

OUR BUSINESS MODEL FOR SUSTAINABLE GROWTH

VISION

Our vision is to double the size of Unilever while reducing our environmental footprint.

The two elements of this are interlinked. Our growth ambition is dependent on operating sustainably. These two aspects of the vision shape and form our business model.

EXTERNAL CONTEXT

When we wrote in our previous report that 2011 would be challenging, we could not have known how right that prediction would be. The world has been through a year of almost unprecedented turmoil and uncertainty, and is facing some serious challenges. This in turn frames the way we must manage our business and the issues we face.

Short-term economic pressures have dominated 2011, with major instability in the Eurozone and a weak recovery by the US economy. Stubbornly high unemployment in many developed markets has created a continued squeeze on consumer spending. Commodity prices have been volatile and many have risen sharply. And the operating environment in emerging markets has seen increasing focus from competitors who all know that business success depends on driving growth in these markets.

2011 also saw a tragic series of natural disasters, from the earthquake and tsunami in Japan to the famine in the Horn of Africa. Each one required a response from us at a humanitarian, employer and operational level.

Furthermore, the interdependent challenges of food security, poverty reduction, sustainability of resources, climate change and social and economic development have never been greater.

We believe that many of these factors will continue for the medium term, and that this level of volatility and uncertainty is the 'new normal'. Our business model has been evolved as a response to this operating environment, as we address the prospect of another 2 billion people on the planet by 2050.

THE UNILEVER SUSTAINABLE LIVING PLAN

In order to live within the natural limits of the planet there is no option but to decouple growth from social and environmental impact. The Unilever Sustainable Living Plan (USLP) sets out our path to achieving this. It includes around 60 targets and embraces all aspects of our own operations, going beyond them to the entire lifecycle of our products. Innovation and technology will be key to achieving our goals. Equally important will be our ability to change consumer behaviour.

The USLP will result in three big outcomes:

We will help

1 billion

people improve their health and well-being

We will

halve

the environmental footprint of our products

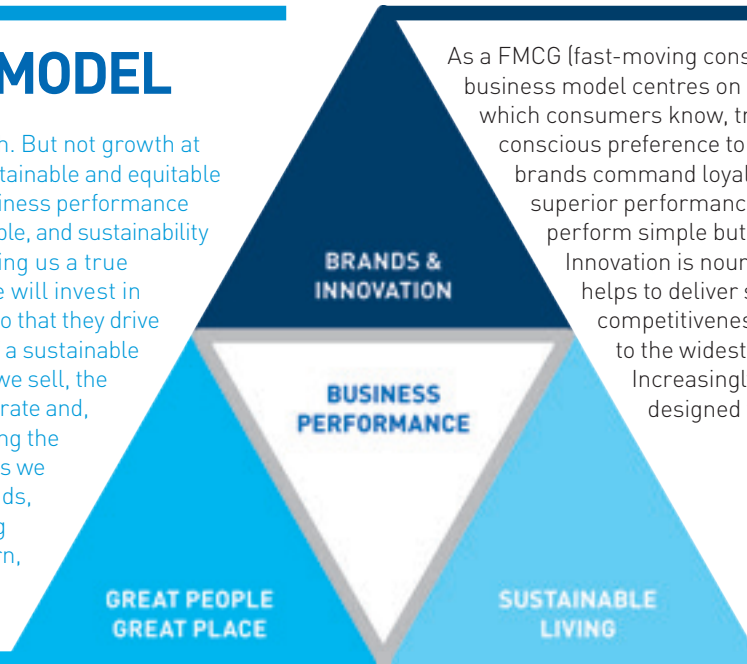
We will source

100%

of agricultural raw materials sustainably

BUSINESS MODEL

Our aim is to deliver growth. But not growth at any cost – rather a new sustainable and equitable form of growth. Strong business performance is driven by our brands, people, and sustainability – which is increasingly giving us a true competitive advantage. We will invest in strengthening our brands so that they drive profitable growth as part of a sustainable business model: the more we sell, the more efficiently we can operate and, at the same time, by reducing the cost of running our business we can invest more in our brands, innovations, and advertising and promotions. This, in turn, enables us to sell more.



As a FMCG (fast-moving consumer goods) company, our business model centres on building **GREAT BRANDS** which consumers know, trust, like, and buy in conscious preference to competitors' products. Our brands command loyalty and affinity and deliver superior performance. They help consumers to perform simple but essential everyday tasks. Innovation is nourishment for our brands. It helps to deliver superiority, increases our competitiveness and allows us to appeal to the widest range of consumers. Increasingly, our innovations are designed to enable sustainable living.

As a major employer, our business model is rooted in our people. We have a distinctive set of values and they attract people who bring a sense of purpose to their work. We reward in line with performance and create a climate where people are incentivised to excel. We develop leadership capabilities early and place priority on building tomorrow's leaders today. All this combines to build a business of **GREAT PEOPLE**.

A further element of our business model is **SUSTAINABLE LIVING**. External factors will move it from being the choice of a concerned few to a new norm for billions in this decade. Companies who move quickly to enable it can seize major competitive advantage by doing so. Our aim is to help people move to a more sustainable way of using our products and reduce the current rate of consumption of scarce resources.

Our business model is designed to deliver **SUSTAINABLE GROWTH**, where sustainable means four things:

- it is consistent;
- it is competitive;
- it is profitable; and
- it meets major social and environmental needs.

BUSINESS STRATEGY

Our vision and other elements of our business strategy are articulated in 'the Compass', which was developed in 2009 and has remained a constant guide and touchstone for all our employees. Key elements of it are elaborated on in the following pages.



OUR VISION IN ACTION MEANS THAT, IN FUTURE, EVERY TIME CONSUMERS CHOOSE A UNILEVER PRODUCT, IT IMPROVES THEIR LIFE, THEIR COMMUNITY AND THE WORLD WE ALL SHARE.