PROCUREMENT & SUPPLIER DEVELOPMENT IN THE CONTEXT OF SUSTAINABILITY

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UNILEVER IS A GLOBAL COMPANY

400 BRANDS

SALES IN +190 COUNTRIES

OPERATIONS IN 100 COUNTRIES

150 MILLION PURCHASES A DAY

USED 2BN TIMES A DAY
WE MAKE MANY OF THE WORLD’S FAVOURITE BRANDS
CONTEXT –
THE WORLD FACES HUGE CHALLENGES
OUR VISION

DOUBLE THE SIZE OF OUR BUSINESS, WHilst REDUCING OUR ENVIRONMENTAL FOOTPRINT AND INCREASING OUR POSITIVE SOCIAL IMPACT
3 BIG GOALS BY 2020

HELP MORE THAN 1 BILLION PEOPLE IMPROVE THEIR HEALTH & WELL-BEING

HALVE ENVIRONMENTAL FOOTPRINT OF OUR PRODUCTS

SOURCE 100% OF AGRICULTURAL RAW MATERIALS SUSTAINABLY
2010 USLP: OUR AMBITIOUS PLAN

IMPROVING HEALTH AND WELL-BEING
By 2020 we will help more than a billion people take action to improve their health and well-being.

HEALTH AND HYGIENE
By 2020 we will help more than a billion people to improve their hygiene habits and we will bring safe drinking water to 500 million people. This will help reduce the incidence of life-threatening diseases like diarrhoea.

NUTRITION
We will continually work to improve the taste and nutritional quality of all our products. By 2020 we will double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.

REDUCING ENVIRONMENTAL IMPACT
By 2020 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.*

GREENHOUSE GASES
Halve the greenhouse gas impact of our products across the lifecycle by 2020.*

WATER
Halve the water associated with the consumer use of our products by 2020.*

WASTE
Halve the waste associated with the disposal of our products by 2020.*

ENHANCING LIVELIHOODS
By 2020 we will enhance the livelihoods of hundreds of thousands of people as we grow our business.

SUSTAINABLE SOURCING
By 2020 we will source 100% of our agricultural raw materials sustainably.

BETTER LIVELIHOODS
By 2020 we will link more than 500,000 smallholder farmers and small-scale distributors into our supply chain.

* Our ambition is to achieve a 50% reduction in our environmental footprint by 2020.
SUPPLY CHAIN IS AT THE HEART OF USLP DELIVERY

Improving Health & Well-being
- Health & Hygiene
  - Reduce diarrhoeal disease
  - Improve oral health
  - Improve self-esteem
  - Provide safe drinking water
- Nutrition
  - Reduce salt
  - Reduce saturated fat
  - Remove trans fat
  - Reduce sugar
  - Reduce calories
  - Provide healthy eating information

Reducing Environmental Impact
- Greenhouse gases
  - Reduce GHG from skin cleansing & hair washing
  - Reduce GHG from manufacturing
  - Reduce GHG from refrigeration
- Water
  - Reduce water use in agriculture
  - Reduce water use in laundry process
  - Reduce water use in skin cleansing & hair washing
  - Reduce water use in manufacturing
- Waste
  - Reduce packaging
  - Reuse packaging
  - Recycle packaging
  - Reduce waste from manufacturing
  - Tackle sachet waste

Enhancing Livelihoods
- Sustainable Sourcing
  - Sustainable palm oil
  - Sustainable paper & board
  - Sustainable soy
  - Sustainable tea
  - Sustainable fruit & vegetables
  - Sustainable cocoa
- Better Livelihoods
  - Help smallholder farmers
  - Support micro-entrepreneurs
  - Sustainable sugar, sunflower oil, rapeseed oil & dairy
  - Eliminate PVC
USLP IS TAKING FULL VALUE CHAIN RESPONSIBILITY

