

UNILEVER PLC
Form 20-F
March 11, 2019
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UNITED STATES
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, 2018

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)

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100 Victoria Embankment, London, England

(Address of principal executive offices)

R Sotamaa, Chief Legal Officer and Group Secretary

Tel: +44(0)2078225252, Fax: +44(0)2078225464

100 Victoria Embankment, London EC4Y 0DY, UK

(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 Depositary Receipts) each representing one ordinary share of the nominal amount of 3 1/9p each	New York Stock Exchange
4.8% Notes due 2019	New York Stock Exchange
2.2% Notes due 2019	New York Stock Exchange
2.1% Notes due 2020	New York Stock Exchange
1.8% Notes due 2020	New York Stock Exchange
4.25% Notes due 2021	New York Stock Exchange
2.75% Notes due 2021	New York Stock Exchange
1.375% Notes due 2021	New York Stock Exchange
3.0% Notes due 2022	New York Stock Exchange
2.2% Notes due 2022	New York Stock Exchange
3.125% Notes due 2023	New York Stock Exchange
3.25% Notes due 2024	New York Stock Exchange
2.6% Notes due 2024	New York Stock Exchange
3.375% Notes due 2025	New York Stock Exchange
3.1% Notes due 2025	New York Stock Exchange
2.0% Notes due 2026	New York Stock Exchange
2.9% Notes due 2027	New York Stock Exchange
3.5% Notes due 2028	New York Stock Exchange
5.9% Notes due 2032	New York Stock Exchange

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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:
1,187,191,284 ordinary shares

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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, large accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards* provided pursuant to Section 13(a) of the Exchange Act.

*The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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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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 negative 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 Unilever Group (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 could 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 including to plastic packaging; the effect of climate change on Unilever's business; significant changes or deterioration in customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain and distribution; increases or volatility in the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; execution of acquisitions, divestitures and business transformation projects; economic, social and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters.

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.

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 Unilever Annual Report and Accounts 2018.

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MAKING
SUSTAINABLE LIVING
COMMONPLACE

ANNUAL REPORT ON
FORM 20-F 2018

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ANNUAL REPORT ON

FORM 20-F 2018

This document is made up of the Strategic Report, the Governance Report, the Financial Statements and Notes, and Additional Information for US Listing Purposes.

The Unilever Group consists of Unilever N.V. (NV) and Unilever PLC (PLC) together with the companies they control. The terms Unilever, the Group, we, our and us refer to the Unilever Group.

Our Strategic Report, pages 1 to 35, contains information about us, how we create value and how we run our business. It includes our strategy, business model, market outlook and key performance indicators, as well as our approach to sustainability and risk. The Strategic Report is only part of the Annual Report and Accounts 2018. The Strategic Report has been approved by the Boards and signed on their behalf by Ritva Sotamaa Group Secretary.

Our Governance Report, pages 36 to 65 contains detailed corporate governance information, our Committee reports and how we remunerate our Directors.

Our Financial Statements and Notes are on pages 66 to 127.

Pages 1 to 147 constitute the Unilever Annual Report and Accounts 2018 for UK and Dutch purposes, which we may also refer to as this Annual Report and Accounts throughout this document.

The Directors Report of PLC on pages 36 to 49, 66 (Statement of Directors responsibilities), 97 (Dividends on ordinary capital), 110 to 115 (Treasury Risk Management), 133 and 137 (Post balance sheet event) and 145 (branch disclosure) has been approved by the PLC Board and signed on its behalf by Ritva Sotamaa Group Secretary.

The Strategic Report, together with the Governance Report, constitutes the report of the Directors within the meaning of Article 2:391 of the Dutch Civil Code and has been approved by the NV Board and signed on its behalf by Ritva Sotamaa Group Secretary.

Pages 148 to 167 are included as Additional Information for US Listing Purposes.

ONLINE

You can find more information about Unilever online at

www.unilever.com

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For further information on the Unilever Sustainable Living Plan (USLP) visit

www.unilever.com/sustainable-living

The Annual Report on Form 20-F 2018 along with other relevant documents can be downloaded at

www.unilever.com/ara2018/downloads

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ABOUT US

AT A GLANCE

OUR BRANDS ARE AVAILABLE IN OVER 190 COUNTRIES. THIS GIVES US A UNIQUE OPPORTUNITY TO POSITIVELY IMPACT THE LIVES OF PEOPLE ALL OVER THE WORLD.

Every day, 2.5 billion people use our products to feel good, look good and get more out of life. Our range of around 400 household brands includes Lipton, Knorr, Dove, Rexona, Hellmann's and Omo. We are one of the largest fast moving consumer goods (FMCG) companies globally. In 2018 we had 12 brands with turnover of over a billion euros or more. The strength of our global brands is reflected in Kantar's Brand Footprint report published in May 2018. It found that 13 of the world's top 50 FMCG brands – based on market penetration and consumer interactions – are owned by Unilever with these brands chosen 36 billion times each year. This is significantly more than any other FMCG company in the study.

Our portfolio also includes iconic local brands designed to meet the specific needs of consumers in their home market such as Brooke Bond in India and Brilhante in Brazil. We are increasingly seeing our local brands and innovations being rolled out to more markets such as Lakme and Breyers Delights. Our geographic reach gives us an unparalleled global presence, including a unique position in emerging markets which generate 58% of our turnover.

From the beginning of 2018, Unilever began operating across three new Divisions created as part of our efforts to accelerate shareholder value creation. The largest by turnover is Beauty & Personal Care followed by Foods & Refreshment then Home Care. Details of each can be found on pages 11 to 12. The sale of our spreads business was also completed in mid-2018. These changes create a strong platform to accelerate our strategy of long-term, sustainable shareholder value creation. Our strategy is explained in detail on page 10.

Our business activities span a complex global value chain which is described on page 9. At the heart of our business is a workforce of 155,000 people (as at 31 December 2018) who are driven by our purpose and empowered to excel in our fast-changing markets. The combination of global scale and local agility has become yet more effective through the continued implementation of our Connected 4 Growth (C4G) change programme to meet consumer trends which are detailed on page 8. Our employees are supported by leadership teams with representatives from over 70 countries. Of our business leaders, 80% are local to their markets reflecting the deep local expertise at the heart of our business. This rises to more than 90% when we include managers who support those teams.

In this volatile and uncertain world, protecting Unilever through the fostering of business integrity is a non-negotiable for all employees. Our Code of Business Principles (the Code), and the 24 policies that support it (Code Policies), set out the behaviour standards required from all our people. The Code Policies cover a number of areas, including anti-bribery and corruption, respect, dignity and fair treatment of people and personal data and privacy. Together, the Code and Code Policies help us put our values of Integrity, Respect, Responsibility and Pioneering into practice. See page 16 for more on our Code and Code Policies.

During the year the Boards withdrew proposals to simplify Unilever's dual-headed legal structure after extensive engagement with shareholders. We remain firmly committed to our 2020 financial programme and are confident of meeting its key targets and objectives as our faster, simpler organisation delivers more efficiency, lower costs and significant operational and financial benefits.

This Annual Report and Accounts provides further detail on our performance during the year and how our business model is delivering strong returns for shareholders and a more sustainable way of doing business for the benefit of all our stakeholders. Find out more about our performance on pages 6 and 7.

