation with the Wal-Mart Group, in summer 2008 we set up sustainability kitchens at ASDA superstores around the UK. The objective was to encourage shoppers to make environmentally friendly changes (such as washing laundry at 30°C) that could also save them money. As part of this activity, ASDA ran a promotion on selected Unilever brands with strong Vitality credentials, such as Hellmann’s, Persil and PG tips, resulting in a significant sales increase during the period.

**Closer collaboration with suppliers**

Unilever’s vitality commitment requires us constantly to make our food products healthier – for example by reducing salt, sugar and fat – without compromising on taste.

To speed up and improve flavour development for our food innovations, we created the Flavour Operating Framework (FLOF). This initiative provides a globally consistent way for our supply chain and R&D specialists to collaborate with three external suppliers – Flavour Houses – which compete to deliver new ingredients and technologies. FLOF has already supplied us with a number of solutions, for example to maintain the taste of Lipton ready-to-drink tea while reducing sugar content, and helping Knorr products keep flavours the same while cutting salt levels.

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### Vitality through our people

Nothing embodies our business as much as our employees. We grow as a company by growing our people and are committed to their personal vitality.

Unilever is shaped and led by its people who operate within a framework of shared values and business goals. To attract and retain the best people, we aim to create an environment in which all employees can fulfil their potential. Personal vitality is integral to our vitality agenda. It is brought to life through many wide-ranging initiatives that promote the wellbeing of our employees.

#### **Putting safety first**

We regard safety as an essential element of a successful and sustainable business and are committed to providing a safe workplace. We aim to improve continuously the health, safety and wellbeing of everyone working for or on behalf of Unilever. A key measure of our progress in this area is our total recordable accident frequency rate, which counts all workplace accidents except those requiring only simple first aid treatment. In 2008 the rate was 0.21 accidents per 100 000 hours worked, a decrease of 19% since 2007\*.

#### **Feed the world**

Anne-Roos Carter, Field Sales Support Manager, Benelux, was one of ten Unilever managers to take a secondment to the World Food Programme (WFP) in 2008. She spent three months in Indonesia, working on the WFP's school feeding project, which aims to ensure pupils get at least one nutritious meal a day. Now in its second year, the employee secondment programme enables Unilever people to contribute their skills in placements lasting up to six months in Africa, Asia and South America. Participants get a life-changing opportunity to help fight child hunger while at the same time gaining valuable first-hand experience of living and working in developing and emerging markets.

#### **Vital statistics**

We introduced a creative way to boost the energy and enthusiasm of people working in our offices around the world. In a joint move by our Occupational Health and Organisation Effectiveness departments, employees in 21 locations completed a survey to measure a range of factors that influence their vitality. The findings were passed to local managers who then tackled priority areas. For example, in Mexico, where it is usual to take an early breakfast and a late lunch, the company Board at the Boscas office observed that people often resort to unhealthy mid-morning snacks. As an alternative, they introduced healthy snacks stations, offering fresh water, soya drinks, fruit and nuts.

#### **Continued focus on gender**

Our Global Diversity Board, led by the Chief Executive Officer, made steady progress in driving the diversity agenda throughout the business. Key milestones have been reached with critical appointments in senior roles including Geneviève Berger becoming Chief R&D Officer and joining the Unilever Executive (UEX) in July 2008. Enabling mechanisms include an expanded mentoring programme, new ways of working that promote life balance and fostering grassroots involvement through the Unilever Women's International Network (UWIN). Initiatives such as the One More programme focus on diversity in teams, where every team leader is responsible for increasing diversity through each new appointment. For the top 100 teams, this means looking for the opportunity to increase diversity in gender and/or nationality in every appointment they make.

#### **Talent powerhouse in Argentina**

Unilever Argentina cemented its reputation as employer of choice with a hat-trick of industry awards. For the fourth consecutive year, it was voted Best Employer by leading business magazine Apertura, which also ranked it first as the company of dreams for students. The business also received the Carlos Pellegrini Award for best employer, presented by the National Industrial Association and the Argentine government. Unilever Argentina's reputation is largely thanks to a strategy which includes building long-term relationships with universities to share information about promising candidates and developing innovative recruitment processes to differentiate it from other trainee programmes. This strong position has helped Argentina become an important talent source for Unilever globally; currently over 80 employees from Argentina are on assignment overseas and many others occupy regional or global roles.

\* 2008 data is preliminary. It will be independently assured and reported in our online Sustainable Development Report 2008 at [www.unilever.com/sustainability](http://www.unilever.com/sustainability)



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**Social impacts and Vitality**

Making a difference in society

Improving nutrition and hygiene lies at the heart of our vitality agenda.

**Nutrition helping make the healthy choice**

Increasingly it is recognised that diet along with regular physical activity plays a major role in maintaining good health.

By developing brands that help consumers to enjoy a healthy diet we can sustain our business growth and help address the challenge of obesity and diet-related diseases. Our marketing can also encourage consumers to adopt healthier lifestyles.

We are improving the nutritional quality of our existing product portfolio.

