UNILEVER PLC
Form 6-K
March 07, 2014
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Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR

15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2014.

Commission File Number 001-04546

UNILEVER PLC

(Translation of registrant s name into English)

Unilever House, Blackfriars, London, England

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of

Form 20-F or Form 40-F.

Form 20-F þ Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by

Regulation S-T Rule 101(b)(1): ¨

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted

solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by

Regulation S-T Rule 101(b)(7): ¨

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with

Rule 12g3-2(b): 82- __________.

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CAUTIONARY STATEMENT

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as will , aim , expects , anticipates , intends , looks , believes , vision , or the nega terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors which cause actual results to differ materially are: Unilever s global brands not meeting consumer preferences; Unilever s ability to innovate and remain competitive; Unilever s investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters. Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Group s Annual Report on Form 20-F for the year ended 31 December 2013 and the Annual Report and Accounts 2013. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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UNILEVER

AT A GLANCE

WHO WE ARE

Unilever is one of the world s leading fast-moving consumer goods companies. Our products are sold in over 190 countries and, on any given day, 2 billion consumers worldwide use them. We own some of the best known and best loved brands, from long-established names like Dove, Sunlight, Knorr and Lipton to new innovations such as Pureit, our unique in-home water purifier. We are passionate about them and proud of the way they help people get more out of life.

WHAT WE DO

We build our brands and develop our products through extensive consumer insight, relentless innovation, and crystal-clear design and marketing. This is a powerful blend that helps us excite and inspire customers and consumers in established and emerging markets in every corner of the globe. We are committed to making sustainable living commonplace and work to develop new ways of doing business that will reduce our environmental footprint and increase our positive social impact.

OPERATIONAL HIGHLIGHTS

In 2013 we again demonstrated the progress we are making in transforming Unilever into a sustainable growth company. Turnover was 49.8 billion, down 3.0% with a negative impact from foreign exchange of 5.9% and net acquisitions and disposals of 1.1%. Underlying sales grew 4.3%. Gross margin rose 1.1 percentage points driven by better mix, margin accretive innovations and savings. Despite higher spend on advertising and promotions, core operating margin rose by 0.4 percentage points.

- Underlying sales growth of 4.3% was well balanced with volume 2.5% and price 1.8%.
- Emerging markets, now 57% of our business, grew underlying sales by 8.7% but were flat in current currency.
- Developed markets reported negative underlying sales growth for the year of 1.3%, with Europe down 1.1% and North America 1.5%.

2 Strategic report

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OUR KEY PERFORMANCE INDICATORS

We report our performance against the four key financial and six key non-financial performance indicators below. Our financial KPIs are described in the Financial review starting on page 26 and our non-financial KPIs are on pages 14, 16 and 20. Total recordable accident frequency rate and the three manufacturing KPIs were reported in 2012, while the two people-related KPIs

covering diversity and employee engagement are being reported for the first time. In 2012, we also reported against four other key non-financial indicators which are no longer reported as KPIs but are incorporated into the reporting against our Unilever Sustainable Living Plan (USLP) commitments on pages 22 and 23. They will continue to be included in our online Unilever Sustainable Living Report for 2013 to be published in April 2014.

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CHAIRMAN S

STATEMENT

Over the last five years we have seen the steady transformation of Unilever into a sustainable growth company, underpinned by an energising and purpose-driven business model. 2013 was another year of progress in that journey and the Boards remain confident that Unilever s strategy will continue to generate sustainable returns for shareholders.

Although the economic environment remains challenging, Unilever s financial highlights point towards a business that is delivering long-term financial performance. Strong dependable cash flow has led to steadily increasing dividends year on year. The full-year dividend paid in 2013 rose to 1.05, a 10% increase from 2012.

FIVE YEARS OF PROGRESS

Five years ago, under a new Chief Executive Officer, the Group set out a new direction, captured in the Compass strategy. The emphasis was on restoring confidence in Unilever s ability to deliver consistent top and bottom line growth. Every aspect of the business was reviewed and wide-ranging changes followed.