OUR PURPOSE

UNILEVER'S PURPOSE IS TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE BELIEVE THIS IS THE BEST WAY TO DELIVER LONG-TERM SUSTAINABLE GROWTH.

We believe long-term sustainable growth is best delivered through brands that offer great performance and have a genuine purpose. Washing shirts whiter or making hair healthier and shinier is still vitally important, but product performance by itself is no longer enough. Consumers are looking for more.

At Unilever, we encourage our brand managers to take a stance and make a positive difference to society. Purpose defines a brand in people's minds and is best delivered through action. It's only through action that consumers will see purpose as more than marketing.

Our company purpose 'To make sustainable living commonplace' is unequivocal. We want to help create a world where everyone can live well within the natural limits of the planet. We put sustainable living at the heart of everything we do, including our brands and products, our standards of behaviour and our partnerships which drive transformational change across our value chain.

Purpose takes many forms amongst our brands. Some, like Lifebuoy, take on life-threatening diseases associated with poor hygiene with programmes to change handwashing behaviour. Domestos' purpose is to improve sanitation for millions of people who do not have access to a toilet. Our brands can also be a catalyst to promote positive cultural norms. Brooke Bond's purpose 'Common ground is only a cup away' is highly relevant in an increasingly divided world and can be applied well locally. In India, it addresses religious tensions. In the Gulf, divorce. In Canada, same-sex relationships.

Some of our brands take an activist stance, mobilising citizens to change policy or create social movements. For example, Ben & Jerry's builds movements around issues such as climate change and the refugee crisis. Seventh Generation with its plant-based products campaigns for renewable energy. Deodorant brand Rexona's purpose is to help reverse physical inactivity, a big issue for societies facing increasingly sedentary lifestyles. Rexona believes 'the more you move, the more you live' supported by Motion Sense technology which works through movement. Radiant believes everyone deserves an opportunity to shine. It goes beyond bright clothes and helping consumers 'dress to progress', enhancing skills through its Career Academies. Each market focuses on the skills that matter locally. In Brazil that's entrepreneurial and business skills. In India, English language skills.

All of Unilever's brands are on a journey to becoming purposeful. Sustainable Living brands are those that are furthest ahead. In 2017, 26 of our brands qualified as Sustainable Living brands including our B-Corp certified brands such as Ben & Jerry's, Seventh Generation and Pukka Herbs, which means that they meet high standards of social and environmental performance, transparency and legal accountability. Our Sustainable Living brands grew 46% faster than the rest of the business and delivered more than 70% of Unilever's growth, driven by consumer demand for brands with purpose at their core.

However volatile and uncertain the world is, Unilever's purpose supported by the Unilever Sustainable Living Plan (USLP) and brands with purpose will remain steadfast because managing for the benefit of multiple stakeholders is the best way for us to grow.

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We are now looking beyond the current USLP as many of our targets end in 2020. We carried out an extensive listening exercise on the future of sustainable business. We spoke to approximately 300 stakeholders, including more than 130 external experts, and heard from over 40,000 employees through a 'Have Your Say' survey. They gave us their views on the priorities that they would like Unilever to focus on. The results will be used to co-create Unilever's future agenda.

Annual Report on Form 20-F 2018

Strategic Report

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CHAIRMAN'S STATEMENT

2018 PERFORMANCE

I am pleased to report that 2018 was another year of consistent top and bottom line performance for Unilever. Solid revenue growth was combined with good profitability and cash flow delivery. This despite a challenging year for the global economy, with subdued growth and high levels of volatility undermining consumer confidence in many parts of the world.

Unilever is also operating in a sector that is experiencing widespread change and disruption. Although challenging, these changes offer significant opportunities to companies able to move with speed and agility and who can tailor their offering to changing consumer preferences. To that end, the Boards are very confident that Unilever's strategy and the measures it has taken to strengthen its organisation, sharpen its portfolio and digitise its operations make it well placed to capture new and emerging growth opportunities.

The Boards also believe that the Unilever Sustainable Living Plan continues to set Unilever apart as a business highly attuned to the growing desire among consumers for companies and brands that serve a wider societal and environmental need.

In 2018 we also completed successfully the complex disposal of the spreads business. Our Share Buy-back programme delivered on its intention to buy back shares with an aggregate market value of €6 billion, in line with Unilever's objective to return the after-tax proceeds of the spreads disposal to shareholders.

SIMPLIFICATION

Following a thorough review and widespread consultation, the Boards put forward proposals in 2018 to simplify Unilever's dual-headed structure under a new single holding company.

In developing the proposal – including a recommendation to incorporate in the Netherlands while maintaining listings in the Netherlands, the UK and the US – the Boards were motivated by the opportunity to unlock value by simplifying Unilever and giving it added flexibility to compete effectively over the longer-term.

We recognised however that the proposal did not receive support from a significant group of shareholders and therefore considered it appropriate to withdraw. The Boards still believe that simplifying Unilever's dual-headed structure would, over time, provide opportunities to further accelerate value creation and would serve Unilever's best long-term interests.

Since withdrawing the proposal, I have met with a significant number of PLC and NV shareholders to discuss further ideas and possible next steps. It is clear from all these meetings that there is widespread support for the principles and strategic rationale behind Simplification. In these meetings, I also took the opportunity to reaffirm our commitment to further strengthen our corporate governance. Accordingly, in February 2019, we followed through on our commitment to cancel the NV Preference Shares, in itself a major step towards simplifying the company's share capital.

BOARD COMPOSITION AND SUCCESSION

The 2018 AGMs marked the retirement of Ann Fudge as a Non-Executive Director and Vice-Chairman of the Boards. On behalf of the Boards, I would like to thank Ann for her outstanding and valued contribution to Unilever.

I was also delighted that you elected Andrea Jung as a Non-Executive Director at the same AGMs. Andrea brings highly relevant experience and expertise to Unilever and is a very welcome addition to the Boards.

CEO SUCCESSION

A key focus for the Boards last year was to manage the CEO succession, with Paul Polman stepping down as CEO after 10 years with the Group.

After a rigorous and wide-ranging selection process, the Boards were unanimous in its decision to appoint Alan Jope to the role. Alan became CEO on 1 January 2019 and is being proposed as an Executive Director at the 2019 AGMs.

Alan has led Unilever's largest Division, Beauty & Personal Care, for the last four years and he has been a member of the Group's Leadership Executive since 2011. His previous roles include running Unilever's business in North Asia. Alan has deep understanding and wide experience of Unilever's business and markets. He is a strong, dynamic and values-driven leader with an impressive track record of delivering consistent high-quality performance across both developed and emerging markets. The Boards warmly welcome Alan to the role and look forward to working closely with him in the years ahead.

Unilever has been transformed under the leadership of Paul Polman. He has overseen ten years of consistent top and bottom line growth and very competitive returns to shareholders. He leaves with the company's geographic footprint and brand portfolio stronger and well positioned for future growth.

Paul's pioneering commitment to sustainable and equitable growth have marked him and the company out as leaders in the field. Thanks to his visionary leadership and tireless efforts, Unilever is not only one of the most admired and respected companies in the world today, but also one of the most desired employers.

Paul retired as CEO and as a Board member on 31 December 2018. He will support the transition process in the first half of 2019 and will leave the Group in early July. We thank him for his remarkable contribution to the company and wish him every success in the future.

REMUNERATION

During 2018 we also continued to consult with shareholders on our Remuneration Policy, particularly for the Executive Directors. At the 2017 AGMs you provided your strong support to the implementation of a reward framework that encourages and enhances a strong performance culture by enabling Unilever managers to have an even stronger personal commitment to Unilever share ownership.