In 2005 we began to assess our entire brand portfolio via our Nutrition Enhancement Programme. By the end of 2008 this showed that 43% of our products are in line with internationally accepted guidelines for saturated and trans fat, sugar and salt. We continue to keep more than 22 000 products under regular review.

Innovation is bringing new products that offer specific health and nutritional benefits.

In our R&D pipeline, around three quarters of food products have what we call vitality benefits specific nutritional or health benefits. Examples include our Moo/Milk Time range of ices made with milk, which provide around a third of the recommended daily intake of calcium, and Flora/Becel pro.activ Blood Pressure spreads and fruity shots developed to help manage blood pressure.

To increase consumer choice, we provide variants of many brands, with full and low fat, sweetened and unsweetened options, and different portion sizes.

Through on-pack labelling, we help consumers to make the right choices. We provide consumers with essential information, showing levels of key nutrients and guideline daily amounts. In addition, the Choices stamp helps consumers identify healthier choices. Our Food and Beverage Marketing Principles ensure a responsible approach worldwide.

In countries where there is malnutrition, Unilever brands can make an important contribution to people's diets. Our Blue Band/Rama spreads are a good source of vitamins A, and E. Amaze snacks have been developed to contain a third of the key nutrients children need daily for their mental development. Annapurna iodised salt helps prevent diseases caused by iodine deficiency.

**Spreading the word**

We believe Unilever can play an important role in promoting healthy food choices. For example, eating margarine and mayonnaise is a simple, tasty way to consume essential fats and fat-soluble vitamins yet many consumers see these products as unhealthy. During the year, we continued to roll out our Goodness of Margarine campaign to 12 countries to give consumers a more informed view of our products contribution to public health. For mayonnaise, we continued our global communication that Hellmann's mayonnaise is made with real, simple ingredients and is naturally rich in omega-3. Consumers responded well, with both margarine and mayonnaise showing strong growth in 2008.



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**Hygiene changing habits, helping save lives**

Globally, a lack of basic hygiene causes a wide range of illnesses. Incorporating simple habits into everyday routines such as washing hands with soap prevents life-threatening diseases, particularly diarrhoea and respiratory infections. And brushing teeth day and night can significantly contribute to the prevention of gum disease and infection.

Making good quality products such as soap and toothpaste affordable and widely available to consumers is a crucial starting point, but products alone are often not enough if people do not change their habits.

So Unilever's health and hygiene programmes harness the power of our marketing to change behaviour. By working with partners in government and non-government organisations we can extend our impact further.

In 2008 the Lifebuoy brand, together with the United Nations and other partners, launched the first ever Global Handwashing Day. Lifebuoy brand teams in 23 countries helped raise awareness about how handwashing with soap can help prevent diseases.

In India, the Lifebuoy hygiene education programme, Swasthya Chetna, has reached nearly 51 000 villages and made a difference to the lives of 120 million people in rural areas since 2002. Similar programmes in Bangladesh, Pakistan, Sri Lanka, South Africa, Vietnam and Indonesia reached a further 13 million.

Another common affliction is oral disease. Around the world, over 1 billion people do not brush their teeth with a fluoridated toothpaste at all, while over 2 billion do not brush twice a day. Here too, changing everyday habits is critical.

Our Signal, Pepsodent and Close Up brands are making a real difference. In 2008 we extended our long-standing partnership with the FDI World Dental Federation. It now covers 40 countries. The partnership is focusing on encouraging children and their families to brush day and night with fluoride toothpaste as this has the greatest impact on improving oral health around the world.

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### **Environment and Vitality**

Working towards sustainability

Unilever depends on the natural environment for supplies of raw materials and water. Sustainability is a business issue.

Over two thirds of our raw materials come from agriculture. Changing weather patterns, water scarcity and unsustainable farming practices threaten the long-term viability of agricultural production. Packaging depends on supplies of paper and other materials. Water is essential for consumers when using many of our brands.

For more than a decade we have been working to reduce the environmental impact of our own operations. Now we are going further to look at indirect impacts, encompassing suppliers and consumers where possible. In 2008 we piloted a way to measure our product categories against four indicators covering water, waste, sustainable sourcing and greenhouse gas emissions. This data will inform future development and innovation across our categories.

#### **Sourcing sustainably**

Unilever buys approximately 12% of the world's black tea, 7% of the world's tomatoes and 4% of its palm oil. We have developed detailed guidelines on what sustainable agriculture means for key crops, covering issues such as reducing pesticide use, conserving water and using less energy.

In 2007 we announced our commitment to source all our tea from certified sustainable sources. About half the Lipton Yellow Label and PG tips we sell in Western Europe is now grown on Rainforest Alliance Certified farms. This commitment was instrumental in winning a contract to supply tea for McDonald's in several European countries. Hellmann's mayonnaise is committed to sourcing cage free eggs for all products sold in Western Europe by 2010. Most of the world's oil palm is grown in SE Asia where the clearance and burning of forests contributes to global warming. Worldwide, deforestation releases nearly 20% of the world's greenhouse gases. Working with Greenpeace, we have built a global coalition of companies, banks and NGOs to break the link between deforestation and the cultivation of oil palm. In 2008, we announced our intention to have all our palm oil certified as sustainable by 2015.