The progress since has been significant. Growth has been strong and well ahead of Unilever s own markets, with a majority of the business winning share despite the tough environment. Moreover, there has been a marked step-up in the quality of the performance. Significant investments have been made, for example, behind the

long-term drivers of growth, including R&D, brand support and people development. Today, as a result, Unilever s organisational structure is stronger, its portfolio of brands is more competitive and Unilever is benefiting from a much sharper focus on performance and delivery. Around 10 billion in turnover has been added to the top line and shareholders have undoubtedly benefited from the changes at Unilever with a 98% cumulative Total Shareholder Return (TSR) over the last five years.

At the same time, the Group has been energised around its commitment to sustainable and equitable growth, as set out in the Unilever Sustainable Living Plan (USLP). By focusing Unilever s business strategy around the need to develop solutions to some of the world s most deep-seated social and environmental challenges, the USLP is motivating employees and inspiring a growing number of customers and suppliers to partner with us.

Five years on, the Boards believe that the Compass and the USLP provide the right framework for Unilever and that they will become increasingly relevant in helping to address tomorrow s challenges and ensuring long-term success for the Group.

MAINTAINING GOOD GOVERNANCE

The Boards believe that a business built on the principles of good governance is more likely to succeed over the long term. We responded constructively to an increased number of government and regulatory consultation exercises in 2013. Helping to shape an environment conducive to good governance is an important investment for the Group. On remuneration, we remain committed to linking pay to the longer-term objectives of Unilever and, in turn, the longer-term interests of shareholders. We believe our current remuneration framework, set out later in the Directors Remuneration Report, reflects this.

BOARD FOCUS

In 2013 the Boards continued to visit a range of Unilever operations with meetings held at Unilever s international management centre at Four Acres, UK; in New York, US; and in Barcelona, Spain in addition to London and Rotterdam. Unilever US remains our largest operation in terms of turnover so it was a fitting location for 2013 s corporate strategy review which included increased interaction between the Directors and members of the Unilever Leadership Executive. In Spain the Boards saw the robustness of Unilever s business model in a challenging market. Visits such as these allow the Non-Executive Directors to gain a deeper understanding of the business, to gain more exposure to Unilever s talent pipeline and to participate in Unilever events, sharing their experience and meeting senior managers. Given the volatile environment, the Boards have during the year paid particular attention to sharpening our focus on key risk areas.

EFFECTIVENESS

2013 was the third year in our three-year Board evaluation cycle. The interviews with Directors coupled with the evaluation questionnaires completed by Directors provided the Boards with important insights and enabled us to assess individual contributions and areas for improvement. The process confirmed that no major modifications were required and that the Boards continue to operate in an effective manner.

You, our shareholders, have the opportunity to vote on both the Group s and Boards effectiveness at the Annual General Meetings in May. Although we always strive to improve, we were pleased, at our AGMs in May 2013, to receive votes in favour on all resolutions between 93.53% and 99.98% for NV and between 88.50% and 99.95% for PLC.

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STRENGTHENING ALREADY DIVERSE BOARDS

A key role for the Boards is to provide adequately for their succession, and I was very pleased that you voted to elect Laura Cha, Mary Ma and John Rishton as Directors at the AGMs in May 2013. They all bring knowledge and an understanding of emerging markets, a prime driver of Unilever s growth, and further strengthen the financial expertise of the Boards.

I am pleased that over 40% of our Non-Executive Directors are women. We understand the importance of diversity within our workforce, not least because of the wide range of consumers we serve. This goes right through our organisation, starting with the Boards. We are committed to gender diversity at Board level and are tracking the major efforts being made by Unilever management to increase the number of women in our workforce.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

Unilever values open, constructive and effective communication with our shareholders. I continue to meet with a number of investors and industry representatives to answer their questions and to gain a better understanding of their policies on governance and voting. We expect and welcome further engagement with our institutional investors.