At the 2018 AGMs, we asked shareholders to approve a new Remuneration Policy that would align the pay of our Executive Directors fully with the Reward Framework we introduced following the 2017 AGMs. Whilst shareholders approved the new Remuneration Policy, we recognised that a significant minority of NV and PLC shareholders voted against the proposal. On pages 50 and 51 of the 2018 Directors' Remuneration Report, we describe in detail the principal concerns and how we responded to them and other changes to the implementation of the Remuneration Policy.

EVALUATION

Following the external Board evaluation in 2017, we used a simplified internal evaluation this year. While we concluded that the Boards continued to operate in an effective manner overall, the Boards decided that it will maintain a particular focus on portfolio and channel strategies and digitisation. Each Board Committee also performed its own self-evaluation, agreeing areas where it could enhance its effectiveness further. These are described within each Committee Report.

LOOKING AHEAD

Even though trading conditions are likely to remain challenging in 2019, the Boards remain confident both in the outlook and in the strategy for the Group, reflected by an 8% increase in the dividend for the 2018 financial year.

Over the year, Board members have visited Unilever operations in several parts of the world, including China and the United States. We have seen first-hand the depth of talent that exists within the company, as well as the commitment of Unilever people to go on improving the lives of consumers and the societies in which the company operates. On behalf of the Boards, I want to thank all of the 155,000 employees of Unilever for their remarkable efforts.

Equally we have been pleased to engage with many of the company's other stakeholders, without whom Unilever could not be successful. That includes our shareholders, who I also want to thank for their continued support of the company.

MARIJN DEKKERS

CHAIRMAN

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MARIJN DEKKERS Chairman

Previous experience: Bayer AG (CEO); Thermo Fisher Scientific Inc. (CEO).

Current external appointments: Novalis LifeSciences LLC (Founder and Chairman); Quanterix Corporation (Director); Georgetown University (member Board of Directors); Foundation for the National Institutes of Health (Director).

YOUNGME MOON
Vice-Chairman/Senior
Independent Director

ALAN JOPE
CEO

GRAEME PITKETHLY
CFO

NILS SMEDEGAARD
ANDERSEN

Previous experience: Harvard Business School (Chairman and Senior Associate Dean for the MBA Program); Massachusetts Institute of Technology (Professor); Avid Technology (NED).

Current external appointments: Sweetgreen Inc (Board Member); Jand Inc (Board Member); Harvard Business School (Professor).

Nationality British **Age** 54, Male. Appointed CEO: January 2019. Appointed Director: Alan Jope will be proposed for election as an Executive Director at the 2019 AGMs.

Previous experience: Beauty and Personal Care Division (President); Unilever Russia, Africa and Middle East (President); Unilever North Asia (President); SCC and

Nationality British **Age** 52, Male. Appointed CFO: October 2015. Appointed Director: April 2016. Attended 6/6 planned Board Meetings and 4/4 ad hoc Board Meetings.

Previous experience: Unilever UK and Ireland (EVP and General Manager); Finance Global Markets (EVP); Group Treasurer; Head

Previous experience: A.P. Moller Maersk A/S (Group CEO); Carlsberg A/S and Carlsberg Breweries A/S (CEO); European Round Table of Industrialists (Vice-Chairman); Unifeeder S/A (Chairman).
Current external appointments: AKZO Nobel N.V. (Chairman);

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<p>Dressings (Global Category Leader); Home and Personal Care North America (President).</p>	<p>of M&A; FLAG Telecom (VP Corporate Development); PwC.</p>	<p>BP Plc (NED); Dansk Supermarked A/S (Chairman); Faerch Plast (Chairman).</p>
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Current external appointments:
 Financial Stability Board Task Force on Climate Related Financial Disclosure (Vice Chair).

LAURA CHA

VITTORIO COLAO

JUDITH HARTMANN ANDREA JUNG

Previous experience:
 Securities and Futures Commission, Hong Kong (Deputy Chairman); China Securities Regulatory Commission (Vice Chairman); China Telecom Corporation Limited (NED); 12th National People's Congress of China (Hong Kong Delegate).

Current external appointments: HSBC Holdings plc (NED); Hong Kong Exchanges and Clearing Ltd (Non-Executive Chairman); Foundation Asset Management Sweden AB (Senior international adviser); Executive Council of the Hong Kong Special Administrative Region (Non-official member).

Previous experience:
 Vodafone Group plc (CEO); RCS MediaGroup SpA (CEO); McKinsey & Company (Partner); Finmeccanica Group Services SpA (renamed to Leonardo SpA) (NED); RAS Insurance SpA (merged with Allianz AG) (NED).

Current external appointments: Bocconi University (NED and Executive Committee member); Oxford Martin School (Advisor).

Previous experience:
 General Electric (various roles); Bertelsmann SE & Co. KGaA (CFO); RTL Group SA (NED); Penguin Random House LLC (NED).

Current external appointments: ENGIE Group (CFO and EVP North America and UK/Ireland); Suez (NED).

Previous experience:
 Avon Products Inc (CEO); General Electric (Board Member); Daimler AG (Board Member).

Current external appointments:
 Grameen America Inc (President and CEO); Apple Inc (NED); Wayfair Inc (NED).

MARY MA

STRIVE MASIYIWA

JOHN RISHTON

FEIKE SIJBESMA

Previous experience: TPG Capital, LP (Partner); TPG China Partners (Co-Chairman).

Current external appointments: Lenovo Group Ltd. (NED); Boyu Capital Consultancy Co. Ltd (Managing Partner); MXZ Investment Limited (Director); Securities and Futures Commission, Hong Kong (NED).

Previous experience: Africa Against Ebola Solidarity Trust (Co-Founder and Chairman); Grow Africa (Co-Chairman); Nutrition International (formerly known as Micronutrient Initiative) (Chairman).

Current external appointments: Econet Group (Founder and Group Executive Chairman); Econet Wireless Zimbabwe Ltd (Director); The Alliance for a Green Revolution in Africa (AGRA) Not-for-Profit Corporation (Chairman); Rockefeller Foundation (Trustee).

Previous experience: Rolls-Royce Holdings plc (CEO); Koninklijke Ahold NV (merged to Koninklijke Ahold Delhaize NV) (CEO, President and CFO); ICA (now ICA Gruppen AB) (NED).

Current external appointments: Informa plc (NED); Serco Group plc (NED); Associated British Ports Holdings Ltd. (NED).

Previous experience: Supervisory Board of DSM Nederland B.V. (Chairman); Utrecht University (Supervisory Director); Stichting Dutch Cancer Institute/Antoni van Leeuwenhoek Hospital NKI/AVL) (Supervisory Director).

Current external appointments: Koninklijke DSM NV (CEO and Chairman of the Managing Board); De Nederlandsche Bank NV (Member of the Supervisory Board); Carbon Pricing Leadership Coalition (High Level Assembly Co-Chairman), Climate Leader for the World Bank Group.