#### **Addressing climate change**

Changes in climatic conditions threaten the stability of the markets where we operate, as well as our agricultural supply chain. Developing countries, where we are growing strongly, are especially vulnerable to the effects of climate change.

We are committed to reducing carbon dioxide emissions from energy in our manufacturing operations by 25% by 2012 (measured by tonne of production against a baseline of 2004).

Since 1995 we have achieved a 39% reduction in CO<sub>2</sub> from energy per tonne of production. In 2008 we reduced our CO<sub>2</sub> emissions by 1.6% per tonne of production compared to 2007.

In fact most CO<sub>2</sub> emissions associated with our brands occur during consumer use since many of our products require energy to heat water for cooking and washing. Through the design and formulation of our products, we can make a difference. For example, by developing concentrated detergents that use fewer raw materials and less packaging, that are less energy intensive to manufacture, and that are effective at lower wash temperatures.

#### **Conserving water**

Our brands rely on water at each stage of their life cycle – upstream in the supply chain, in our own manufacturing operations and in the hands of consumers.

Since 1995 we have reduced the amount of water we use per tonne of production by 63% by minimising water use and maximising water recycling. During 2008 we achieved a 3% reduction in water use compared to 2007 from 3.05m<sup>3</sup> to 2.96m<sup>3</sup> per tonne of production.\*

The most direct impact we can have on water conservation is by designing products that use less. Surf Excel Quick Wash laundry detergent, for example, saves two buckets of water per wash for consumers in India – a real benefit when water is scarce and costly. In 2008 sales increased by 20%. One Rinse Comfort fabric conditioner eliminates the need to rinse clothes before applying the conditioner.

\* Measured by tonne of production.  
2008 data is preliminary. It will

be independently assured and reported in our online Sustainable Development Report 2008 at [www.unilever.com/sustainability](http://www.unilever.com/sustainability)

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**Reducing packaging and waste**

Packaging is essential to protect our brands, maintain hygiene and present them attractively to consumers. The more we reduce the impacts of our packaging, the greater the potential saving in materials, energy, transport and disposal costs for customers and consumers.

We have also been minimising waste from manufacturing as part of our eco-efficiency programme for more than a decade. Since 1995 we have cut total waste sent for disposal by 68% per tonne of production. During 2008 we saw an increase of 4.3% in total waste compared to 2007. This increase from 7.56kg/tonne to 7.89 kg/tonne has been driven by three factors: legislative changes which require different methods of disposal for non-hazardous waste; under-capacity in effluent treatment; and the planned disposal of accumulated and inherited hazardous waste.\*

**Lighter, stronger, greener**

Unilever experts apply their skills to reducing our brands' impact on the environment, as well as making them perform better. Our Rexona 50ml roll-on deodorant is one of the most environmentally friendly on the market, thanks to a radical rethink of its design and manufacture. The moulding, assembly and packaging processes were streamlined and energy efficiency improved, with the resulting roll-on weighing on average 8% less and using 1 000 tonnes less plastic per year than previously. The time needed to make the cap was cut by 34% and the time to make the bottle was reduced by 8%, leading to significant energy savings. Rexona deodorants continued to do well, as sales grew rapidly in 2008.

[www.unilever.com/rexona](http://www.unilever.com/rexona)

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Shareholder information

Board of Directors

**Chairman**

[Michael Treschow<sup>1,2</sup>](#)

Nationality: Swedish. Aged 65.

Chairman since May 2007. Chairman, Telefonaktiebolaget L M Ericsson. Non-Executive Director, ABB Group. Board member, Knut and Alice Wallenberg Foundation, Member of the European Advisory Board, Eli Lilly and Company. Chairman, AB Electrolux 1997-2007 and Confederation of Swedish Enterprise 2004-2007.

**Vice-Chairman**

[The Lord Simon of Highbury CBE<sup>3,4,5</sup>](#)

Nationality: British. Aged 69.

Appointed 2000. Non-Executive Director, Suez Group. Director, CEPS, Belgium. Member of the International Advisory Council, FITCH, France. Member of the International Advisory Board, Dana Gas Corporation. Member, Advisory Board, Montrose Associates Limited. Senior Advisor, Morgan Stanley International. UK Government Minister 1997-1999. Group Chief Executive, BP p.l.c. 1992-1995 and Chairman 1995-1997.

**Executive Directors**

[Paul Polman](#)

[Chief Executive Officer](#)

Nationality: Dutch. Aged 52.

Chief Executive Officer since January 2009. Appointed Director October 2008. President, Kilimanjaro Blindtrust. Patron, Leaders for Nature, an International Union for Conservation of Nature (IUCN) initiative. Various positions within Procter & Gamble Co. 1979-2001, Group President Europe and Officer, Procter & Gamble Co. 2001-2006. Chief Financial Officer, Nestlé S.A. 2006-2008. Executive Vice President and Zone Director for the Americas 2008.