Reflecting therefore on a successful 2013, let me express my thanks and appreciation to my fellow Directors on the Boards, our Chief Executive Officer, Unilever s senior executives and to all the other 174,000 employees around the world. Looking forward, I am confident that we have the strategy, people and resources to continue to deliver sustainable and equitable growth in the years ahead.

Michael Treschow

Chairman

BOARD OF

DIRECTORS

1 **Michael Treschow**
Chairman

2 **Kees Storm**
Vice-Chairman & Senior
Independent Director

3 **Paul Polman**

Chief Executive Officer

4 **Jean-Marc Huët**
Chief Financial Officer

5 **Laura Cha**
Non-Executive Director

6 **Louise Fresco**
Non-Executive Director

7 **Ann Fudge**
Non-Executive Director

8 **Charles Golden**
Non-Executive Director

9 **Byron Grote**
Non-Executive Director

10 **Mary Ma**
Non-Executive Director

11 **Hixonia Nyasulu**
Non-Executive Director

12 **Sir Malcolm Rifkind**
Non-Executive Director

13 **John Rishton**
Non-Executive Director

14 **Paul Walsh**
Non-Executive Director

For Directors biographies,

please see page 40.

THE UNILEVER GROUP

Unilever N.V. (NV) is a public limited company registered in the Netherlands. It 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. It 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, regardless of legal ownership, constitute a single reporting entity for the purposes of presenting consolidated financial statements. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated financial statements. The same people sit on the Boards of NV and PLC and other officers are officers of both companies. Any references to the Board in this document mean the Boards of NV and PLC.

Names are listed in alphabetical order with the exception of the Chairman, Vice-Chairman, Chief Executive Officer and Chief Financial Officer.

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CHIEF EXECUTIVE

OFFICER S REVIEW

TRANSFORMATION TO A CONSISTENT, COMPETITIVE, PROFITABLE AND RESPONSIBLE GROWTH COMPANY

2013 was another year of turbulence in many parts of the world. Widespread citizen protests in countries as far apart as Brazil, Turkey and Egypt, the devastating typhoon in the Philippines, and the significant weakening of many emerging market currencies were all reminders of today s increasingly VUCA world volatile, uncertain, complex and ambiguous. While emerging markets slowed, there were only limited signs of recovery in Europe and the US, with little improvement in either consumer confidence or unemployment.

While today s VUCA world is certainly more difficult to navigate, it does present opportunities if managed well. This is the thinking behind the Unilever Sustainable Living Plan (USLP) and our vision to double the size of the business while reducing our environmental footprint and increasing our positive social impact. This Annual Report seeks to highlight the integral link between our long-term business purpose of making sustainable living commonplace and Unilever s overall results.

2013 RESULTS

2013 was another year of top and bottom line growth. Underlying sales growth was once again ahead of the market, at 4.3%, and our core operating margin was up 0.4 percentage points, to a record 14.1%, though weaker currencies impacted on our reported turnover and earnings. The quality of results was equally good, with 55% of our business winning share. Growth was driven by Personal Care and Home Care, which continue to outperform the markets and our competitive set. Most of the growth came from emerging markets, which now account for 57% of our business.

CATEGORY PERFORMANCE

In 2013, Personal Care, our largest category, showed strong broad-based momentum. The acquisitions of Alberto Culver, Sara Lee, Kalina and Toni & Guy have helped to transform the portfolio. Dove had a particularly impressive year. Home Care also delivered strong underlying growth. The implementation of low-cost business models and higher margin innovations, including concentrated detergents, helped to drive better gross margins in laundry, and household cleaners benefited from growth in new territories Domestos toilet cleaner was our fastest growing global brand.

Foods has been a major cash contributor for Unilever, allowing us to finance faster

expansions in Home Care and Personal Care. Although we saw solid performances in savoury and dressings, with both Knorr and Hellmann s building share, sales declined in spreads due to falling markets in Europe and North America. While we are encouraged by the early signs of recovery in our spreads business, we haven t yet seen the broader improvements we were expecting and it remains an important focus for us. As part of our strategy of making Foods fit for growth, we sharpened the portfolio further in 2013 with the divestment of a number of less strategic, underperforming brands, like Wish-Bone, Skippy and Unipro.