NON-EXECUTIVE DIRECTORS

MARIJN DEKKERS	NILS ANDERSEN	LAURA CHA	VITTORIO COLAO	JUDITH HARTMANN	ANDREA JUNG	MARY MA	STRIVE MASIYIWA	YOUNGME MOON	JOHN RISHTON
61	60	69	57	49	59	66	58	54	61
Male	Male	Female	Male	Female	Female	Female	Male	Female	Male
Dutch / American	Danish	Chinese	Italian	Austrian	American / Canadian	Chinese	Zimbabwean	American	British
April 2016	April 2015	May 2013	July 2015	April 2015	May 2018	May 2013	April 2016	April 2016	May 2013

CC, NCGC
(Chairman)

AC

NCGC

CC
(Chairman)

AC

CC

CC

CRC
(Chairman)

CRC

AC
(Chairman)

6/6	6/6	6/6	6/6	6/6	3/3	6/6	6/6	6/6	6/6
4/4	2/4	2/4	4/4	3/4	3/3	4/4	3/4	4/4	3/4
2	3	5	3	3	0	5	2	2	5

* AC refers to the Audit Committee; CC refers to the Compensation Committee; CRC refers to the Corporate Responsibility Committee; and NCGC refers to the Nominating and Corporate Governance Committee.

Annual Report on Form 20-F 2018

Strategic Report

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CHIEF EXECUTIVE OFFICER'S REVIEW

Widespread economic and geopolitical uncertainty meant that the global business environment remained challenging in 2018. Currency depreciation in a number of key markets fuelled inflationary pressures and dampened consumer demand, while input costs rose steadily on the back of escalating commodity prices.

A SOLID PERFORMANCE

Against this backdrop, Unilever delivered a solid performance. Underlying sales grew by 3.1%, excluding the recently-divested spreads business (2.9% including spreads). Growth was profitable, bringing our underlying operating margin to 18.4%, up 90 basis points, which also drove a healthy free cash flow of \$5 billion for the year.

Importantly, the overall shape and quality of the performance was encouraging. We achieved a good balance of price and volume growth. Growth was broad-based, across each of our three global Divisions – Beauty & Personal Care, Home Care and Foods & Refreshment. Our continuing margin progression was underpinned by well-embedded savings and efficiency programmes, and an improving mix from underlying sales growth in Beauty & Personal Care.

Inspired by the Unilever Sustainable Living Plan, we also saw our brands with the most distinct and well-articulated social and environmental purpose grow significantly faster than our other brands.

The performance last year demonstrates I believe that our strategy is working. By empowering our three global Divisions, we are allowing for more strategic allocation of resource and for greater differentiation in meeting changing consumer needs. Beauty & Personal Care, for example, made good progress in moving to more premium positions and expanding in the high growth segments. Home Care built on its already strong emerging market footprint with a strategy of market development and benefit-led innovation for emerging needs. Whilst Foods & Refreshment was combined into a single division bringing more scale and focus to allow faster transformation of our portfolio.

The results in 2018 re-affirm the enduring strength of Unilever's brands and the growing resilience of our organisational model, as well as underlining Unilever's ability to deliver consistent top and bottom line performance even in very challenging conditions. Nevertheless, we are determined to step up the proportion of our business that is winning market share as part of moving our sales growth more consistently into the middle of our multi-year 3-5% targeted range.

A YEAR OF PROGRESS

As well as delivering a solid set of results, we also made good progress in 2018 in strengthening the overall business to be ready for future opportunities:

By empowering those closest to the marketplace, and by linking our global brand teams across the world, our Connected for Growth (C4G) organisational model is helping to increase speed and agility, as well as giving rise to a greater entrepreneurial spirit inside the company. As an illustration of this, time to market with new innovations

to meet local trends is now 40%-50% faster compared to 2016. We also launched 19 new brands, including Love Home and Planet, a range of plant-based, home-cleaning products and a follow-up to our successful launch of the natural and sustainable hair and skincare product range, Love Beauty and Planet.

In line with our strategy, we continued to move the portfolio in the direction of the faster-growing segments of the market, especially those that speak to consumers' growing desire for more natural products and purpose-driven brands. The vast majority of businesses we have acquired over recent years are now growing by double digits on a yearly basis and we were delighted at the end of last year to announce the acquisition of GlaxoSmithKline's Health Food Drinks portfolio, including its iconic Horlicks brand in India and the rest of Asia, further increasing our presence in the highly attractive health-food category. We also completed successfully the complex disposal of the spreads business, returning the after-tax proceeds to shareholders.

The way people shop and access brands is changing rapidly and we made good progress in 2018 in positioning ourselves effectively in new and faster-growing channels. Our e-commerce sales were up by 47%, ahead of global e-commerce market growth and putting us well on the road to building a scale e-commerce business. We also accelerated the growth of our business with Discounters, in the Health and Beauty channel and in the out-of-home eating market.

The digital transformation of the company also continues apace. We are working successfully with leading global technology companies to build world-class technology and data analytics infrastructure. Through the sophisticated and responsible leveraging of our data insights, we are close to reaching our goal of being able to connect directly with a billion of our consumers. In our operations, we have already automated over 700 processes – saving time and reducing cost – and our in-house training programmes are increasingly focussed on the digital up-skilling of our own people.

Our attractiveness as an employer of choice grew still further in 2018. Unilever is now the number one FMCG graduate employer of choice in almost 50 countries. That is a remarkable achievement, and testament to Unilever's values and commitment to be a force for good in the world.

Strengthened by these measures, we are good in shape for the future. We ended 2018 with 58% of our turnover in the emerging markets and enjoying number 1 or 2 positions in 85% of the key markets and categories in which we compete. Our Beauty & Personal Care business – where some of the biggest growth opportunities exist – now represents 40% of our turnover. All of this makes us well placed to capture the many opportunities that exist across our markets.

LOOKING AHEAD

Building on these strong foundations, I have already made clear that my first priority as CEO will be to accelerate quality growth. For us, that means an investment-led approach based on delivering our 4G growth model – consistent growth, competitive growth, profitable growth and responsible growth, with an equal focus on each.

In particular, I want to leave no doubt that I intend to build further on Unilever's century-old commitment to responsible business. Making Sustainable Living Commonplace will remain our purpose as a company and we will use this to keep Unilever at the forefront of ensuring business is a force for good. More and more of our brands will become explicit about the positive social and environmental impact they have. This is entirely aligned to the instincts of our people and to the expectations of our consumers. It is not about putting purpose ahead of profits, it is purpose that drives profits.

Despite the progress we have made in recent years, I am also clear that in a world where the speed of change is relentless we need to quicken the pace of everything we do still further. I want to make speed and skills for a digital age a hallmark of Unilever under my leadership.

If we can do all this then I am confident we can achieve our strategic aims and deliver many years of solid cash flow, further underlying operating margin improvement and good quality growth.

AND FINALLY

I want to thank my colleagues throughout the whole company for their hard work in delivering these results. Unilever is fortunate to have such talented and dedicated people and I am deeply aware of my responsibilities to them and to our many other stakeholders in being asked to lead this wonderful company.

I especially want to thank my predecessor, Paul Polman. Unilever has been transformed under his inspiring leadership. He has worked tirelessly to make the company stronger and the world a better place. It has been a privilege to serve with him and an honour now to succeed him.

I also want to thank the Unilever Board of Directors for their confidence and invaluable guidance as I take on the role. And, finally, to our shareholders, thank you for your ongoing support and belief in the company, which we will always work hard to retain.