**Greenhouse Gases**
- RAW MATERIALS: 26%
- MANUFACTURE: 3%
- DISTRIBUTION / RETAIL: 2%
- CONSUMER USE: 68%
- DISPOSAL: 1%

**Water Use**
- WATER USED IN SOURCING RAW MATERIALS: 50%
- WATER WE ADD TO THE PRODUCT: 1%
- WATER USED BY CONSUMERS IN WATER-SCARCE COUNTRIES: 49%

**Waste**
- PRIMARY PACKAGING: 54%
- SECONDARY PACKAGING: 13%
- LEFTOVERS: 34%
- MATERIALS RECYCLED, REUSED OR RECOVERED: X%
THE BUSINESS CASE FOR SUSTAINABILITY IS COMPELLING
SOURCE
100% OF AGRICULTURAL RAW MATERIALS SUSTAINABLY

HALVE ENVIRONMENTAL FOOTPRINT OF OUR PRODUCTS

HELP 1 BILLION PEOPLE IMPROVE THEIR HEALTH AND WELLBEING
UNILEVER IS A MAJOR BUYER OF AGRICULTURAL PRODUCE

50% of our raw materials come from agriculture

- 12% Black tea
- 6% Tomatoes for processing
- 2% Rapeseed Oil
- 1% Soy

Source: Unilever 2009 data
WE WILL SOURCE 100% OF OUR RENEWABLES SUSTAINABLY BY 2020

- palm oil
- paper & board
- soy
- sugar
- tea
- fruits & vegetables
- sunflower
- rapeseed
- dairy
- cocoa

most of the remainder raw materials
SUSTAINABILITY

what does it mean?

A sustainable business is a growing and profitable business that delivers positive social, economical and environmental outcomes.
SUSTAINABLE SOURCING OF AGRICULTURAL RAW MATERIALS – WHAT ARE THE GLOBAL ISSUES?

• 24 million tons of cropland top soil lost each year
• 5-10 million ha lost pa. due to environmental degradation
• Agriculture uses 70% of world’s fresh water resources, while 40% population experiences water scarcity
• 85% of pesticides never reach their targets
• 75% genetic diversity crop plants lost during past century
• 24% mammals and 12% bird species threatened
HOW ARE WE GETTING THERE:

Self-Verification – Sustainable Agriculture Code

We developed the Code and its 11 key indicators using several Lead Agricultural Projects over a period of 12 years. Each indicator focuses on a specific area of sustainable farming, such as soil health, pest management or energy.

CERTIFICATION:

Based on a benchmarking process Unilever has accepted certain external standards as a whole or partially to cover certain chapters of the Unilever Sustainable agricultural code.
COMPLIANCE - CHAPTERS OF THE SAC

- Continuous improvement
- Agrochemicals and fuels
- Soils
- Water
- Biodiversity
- Training
- Waste
- Energy and Greenhouse gases
- Social and human capital
- Value chain and local economy
- Animal welfare
OUR IMPLEMENTATION PROCESS WITH OUR PARTNERS AND FARMERS:

Step 1
Prioritise suppliers

Step 2
Establish Sustainability Status

Step 3
Sustainability Risk Assessment

Step 4
Supplier Engagement

Step 5
Full self assessments, Gap analysis and Supplier Improvement Plan

Step 6
Measure and Review Supplier Progress

Preparation Phase

Monitoring Phase

Engagement Phase
AFTER 2 YEARS…

where we are today?
### SUSTAINABLE SOURCING PROGRESS IN 2012

<table>
<thead>
<tr>
<th>Material</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PALM OIL</td>
<td>100%</td>
</tr>
<tr>
<td>PAPER &amp; BOARD</td>
<td>63%</td>
</tr>
<tr>
<td>SOY</td>
<td>10%</td>
</tr>
<tr>
<td>SUGAR</td>
<td>8%</td>
</tr>
<tr>
<td>TEA (LIPTON)</td>
<td>69%</td>
</tr>
<tr>
<td>FRUIT &amp; VEG</td>
<td>7% (FRUIT) 59% (VEG)</td>
</tr>
<tr>
<td>SUNFLOWER</td>
<td>14%</td>
</tr>
<tr>
<td>RAPESEED</td>
<td>16%</td>
</tr>
<tr>
<td>COCOA</td>
<td>38%</td>
</tr>
<tr>
<td>DAIRY</td>
<td>31%</td>
</tr>
</tbody>
</table>
59% VEGETABLES SUSTAINABLY GROWN
KNORR INTRODUCES ‘SUSTAINABLY GROWN’ LABEL
Procurement is in a great position as a responsible supply chain integrator.
THE SPICE VALUE CHAIN

Origin Chain
- Small farmers (<1ha)
- Same varieties for fresh & processing
- Price volatility

Destination Chain
- Spice Trading
- Bulk raw material
- Re-sorting cleaning
- Steam, Irradiation, ETO
- End of Chain compliance
- Consumer Trust and perception

Agricultural prod.
- Collection Centers
- Commission Agents and Bulking

Postharvest
- Origin Testing

Intermediate Process / Storage
- Bulking up and Storage
- Small Scale Milling operations

Bulking Distribution
- Varied per Origin

Consumption
- Packing Distribution
- Slight Milling operations
- Consumer Trust and perception
SUSTAINABLE SUPPLIER DEVELOPMENT

Partnerships

Partner To Win

Partnering to developing shorter traceable sustainable supply chains
TRACEABILITY & ORIGINATION FROM FARM TO FORK

We need to shorten communication chain

Farmers -> Suppliers -> Factories -> End Product

Consumers & ourselves want to link back to origin
PARTNERSHIPS ARE CRUCIAL

Working to eliminate tropical deforestation

Training 450,000 tea farmers

Making sanitation more accessible
OUR PTW MISSION

- €1.3bn+ 40+ Factories
- 48% Innovation Pipeline
- PARTNER TO WIN
- Value
- Capacity
- Innovation
- Sustainability
- World Class Services
MORE COLLABORATION IS NEEDED

MORE COMPANIES + MORE GOVERNMENTS + MORE NON-PROFITS + MORE CONSUMERS = SUSTAINABLE BUSINESS + SUSTAINABLE LIVING
WHAT ARE THE BENEFITS:

• **Its Good for the Business**
  - *If we grow you grow.*
  - *It helps suppliers increase your competitiveness.*
  - *It helps in securing long term supply of raw materials.*

• **Its Good for Farmers**
  - *Increases yields and quality and can improve farmer profitability.*
  - *Stimulates economic development and improves livelihoods of farmers and families.*

• **Its Good for the Environment**
  - *More sustainable farming practices improve soil fertility, conserve water, enhance biodiversity and reduce greenhouse gases.*

• **Its Good for the Consumers**
  - *Consumers care about where their food comes from, how it's grown and made.*
  - *Helps in providing Consumers with great food that does not cost the earth.*
Small Actions, Big Difference

Every day, thousands of our suppliers help us make our products. If we can work together with you and your farmers to be more sustainable, our small actions really will add up to a big difference.
CASE STUDIES OF SUSTAINABLE SUPPLIER DEVELOPMENT IN ACTION

- 1500 small holder farmers
- Secured Volume, right quality, right price
- Improved Yields 2 X
- Implemented IPM
- 100% drip irrigation coverage
- Sustainability verification
- Red Revolution with the Kissan Brand.

CULTIVATING INDIA, ONE TOMATO AT A TIME

As part of a global initiative, Hindustan Unilever has embarked on a wide-ranging programme to source all its agricultural raw materials sustainably by 2020. The Indian farmer is a key beneficiary.

Unilever has trained farmers in best practices for growing high-yielding tomato varieties, provided them with the right agricultural inputs and promoted access to the market.
MAKE SUSTAINABLE LIVING COMMONPLACE