It was a mixed year for Refreshment, with solid growth in tea but a contrasting performance from ice cream where two of our biggest markets the US and Italy struggled. We continued to expand into the profitable out-of-home ice cream sector with brands like Cornetto, Ben & Jerry s, Magnum and Fruttare. Additionally, we expanded our low-cost business models and further sharpened our choices in capital expenditure. In tea, we have renewed our focus on driving the core business through our Lipton brand and we were pleased to welcome the premium T2 business to our portfolio.

FINANCIAL PERFORMANCE

Over the last five years, we have established a simple framework for driving long-term success to grow ahead of our markets, expand our margin and deliver strong cash flow. We achieved this again in 2013, despite further investments in advertising and promotion to strengthen the business. Gross margin expansion of 1.1 percentage points was the best for ten years, while free cash flow of 3.9 billion reflected improved margins as well as tight capital management.

We used the strong balance sheet position to increase our holdings in Hindustan Unilever in 2013, from 52% to 67%, and we bought out the remaining holding in Unilever Pakistan. Our pension fund deficit decreased from 3.3 billion at the end of 2012 to 2.0 billion at the end of 2013, reflecting mainly strong investment returns.

A STRONGER ORGANISATION

A VUCA world requires continued investment in our long-term pillars of growth: brands, people, and operations. We increased investment further in manufacturing, with the construction of five plants currently under way, as well as continuing to upgrade our IT systems. Employee engagement scores rose again

and our commitment to building world- class leaders was re-affirmed with the opening of our state-of-the-art management development centre in Singapore.

We made changes to strengthen the organisation in 2013, integrating R&D into our category structure, sharpening and streamlining our marketing organisation. We also embarked on a major simplification exercise, Project Half for growth, which aims to rework our most complex processes and systems to free up time and resource to put behind our principal growth opportunities.

LOOKING FORWARD

2014 will be as challenging as 2013, with continuing volatility in the external environment. We will position Unilever accordingly and drive out complexity and cost to fund growth opportunities. The good news is that we have no shortage of opportunities: increasing our presence in places like Africa, returning our Foods business to competitive growth and extending our categories into more premium spaces. We are making good progress in driving bigger innovations faster across the world but we need to continue to set the bar higher.

Once again, we will remain focused on delivering profitable volume growth ahead of our markets, steady and sustainable core operating margin improvement and strong cash flow.

A BETTER WORLD, A BETTER BUSINESS THE USLP AS A DRIVER OF GROWTH

Every year, the USLP becomes more firmly embedded in all aspects of the business. As this Annual Report highlights, the USLP is driving waste and inefficiencies out of the system and helping us transform the supply chain. Suppliers and customers are increasingly keen to work with us under the USLP and, by helping to grow our business in a responsible and equitable way, the USLP is benefiting all our stakeholders, including our shareholders.

It is in stimulating the growth of our brands that the USLP really comes to life. By developing strong social missions our brands are showing that they can make a real difference to people s lives while at the same time growing our business. There were many inspiring examples in 2013,

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some of them featured in this report. Lifebuoy, for instance, with its handwashing campaign to reduce diarrhoea and pneumonia; Pureit, helping to bring safe drinking water into the home; Dove, promoting self-esteem among young girls and women; Knorr, helping smallholder farmers to produce sustainably; and Domestos, bringing better sanitation to communities in desperate need of it.

However, the scale of the challenges we are trying to tackle through the USLP whether food security, climate change, sanitation, job creation or the many others is just too great for one organisation to address alone, which is why we are so pleased that our approach is gaining support from a growing number of external organisations, many of which we are fortunate to partner with. It was particularly satisfying in 2013 to see the launch of the Tropical Forest Alliance (TFA), a public-private partnership committed to reducing deforestation, which Unilever did so much to help get off the ground.