ALAN JOPE

CHIEF EXECUTIVE OFFICER

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FOR ALAN JOPE AND GRAEME PITKETHLY SEE PAGE 3

DAVID BLANCHARD	MARC ENGEL	HANNEKE FABER	KEES KRUYTHOFF
Chief R&D Officer	Chief Supply Chain Officer	President, Europe	President, Home Care
Nationality British Age 54, Male	Nationality Dutch Age 52, Male	Nationality Dutch Age 49, Female Appointed to ULE January 2018	Nationality Dutch Age 50, Male
Appointed to ULE January 2013 (will retire in April 2019)	Appointed to ULE January 2016	Joined Unilever 2018	Appointed to ULE November 2011
Joined Unilever 1986	Joined Unilever 1990	Previous posts include:	Joined Unilever 1993
Previous Unilever posts include: Unilever Research & Development (SVP); Unilever Canada Inc. (Chairman); Foods America (SVP Marketing Operations); Global Dressings (VP R&D); Margarine and Spreads (Director of Product Development).	Previous Unilever posts include: Unilever East Africa and Emerging Markets (EVP); Chief Procurement Officer; Supply Chain, Spreads, Dressings and Olive Oil Europe (VP); Ice Cream Brazil (Managing Director); Ice Cream Brazil (VP); Corporate Strategy Group; Birds Eye Walls, Unilever UK (Operations Manager).	Royal Ahold Delhaize (CEIO & EC); Royal Ahold (CCO); P&G (VP & GM). Current external appointments: Bayer AG (Supervisory Board member), Leading Executives Advancing Diversity (LEAD) (advisory board member).	Previous Unilever posts include: President, North America and Global Head of Customer Development; Brazil (EVP); Unilever Foods South Africa (CEO); Unilever Bestfoods Asia (SVP and Board member).
Current external appointments: Ingleby Farms and Forests (NED).	Current external appointments: PostNL (Supervisory Board member).		Current external appointments: Enactus (Chairman).

LEENA NAIR	NITIN PARANJPE	RITVA SOTAMAA	AMANDA SOURRY
Chief Human Resources Officer	President, Foods and Refreshment	Chief Legal Officer and Group Secretary	President, North America & Global Head of Customer Development
Nationality Indian Age 49, Female	Nationality Indian Age 55, Male	Nationality Finnish Age 55, Female	Nationality British Age 55, Female
Appointed to ULE March 2016	Appointed to ULE October 2013	Appointed to ULE February 2013	Appointed to ULE October 2015
Joined Unilever 1992	Joined Unilever 1987	Joined Unilever 2013	Joined Unilever 1985
Previous Unilever posts include: HR Leadership and Organisational Development and Global Head of Diversity (SVP); Hindustan Unilever Limited (Executive Director HR); Hindustan Lever (various roles).	Previous Unilever posts include: President Home Care; EVP South Asia and Hindustan Unilever Limited (CEO); Home and Personal Care, India (Executive Director); Home Care (VP); Fabric Wash (Category Head); Laundry and Household Cleaning, Asia (Regional Brand Director).	Previous posts include: Siemens AG Siemens Healthcare (GC); General Electric Company GE Healthcare (various positions including GE Healthcare Systems (GC)); Instrumentarium Corporation (GC). Current external appointments: Fiskars Corporation (NED).	Previous Unilever posts include: President Foods; Global Hair (EVP); Unilever UK and Ireland (EVP and Chairman); Global Spreads and Dressings (EVP); Unilever US Foods (SVP). Current external appointments: PVH Corporation. (NED).
KEITH WEED			
Chief Marketing & Communications Officer			
Nationality British Age 57, Male			
Appointed to ULE April 2010 (will retire in May 2019).			
Joined Unilever 1983			
Previous Unilever posts include:			

Global Home Care and Hygiene (EVP); Lever Fabergé (Chairman); Hair and Oral Care (SVP).

Current external appointments:

Business in the Community (Board member); Effie (Board member); Historical Advertising Trust (President); Advertising Association (President); Grange Park Opera (Trustee).

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GROWING THE BUSINESS	2018	2017	2016
GROUP			
TURNOVER GROWTH			
Turnover growth averaged 0.6% over five years	(5.1%)	1.9%	(1.0%)
UNDERLYING SALES GROWTH*			
Underlying sales growth averaged 3.3% over five years	2.9%^	3.1%^	3.7%
UNDERLYING VOLUME GROWTH*			
Underlying volume growth averaged 1.3% over five years	1.9%	0.8%	0.9%
OPERATING MARGIN			
Operating margin averaged 17.3% over five years	24.6%	16.5%	14.8%
UNDERLYING OPERATING MARGIN*			
Underlying operating margin has steadily increased over five years from 15.5% to 18.4%	18.4%	17.5%	16.4%
FREE CASH FLOW*			
Unilever has generated free cash flow of 23.0 billion over five years	5.0 billion	5.4 billion	4.8 billion
DIVISIONS			
BEAUTY & PERSONAL CARE			
Turnover	20.6 billion	20.7 billion	20.2 billion
Turnover growth	(0.3%)	2.6%	0.5%
Underlying sales growth	3.1%^	2.9%^	4.2%
Operating margin	20.0%	19.8%	18.4%
Underlying operating margin	21.9%	21.1%	20.0%
FOODS & REFRESHMENT			
Turnover	20.2 billion	22.4 billion	22.5 billion
Turnover growth	(9.9%)	(0.4%)	(2.2%)
Underlying sales growth	2.0%^	2.7%^	2.7%
Operating margin	35.8%	16.1%	14.0%
Underlying operating margin	17.5%	16.7%	15.6%
HOME CARE			
Turnover	10.1 billion	10.6 billion	10.0 billion
Turnover growth	(4.2%)	5.6%	(1.5%)
Underlying sales growth	4.2%^	4.4%^	4.9%
Operating margin	11.5%	10.8%	9.5%
Underlying operating margin	13.0%	12.2%	10.9%

* Key Financial Indicators.

^ Wherever referenced in this document, 2018 underlying sales growth does not include price growth in Venezuela for the whole of 2018 and in Argentina from July 2018. 2017 underlying sales growth does not include Q4 price growth in Venezuela. See pages 23 and 24 on non-GAAP measures for more details.

The Group has revised its operating segments to align with the new structure under which the business is managed. Beginning 2018, operating segment information is provided based on three product areas: Beauty & Personal Care, Foods & Refreshment and Home Care.

Underlying sales growth, underlying volume growth, underlying operating margin and free cash flow are non-GAAP measures. 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 our commentary on non-GAAP measures on page 23.

6 Strategic Report

Annual Report on Form 20-F 2018

Table of Contents**UNILEVER SUSTAINABLE LIVING PLAN**

	TARGET	2018	2017	2016
IMPROVING HEALTH & WELL-BEING				
BIG GOAL: By 2020 we will help more than a billion people take action to improve their health and well-being. See page 13.				
HEALTH & HYGIENE				
Target: By 2020 we will help more than a billion people to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.	1 billion	653 million	601 million	538 million ^f
NUTRITION				
Target: By 2020 we will double (ie up to 60%) 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.	60%	48%	39% [¥]	35%
REDUCING ENVIRONMENTAL IMPACT				
BIG GOAL: By 2030 our goal is to halve the environmental footprint of the making and use of our products as we grow our business. See pages 13 to 14.				
GREENHOUSE GASES				
Target: Halve the greenhouse gas impact of our products across the lifecycle (from the sourcing of the raw materials to the greenhouse gas emissions linked to people using our products) by 2030 (greenhouse gas impact per consumer use).+	(50%)	6% ^q	9% [¥]	8%
Target: By 2020 CO ₂ emissions from energy from our factories will be at or below 2008 levels despite significantly higher volumes (reduction in CO ₂ from energy per tonne of production since 2008).**	£145.92	70.46	76.77 [¥]	83.52 ^f
WATER				
Target: Halve the water associated with the consumer use of our products by 2020 (water impact per consumer use).	(50%)	(2%) ^q	(2%) [¥]	(7%)
Target: By 2020 water abstraction by our global factory network will be at or below	£2.97	1.67	1.80 [¥]	1.85 ^f

2008 levels despite significantly higher volumes (reduction in water abstraction per tonne of production since 2008).**

WASTE

Target: Halve the waste associated with the disposal of our products by 2020 (waste impact per consumer use).

(50%)	(31%) ^q	(29%)	(28%) ^f
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Target: By 2020 total waste sent for disposal will be at or below 2008 levels despite significantly higher volumes (reduction in total waste per tonne of production since 2008).**

£7.91	0.20	0.18 [¥]	0.35 ^f
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SUSTAINABLE SOURCING

Target: By 2020 we will source 100% of our agricultural raw materials sustainably (% of tonnes purchased).

100%	56%	56%	51%
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ENHANCING LIVELIHOODS

BIG GOAL: By 2020 we will enhance the livelihoods of millions of people as we grow our business. See page 14.

FAIRNESS IN THE WORKPLACE

Target: By 2020 we will advance human rights across our operations and extended supply chain, by:

Sourcing 100% of procurement spend from suppliers meeting the mandatory requirements of the Responsible Sourcing Policy (% of spend of suppliers meeting the Policy).

100%	61%	55% [¥]	
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Reducing workplace injuries and accidents (Total Recordable Frequency Rate of workplace accidents per million hours worked)**.

0.69	0.89 [¥]	1.01 ^f	
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OPPORTUNITIES FOR WOMEN

Target: By 2020 we will empower 5 million women, by:

Promoting safety for women in communities where we operate.

Enhancing access to training and skills (number of women).

5 million	1.85 million	1.26 million [¥]	0.92 million
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Expanding opportunities in our value chain (number of women).

Building a gender-balanced organisation with a focus on management (% of managers that are women)**.

50%	49%	47% [¥]	46%
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INCLUSIVE BUSINESS

Target: By 2020 we will have a positive impact on the lives of 5.5 million people by:

Enabling small-scale retailers to access initiatives aiming to improve their income (number of small-scale retailers).

5 million	1.73 million	1.60 million	1.53 million
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Enabling smallholder farmers to access initiatives aiming to improve their agricultural practices.

0.5 million	0.75 million	0.72 million [¥]	0.65 million
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Baseline 2010 unless otherwise stated

****Key Non-Financial Indicators.**

PricewaterhouseCoopers assured in 2018. For details and 2018 basis of preparation see www.unilever.com/investor-relations/annual-report-and-accounts/

¥ PricewaterhouseCoopers assured in 2017. For details and 2017 basis of preparation see www.unilever.com/sustainable-living/our-approach-to-reporting/reports-and-publications-archive

f PricewaterhouseCoopers assured in 2016. For details and 2016 basis of preparation see

www.unilever.com/sustainable-living/our-approach-to-reporting/reports-and-publications-archive

During 2017 and 2018 we amended how we assessed compliance with the Responsible Sourcing Policy, hence year-on-year data is not comparable.

Around 490,000 women have accessed initiatives under both the Inclusive Business and the Opportunities for Women pillars in 2018.

() In the table above, brackets around numbers indicate a negative trend which, for environmental metrics, represents a reduction in impact.

+ Target approved by the Science Based Targets Initiative.

q The spreads business was sold in mid-2018 and is excluded from the performance measure (including the baseline) to ensure alignment with the existing business structure.

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A CHANGING WORLD

UNILEVER OPERATES IN THE FAST-MOVING CONSUMER GOODS (FMCG) INDUSTRY, ONE OF THE WORLD'S LARGEST, MOST COMPETITIVE AND DYNAMIC.

MARKET OVERVIEW

The top 25 global FMCG players generate sales of over 700 billion in markets characterised by their dynamic nature. A global, digital economy is fuelling rapid change characterised by fragmentation throughout the value chain. This requires fast, innovative, profitable global and local responses in areas such as supply chain, customer development, marketing and brand innovation.

In response, Unilever has reorganised into three Divisions: Beauty

& Personal Care, Foods & Refreshment and Home Care. Each has implemented our C4G change programme which was introduced in 2016 to create a simpler organisation capable of innovating more quickly to evolve our brand portfolios and meet changing trends more effectively – harnessing our global scale and local expertise. Acquisitions of new brands have further supplemented our core portfolios.

The use and threat of tariffs for political leverage continues to drive uncertainty in our markets. Currency volatility in Argentina, Turkey and Pakistan as well as major political disruption in markets such as Brazil, continues to demand rapid local responses from our brands.

Our business is shaped by systemic macro forces. We periodically review these to ensure our strategy remains relevant. We believe there are four distinct but overlapping macro trends that will shape the world over the next ten years.

DIGITAL AND TECHNOLOGY REVOLUTION

Business is evolving at a faster pace than ever. Traditional understanding and engagement with consumers is being redefined. Digital technology is transforming relationships with consumers – from connectivity and the Internet of Things, to robotics, artificial intelligence and augmented reality. All are linked by more targeted and data-driven marketing.

Fragmentation remains a principal driver of change, impacting consumer journeys, route-to-market channels and media, and brand spend. Consumers are taking different paths to purchase, often combining offline and online channels where influencers are a growing force. Younger consumers continue to prioritise meaning over materialism and are demanding more authenticity, transparency and natural ingredients. The talkability of brands is vital in a fragmented digital media landscape, favouring those with a strong point of view, or purpose, relevant to consumers. The growth of the global workforce and middle class consumers, especially in emerging markets, has resulted in long-term shifts favouring greater convenience and time-saving attributes.

Channels to reach consumers are equally fragmented. There is less reliance on big box retailers with e-commerce growing 13% globally, driven by direct-to-consumer models and platforms such as Amazon and Alibaba. The market is also polarising between specialist channels and discounters and convenience stores, creating both risks and

opportunities for FMCG companies.

The proliferation of digital and social media channels has resulted in media fragmentation, with digital advertising now about 40% of the market. However, improving standards and tackling fraud to protect the integrity of digital marketing are major challenges.

POLARISED WORLD

Slow and uneven economic growth, rising inequality, political polarisation and the rise of nationalism within countries is impacting consumer confidence. At the same time, consumers continue to have low confidence in government, business, media and NGOs, according to the Edelman Trust Barometer. However, according to the same study, three out of four people agree a company can take action to both increase profits while improving economic and social conditions in the community it operates in.

ENVIRONMENT UNDER PRESSURE

According to a 2018 Intergovernmental Panel on Climate Change report, the world is on course for warming of 1.5 degrees Celsius by as early as 2030. Drought, floods, extreme heat and poverty for hundreds of millions are threatened if no action is taken to curb emissions. The cost of inaction will be profound, estimated to be about \$44 trillion in lost GDP. But the rewards for positive action are substantial and thanks to the Paris Agreement, nearly 200 countries are pursuing carbon reforms. This is helping to open about \$23 trillion in opportunities for climate-smart investments in 21 emerging markets alone by 2030.