We will continue to bring our scale and our expertise to bear wherever we can to help solve the world s challenges. Last year, for example, we took this commitment to another level, with the launch of Project Sunlight, a corporate campaign based on making sustainable living desirable and achievable by inspiring people to help build a world where everyone lives well and within the natural limits of the planet. Already 70 million people have been on to the website to make a pledge.

As the Project Sunlight campaign proclaims, we believe that there has never been a better time to create a better world for all, including for those yet to come. My own work as part of the UN Secretary-General s High Level Panel on the post-2015 Development Agenda has strongly reinforced that view. In fact, I am more than ever convinced that this generation has it within its reach to eradicate poverty irreversibly and, yes, in a more sustainable and equitable way.

At Unilever we don t just want to be a part of this, we want to lead actively in the areas related to our business. That is what the USLP is all about and I want to thank all of our employees, business partners and others for the remarkable contribution they made again in 2013 towards this goal.

Warm regards

Paul Polman

Chief Executive Officer

UNILEVER LEADERSHIP

EXECUTIVE (ULE)

1 Paul PolmanD **10 Harish Manwani**

Chief Executive Officer

Chief Operating Officer

2 Doug Baillie
Chief Human Resources Officer

11 Nitin Paranjpe
Home Care

3 Geneviève Berger
Chief Science Officer

12 Antoine de Saint-Affrique
Foods

4 David Blanchard
Chief Category Research & Development Officer

13 Pier Luigi Sigismondi
Chief Supply Chain Officer

14 Ritva Sotamaa
Chief Legal Officer

5 Kevin Havelock
Refreshment

15 Keith Weed
Chief Marketing and Communication Officer

6 Jean-Marc Huët[D]
Chief Financial Officer

7 Alan Jope
Russia, Africa and Middle East

16 Jan Zijderveld
Europe

8 Kees Kruythoff
North America

9 Dave Lewis
Personal Care

[D] Board member

For ULE biographies, please see page 41.

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A VIRTUOUS CIRCLE OF GROWTH

PROFITABLE VOLUME

GROWTH

Profitable volume growth is the basis of the virtuous circle of growth. The drivers of our volume growth are innovation and investment behind our brands. Consistently strong volume growth builds brand equity as we reach more consumers, more often.

COST LEVERAGE +

EFFICIENCY

Profitable volume growth allows us to optimise the utilisation of our infrastructure and spread fixed costs over a larger number of units produced, reducing the average cost per unit. It improves our profitability and allows us to invest in the business.

INNOVATION +

MARKETING INVESTMENT

Lower costs and improved efficiency enable us to strengthen our business further. New and improved products are the result of investment in R&D and, together with effective marketing, strengthen our brand equity. This results in profitable volume growth, self-perpetuating the virtuous circle of growth.

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OUR BRANDS

Our brands make a difference. They succeed when we create high-quality products which make a connection with people s lives and needs, bringing a promise to the consumer and driving sustainable, profitable growth. A stream of innovations is helping us create brands with purpose . We aim to grow our business and improve our margins by building on our brands strength especially our 14 billion brands, where our impact can be greatest.

BUILDING BRAND EQUITIES

Behind every brand should be a unique insight into the purpose it will serve in the life of the person who buys it. We build brand equity by ensuring not only that our brands have a purpose, but also that it is clearly understood, and valued, by our consumers.

BRANDS WITH PURPOSE

Whether it is Lifebuoy or Domestos helping to prevent the spread of diarrhoea and other serious diseases; Becel improving heart health; reminding parents that dirt is good for their child s development and giving them the best laundry detergents like Omo to clean up afterwards; giving people the confidence to get more out of life through our Personal Care brands; or providing delicious food and refreshments made with more and more sustainably-sourced ingredients our brands make a difference.