Climate change also threatens our food system which must produce 50% more food to feed over 9 billion people by 2050. However, changing weather patterns and growing seasons threaten suitable cultivation areas around the world. Business can spur positive change and achieving food security could create 80 million jobs and business opportunities worth \$2.3 trillion annually by 2030. Linked to climate change is water scarcity, a threat to 3.2 billion people. If current usage continues the world will have only 60% of its required water by 2030. See pages 30 and 33 to 35 for more on climate change risks.

Other environmental concerns are growing in significance, such as plastic packaging. The Ellen MacArthur Foundation found that 95% of the value of plastic packaging is lost to the economy after one short use, equivalent of \$80-120 billion lost to the global economy each year. See pages 14 to 15 and 30 for more on plastic packaging risks and opportunities.

PEOPLE LIVING DIFFERENTLY

Concerns about the planet and society are matched by concerns about our own health and what we eat. Growing urbanisation is shaping new health priorities while the cost of care is also rising, placing health services under increased pressure. Obesity kills more people than hunger, while many populations struggle to find sufficient nourishment in their diets. Sugar is seen as a major threat which has resulted in a number of countries choosing to implement a tax on it. For food companies, this presents a mix of challenges and opportunities. Meanwhile, public awareness around mental health issues continues to grow, particularly with digital connectivity.

Consumers are now living in communities that are becoming more diverse with fragmented identities. Younger generations, especially Millennials and Generation Z, continue to have a powerful influence on cultural norms on issues such as diversity and discrimination. Meanwhile, older generations are exerting a strong economic influence. The number of people aged 80 or over is expected to triple by 2050.

Migration is having a profound effect on national identity. One in 30 people are international migrants living abroad, a 40% rise since 2000. People are encouraged to move, in part, by the rise of global megacities with more than ten million inhabitants. The number of these will rise from 31 to 41 by 2030. Such urbanisation is expected to create an additional 500 million one-person households between 2016 and 2030. Climate change looks set to increase migration even further as populations are displaced due to rising sea levels and changing climates.

The #MeToo movement has encapsulated a major shift in women's rights. The global gender gap in primary school completion and enrolment in secondary school has closed, however barriers and opportunities remain, particularly on equal pay. According to the World Bank, gender equality would enrich the global economy by an estimated \$160 trillion if women were earning as much as men in the workplace. Men themselves face changing roles. Time spent with children has almost quadrupled for men since 1965 and in some countries the burden of care is changing in response to improved paternity leave entitlements and shared parental leave. Changing demographics and societal expectations present significant risks and opportunities for FMCG companies.

Find out more about how we are responding to the trends outlined in this section in delivering value for our stakeholders (pages 11 to 18).

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OUR VALUE CREATION MODEL

UNILEVER HAS A PROVEN BUSINESS MODEL THAT SUPPORTS LONG-TERM, SUSTAINABLE VALUE CREATION.

Our business activities span a complex, global and cyclical value chain. The start of our value chain is consumer insight. We track changing consumer sentiment through our 27 People Data Centres around the world. Through close collaboration between marketing and R&D, we use our insights to inform product development, leveraging our 900 million annual R&D spend. Our research aims to bring together the best thinking and ideas from wherever they exist within Unilever and beyond, including universities and specialist companies.

We work with tens of thousands of suppliers and spend around 34 billion on goods and services. Our supply chain sources the materials and ingredients that make up our products. Our global manufacturing operations across more than 300 factories in 69 countries turn these raw materials into products with a total volume of nearly 19 million tonnes.

Our products are then distributed via a network of around 400 globally coordinated distribution centres to 26 million retail stores, from large supermarkets, hypermarkets, wholesalers and cash and carry, to small convenience stores, as well as other fast-growing channels such as e-commerce, out-of-home and direct-to-consumer.

We are the second largest advertiser in the world, based on media spend. We create an increasing amount of tailored content ourselves to market our brands, using digital channels.

Underpinning our value chain is a set of defining strengths which set us apart from our competitors: our portfolio of global, purpose-led brands and local jewels; a geographic presence in more than 190 countries with 58% of our turnover in emerging markets; deep distribution capability through ever more complex channels; and a talent pool of local leaders – over 80% of our business leaders are local to their markets.

Our strategy (see page 10) and our Divisional strategies (see pages 11 to 12) harness these strengths to deliver competitive top and

bottom-line growth, and capital efficiency which in turn drives underlying operating margin, free cash flow and return on invested capital – and ultimately attractive returns for shareholders.

To respond further to the increasing pace of change and accelerate value creation, we have embedded our C4G programme across all Divisions so we are a faster, simpler organisation. We are also rapidly embracing new digital technologies such as the Internet of Things, AI and robotics to get even closer to our value chain partners and consumers.

Our strategy and business model continue to deliver solid growth. From 2014 to 2018 we have delivered average underlying sales growth of 3.3% a year while underlying operating margin increased by an average 70 basis points per year to 18.4%. Longer term, Unilever has grown dividends by an average of 8% per year over the last 38 years, with no reductions.

We are on track to meet a number of targets to accelerate shareholder value since 2017. These include underlying sales growth ahead of our markets, which we expect to translate into underlying sales growth of 3-5% each year up to 2020, projected cumulative savings of \$6 billion by 2019 and an expansion of underlying operating margin from 18.4% in 2018 to 20% by 2020. Return on Invested Capital is expected to be sustained in the high teens and dividends will continue to rise, reflecting confidence in the outlook for profit growth and cash generation.

Sustainable value creation also means creating value for the many stakeholders Unilever relies on. The Unilever Sustainable Living Plan (USLP) is at the heart of our multi-stakeholder business model and vision to grow our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact in turn contributing to the United Nations Sustainable Development Goals (see page 15). The USLP helps us to deliver more growth through our brands with purpose, less risk by future proofing our supply chain, lower costs through eco-efficiency practices and more trust from the stakeholders who we rely on.

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OUR STRATEGY

GROWING THE CORE, EVOLVING THE PORTFOLIO AND DEVELOPING CHANNELS ARE AT THE HEART OF OUR STRATEGY.

Our strategy helps us deliver top and bottom line growth in a fast-changing world. It is underpinned by C4G which aims to create a faster, simpler organisation.

WINNING WITH BRANDS AND INNOVATION

Rapid innovation is critical to respond effectively to the fragmentation we are experiencing in consumer segments, routes to market and media channels. Innovation varies by Division based on market requirements and brand strategies but we split projects into three separate groups. Firstly, we have global roll-outs, such as the Sunsilk Natural Recharge launched in 5 markets in 2018. Secondly, we have local innovations marketed through global brands, such as our partnership with Kinder (owned by Ferrero) which was launched in several European countries following success in France. Finally, we have local brands with local innovation, such as Vim bars with mint extract launched in India.

Our faster response to consumer trends is due to different ways of working to meet the needs of local consumers and customers, and quick decision-making. Global marketing networks called Brand Communities work hand in hand with more than 230 Country Category Business Teams (CCBTs) that operate as multifunctional entrepreneurial units. This allows for more experimentation, responsiveness and scaling up of innovation across markets. We are already seeing an improvement in time to market across our portfolio as a result of a range of initiatives to speed up the innovation process. For example, time to market with new innovations to meet local trends is now 40-50% faster compared to 2016.