PRODUCTS THAT DELIVER MORE

By combining human insight with technological innovation we find new ways to connect with consumers. In February 2013, for example, we launched a radical new compressed aerosol deodorant for women from Dove, Sure and Vaseline in the UK. The new cans are half the size and use half the propellant of their predecessors, while lasting just as long and delivering the same excellent protection. Not only does this reduction in packaging and material deliver environmental benefits including an overall carbon footprint reduction of an average of 25% per can but the format was an immediate success. More than 9 million cans have been sold since launch, representing a 9.6% share of the female antiperspirant aerosol market.

Another Personal Care innovation, Vaseline Spray & Go moisturiser, features a continuous-spray system which delivers a targeted application easily and evenly across the body. In developing a formulation which was thin enough to be sprayed but contained the right balance of moisturising ingredients, we were working on the insight that people wanted moisturisers which could be applied rapidly and did not need to be rubbed in. Since its launch, in North America alone Vaseline Spray & Go has added more than 25 million turnover to the Vaseline brand.

INNOVATING TO FIND NEW CHANNELS

Innovation can also build the equity of brands by bringing established products to consumers through novel channels. For example, Lipton introduced new hot and iced-tea varieties for the Keurig K-Cup brewing system by sales value, the leading single cup coffee and tea dispenser in the US. The innovation, combined with a campaign that includes reaching 2.5 million consumers through Twitter, has seen Lipton gain over 10% of the tea capsules market since launch. The roll-out of Magnum Pleasure Stores and Wall s Happiness Station ice cream parlours in shopping malls and at events has connected with people across the world.

BUILDING ON OUR HERITAGE

Our portfolio contains many brands which are embedded in people s lives and with which consumers feel a long-standing connection. We want to reward that loyalty by ensuring that they continue to serve existing consumers while exciting new ones. In 2013, for instance, we celebrated the 100th anniversary of Hellmann s mayonnaise. With strong leadership, Hellmann s is number one globally in mayonnaise and continues to inspire consumers through its industry-leading commitment to using cage-free eggs and high-quality ingredients such as sustainably-sourced oils and tomatoes, and by offering new recipes and tips on how mayonnaise, ketchup and other dressings products can enhance their food. Hellmann s reaches around 450 million consumers in over 50 countries and in 2013 delivered 4.9% underlying sales growth in comparison with the prior year.

LEVERAGE BIGGER BRANDS

Our portfolio of 14 1 billion brands makes up more than 54% of our business and it is where our largest competitive advantage lies. We aim to meet our ambitions for volume growth and margin improvement by growing the presence of these core brands in new and existing markets, and by focusing on bigger, but fewer, innovations.

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OUR BRANDS

CONTINUED

FEWER, BIGGER INNOVATIONS

Innovations that give competitive advantage to our biggest brands are the most likely to have a positive impact on our business as a whole. We have focused our R&D efforts on innovations that can be deployed with scale. For example, our Dirt is Good laundry brand has been improved by a combination of a new formulation which delivers better whitening and stain removal technology, and new packaging designed for single-handed opening and containing an integrated pour spout, freshness seal and dosing ball. The new concentrated Small & Mighty, launched in the UK, Ireland, Portugal, the Netherlands and France, has gained significant market share, up by 1.4 percentage points in the UK and by two percentage points in Portugal.

Similarly, our patented TESS technology, which uses the natural essence pressed from freshly picked tea leaves, has enabled the global re-launch of Lipton Yellow Label, the world s best-selling tea brand. The re-launch has introduced this innovation to 44 countries in two years, resulting in an underlying growth of 5.6% in global turnover for Lipton Yellow Label.

HARNESSING SCIENCE STRATEGICALLY

In 2013 we launched the Strategic Science Group, designed to forecast evolving science trends, identify opportunities, and deliver growth through innovation. The Strategic Science Group is the third pillar in our New Ways to Innovate strategy, alongside Open Innovation and the New Business Unit. Together, they aim to harness rapidly-evolving science and leverage the work of external academia, small and medium sized enterprises, and start-ups, to develop new science and breakthrough technologies.

ACHIEVING MARKETING CUT- THROUGH IN A DIGITAL WORLD

Marketing campaigns that are focused on global brands have the potential to achieve greater impact, by engaging people through multiple media achieving what we call cut-through . In January 2013, Axe marked the launch of its range of Apollo deodorants, shampoos and shower gels with a multichannel campaign in more than 60 countries that included a competition to win a place on a space flight resulting in more than a million people registering to participate, and more than 10 million votes on the AxeApollo.com website.

Similarly, Dove s Sketches film, part of Dove s ongoing Real Beauty campaign, became the most watched video advertisement of all time following its launch in April 2013 and achieved more than 175 million views in 2013. These campaigns recognise the importance of truly engaging consumers in a digital age if they are engaged with our brand, they are more likely to be talking about it to others.

WINNING MARKET SHARE

IN EMERGING MARKETS

Emerging markets now account for 57% of our business and have the potential to provide far greater growth in the future. Brands which identify and respond to the local needs of people within those markets can have a great impact. This is exemplified by our Foods category: in Africa, for example, our Rama and Blue Band margarines are now fortified with seven vitamins including vitamin A, strengthening their proposition in a region which contains 33% of the world s vitamin A-deficient children. Knorr, which celebrated its 175th anniversary in 2013, continues to innovate through relevant products such as the Baking Bag. This has gained share in all of our key markets in Latin America. In Brazil, one of the largest markets, Knorr s Baking Bag has achieved more than two percentage points in market share. Laundry brands like Surf, launched in Morocco, and Omo, launched in the Philippines, have also gained market share.

WIN CONSUMER PREFERENCE

Brands with real purpose mean more to consumers but to increase sales and margins, we also need to ensure that this sense of purpose is aligned with a product that delivers superiority in quality or functionality. Winning consumer preference is essential to our ambition to grow faster than our markets and, by allowing us to grow our premium offerings, helps us increase margins, making our business more profitable.

BRANDS THAT PEOPLE CHOOSE

We want all our brands to be preferred in their markets. In 2013, our global product benchmarking programme showed that 97.19% of products in scope are considered equal to, or better than, our key competitors products.

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When the promise of one of our brands is clearly understood by consumers, and they are persuaded of its benefits, we create the conditions for rapid growth. For example, in 2013 we launched Cif and Vim (sold as Domestos in other countries) in Brazil.

While the slow-down in the Brazilian economy in particular has made this market more challenging for some of our brands in 2013, the combination of Cif s and Vim s improved formulae with a fast roll-out and local activation has led to a market share gain of 7.6 percentage points.

ALWAYS SEEKING IMPROVEMENT

During the year, all our categories have been profitable, despite signs that the global economic slow-down is having an effect in emerging markets. But we are under no illusions about the need to keep improving and strengthening our brands if we are to achieve growth. In Foods, for example, we are investing in ways to strengthen our margarines, through product renovation our foods taste good because they are made from simple recognisable ingredients, a growing number of which are sustainably sourced as well as launching new, innovative products such as mélanges, a blend of butter and margarine. Supported by better quality advertising, the mélanges started very successfully in Europe. In Refreshment, we are looking at ways to improve and premiumise our ice creams which, due to factors including a poor start to the summer particularly in Europe and

the US as well as intense competitive activity in key markets, did not grow as expected in 2013. Our Personal Care category continued to grow significantly and accounted for 36% of Group turnover in 2013, but could improve its share of the more premium segments of the market. Our Home Care category saw good underlying growth, with household care approaching the 2 billion mark and fabric conditioners 1 billion, but we would like to improve our profitability and roll out innovations even faster. Overall, as a business, we intend to simplify our offering further reducing the total number of stock-keeping units (SKUs) that we sell, in order to focus on those which will best drive our growth and margins.

PREMIUM PRODUCTS, HIGHER MARGINS

Products which consumers prefer can command higher prices than their competitors and we are increasingly focusing on the premium segments of our markets, which offer the potential for better margins and higher profits.

This segmentation is taking place across most of our categories and is fuelled by innovation, collaboration with partners, and selective acquisition. We have, for example, acquired T2, a fast-growing premium tea brand in Australia generating sales of around 37 million a year; and IOMA, a premium skin care brand, which uses state-of-the-art diagnostic technology to study an individual s skin and tailor

a bespoke skin care regime. IOMA is a strategic acquisition that gives us access to the premium skin care market and channels where we are under-represented. Innovation is creating products such as Magnum 5 Kisses, a premium Rainforest Alliance Certified ice cream inspired by French patisserie, which was launched in 13 markets in 2013. Meanwhile our gourmet Maille brand, founded in 1747, opened its first store outside France, La Maison Maille in London s Piccadilly, providing premium mustards, vinegars, gifts and accessories.

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We believe that talent will determine our ability to become an 80 billion business. Every day, our people are working hard to make us more competitive and to achieve our Vision of doubling the size of our business while reducing our environmental footprint and increasing our positive social impact. We are determined that everything we do has openness, diversity and inclusion at its heart. It is only by helping all our people to be the best they can be that we can reach our own objectives.

CAPABILITY AND LEADERSHIP

To achieve our Vision, we need to continue to build a talented workforce. We believe that the Unilever Sustainable Living Plan (USLP) is one of the reasons why our attractiveness as a potential employer is at an all-time high as well as helping to energise our own people.

In 2013, we were rated the third most in-demand employer by business social network LinkedIn, behind only Google and Apple. And on Facebook, our global careers page continues to spiral with over 500,000 likes , up from 110,000 in 2012. We were named fast-moving consumer goods (FMCG) employer of choice among students in 26 countries and number five in the Hay Group s Best Companies for Leaders, moving up from tenth in 2011/2012. We also scored top spot in both Europe and Latin America, and came third in Asia. And our Made By You campaign, which has sustainable living at its heart, is making us a more attractive employer to graduates.

This external recognition is encouraging and has a clear business benefit in helping us grow our talent.

CHAMPIONING TALENT

We believe that nurturing talent will be the determining factor in our ability to double the size of our business. Our leadership and development programmes are helping all our people to be the best they can be, irrespective of level or role, from growing functional skills linked to our business strategy and priorities, to leadership skills for now and the future. For example, more than 600 people from our Personal Care category have been trained in five key capabilities essential to excellence in Personal Care marketing. In our manufacturing operations we intend to train 90,000 employees in technical capabilities and in different functions so they can work across the factory. And our leaders are playing a primary role in championing talent.

The Four Acres Learning and Leadership Centre in Singapore opened in 2013 with a global leadership programme. We know that the role and requirements of leadership must adapt as the world changes, so we tasked a global steering board to discuss what attributes a leader will need in 2020. Teams of young Unilever leaders took part and agreed six leadership principles purpose at the centre, encircled by authenticity, adaptability, resilience, systemic thinking and results orientation.

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Investment in our people stretches beyond careers to their well-being, which is just as important for our success as a business. For example, our mental health and resilience initiative in the UK and Ireland trains managers to spot symptoms and support employees who are struggling, offers a confidential web and telephone support service, and encourages team workshops to manage workloads and pressure.

SHAPING LEADERS OF THE FUTURE

During 2013 in Singapore, we launched the Future Leaders League, our first global employer brand-building competition, to motivate young leaders about our business, brands, the USLP and our views on future leadership. Finalists representing ten countries across our markets created a holistic campaign for Lifebuoy that was designed to touch millions of people in 2013. And, at the One Young World summit in Johannesburg in October 2013, our Chief Executive Officer urged 1,200 delegates from 190 countries to become a force for good.

As well as generating a positive buzz around our employer brand, our aim with initiatives like these is to create a generation of advocates for sustainable growth.

AGILE, FLEXIBLE AND DIVERSE ORGANISATION

Inclusion is at the heart of being an agile, flexible and diverse organisation. It means having a representative workforce, empowering our people with policies and infrastructure to help them work quickly and effectively, and creating flexible ways of working to suit their circumstances. The smarter we work, the more effective and efficient we will be at meeting the needs of our consumers in a rapidly changing world.

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