Our portfolios are evolving to meet consumer demand for brands that take a stand on issues they care about. Unilever's purpose and our Sustainable Living brands are key to driving purchase preference. Consumer trust in brands is also driven by their experiences of marketing. In 2018 we took a key role in the industry ensuring digital responsibility covering content, platforms and measurement while also campaigning to improve influencer marketing and combat fraud in the digital ecosystem.

Related principal risks (pages 29 to 32): **Brand preference, Economic and political instability, Portfolio management, Safe and high-quality products, Sustainability, Climate change, Plastic packaging**

WINNING THROUGH CONTINUOUS IMPROVEMENT

C4G plays a significant role in driving growth, but is also responsible for margin expansion for profitable growth. Through sharper financial discipline governing overhead spending, and our zero-based budgeting (ZBB) approach, we are reducing costs and uncovering innovative ways of working.

We are applying the 5S smart programme across the Group which cuts costs and examines the business case for improvements more broadly driving savings through smart buying, smart sourcing and a smart product portfolio, as well as leveraging our supplier Partner to Win programme. 5S also drives revenue and margin through smart mix and smart pricing delivered through our Net Revenue Management programme. 5S is delivering over 1 billion of savings per year, with the aim to reinvest two-thirds of these savings.

Brand and Marketing Investment is focused on maximising return on spend. We are increasing spend in the areas driving growth, such as digital media and in-store, whilst reducing production and promotional spend. In 2018 we generated savings in BMI of over 500 million. We are creating more content in-house while making existing assets go further. Our 16 U-Studios in 13 countries create brand content faster and more efficiently than external agencies. Improvements to measurement and verification of digital audiences ensure we maximise value in digital advertising alongside improvements in the measurement of influencer follower data.

Related principal risks (pages 29 and 31): **Brand preference, Supply chain**

WINNING IN THE MARKETPLACE

Every day, 2.5 billion people use our products. We evolve our portfolio to reach consumers in all income brackets from our prestige range in Beauty & Personal Care, built from carefully selected acquisitions, to the roll-out of affordable products, such as Domex Toilet Cleaning Powder in India, for low income consumers. We reach wide into new geographies, with brands expanding into new pockets of growth such as launching Ben & Jerry's Moo-phoria low calorie ice cream in the US and Premium Cif sprays in 15 European markets in 2018.

Data is key and our ambition is to build one billion one-to-one consumer relationships through our People Data Centres which connect us with consumers in a responsible way through real-time analytics. Our 27 People Data Centres identify trends from social listening alongside engaging with consumers on ideas for new launches. Our contact with consumers is governed by our Code Policy on Personal Data & Privacy which sets out the steps we take to protect personal data.

Alongside innovation, customer development is key to growth, ensuring products are available when and where consumers want them, in the format they prefer, at the right price. E-commerce remains a crucial channel. Online is now around 5% of Unilever turnover. In China e-commerce accounts for over 20% of turnover. We are building our business through online channels such as Amazon, Taobao in China, online grocery websites, and direct-to-consumer models deployed by Dollar Shave Club, T2 and our prestige brands.

Related principal risks (pages 29, 30 and 32): **Customer relationships, Economic and political instability, Portfolio management, Sustainability, Climate change**

WINNING WITH PEOPLE

With unprecedented change happening externally, we are taking action in a number of areas to ensure we are more agile, digitally focused and networked. Our C4G programme is empowering our people with an owner's mindset and gives them the licence to take greater responsibility. Through C4G we are already seeing higher levels of empowerment, collaboration, experimentation and increased speed in decision-making.

To develop the capabilities, skills and leadership which support new ways of working, we are investing in continuous, always-on learning programmes. We are particularly focused on digital capabilities. To develop purpose-led and future-fit leaders, in 2018 we launched new Standards of Leadership. Developed in collaboration with thought leaders and groups of young and senior leaders, the new Standards recognise the need for leaders to embrace both the inner and outer aspects of leadership. The outer game is what leaders need to do to succeed; the inner game is about their inner purpose which guides their behaviours and actions.

Attracting and retaining talent is vital to support our growth ambitions. Purpose and our Unilever Sustainable Living Plan (USLP) remain key talent attractors with 75% of employees in our 2018 UniVoice survey believing their role contributes to the USLP and 70% believing they can fulfil their purpose at work. To reinforce this link and give more people a stake in the business we are developing our approach to reward by including more long-term share-based incentives for business performance and progress on our USLP targets.

Related principal risks (pages 29, 31 and 32): **Talent, Business transformation, Sustainability**

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DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS

OUR CONSUMERS

Our three Divisions meet the constantly changing needs of consumers by harnessing our global scale and local expertise. Innovation is the fuel, creating great products that consumers love, from nutritionally balanced foods and refreshments, to affordable soaps that combat disease, luxurious shampoos and everyday household care products. Whatever the brand, wherever it is bought, we're working to ensure that it plays a part in helping fulfil our purpose as a business – making sustainable living commonplace.

BEAUTY & PERSONAL CARE

BEAUTY & PERSONAL CARE (BPC) GENERATED TURNOVER OF 20.6 BILLION, ACCOUNTING FOR 40% OF UNILEVER'S TURNOVER AND 33% OF OPERATING PROFIT IN 2018.

The Division is our largest and includes five global brands with turnover of 1 billion or above, namely Axe, Dove, Lux, Rexona and Sunsilk, as well as other household names such as TRESemmé, Signal, Lifebuoy and Vaseline. BPC has leading global positions in hair care, skin cleansing and deodorants, and strong local positions in skin care and oral care. The prestige business leads in premiumising our portfolio with turnover of 490 million from brands including Dermalogica and Hourglass.

BPC's strategic ambition is to become the most valuable and admired BPC company, led by its purpose – Beauty that cares for people, society and our planet. Its priorities are to continue to grow its core brands, build a future-fit portfolio, lead in high-growth spaces and adopt a new model of marketing. The priorities reflect and respond to key trends shaping the Division. 2018 saw increasing fragmentation across route to market, retail channels and media, alongside growing data, analytic and automation capabilities. Together these trends are creating a more dynamic, complex and sophisticated landscape with greater segmentation, differentiation and personalisation.

BPC's core brands are introducing new innovations and formats quickly and at scale, such as the new shower mousses from Axe, Dove and Radox as well as a growing range of products which respond to the trend for natural and wellbeing products. During 2018 we launched Vaseline Clinical Care and Dove Derma Series in the fast-growing therapeutics segment and Dove Facial Cleansing Series infused with 100% plant-derived botanical oils in Japan. Hair care has created and launched multiple naturals products, creating a business with over 300 million in turnover in 2018.

Succeeding in the hyper-fragmented world demands greater consumer responsiveness and we are proud to have launched nine new brands over the past two years: ApotheCARE Essentials, Hijab Fresh, K-Bright, K-JU, Korea Glow, Love Beauty and Planet, Pure Derm, Purifi and Skinsei. Love Beauty and Planet has expanded from North America into four markets in Europe and is now active across several categories including skin cleansing, deodorants, skin care and hair care.

Our acquisitions play a key role in building the future-fit portfolio. In the last four years, BPC has acquired 13 companies including wellbeing focused Equilibra in 2018. AHC (Carver Korea), acquired in 2017, showed strong e-commerce performance and in 2018, we rolled it out to Taiwan, Hong Kong, Singapore, Malaysia and Russia. Schmidt's Naturals, also acquired in 2017, has extended beyond deodorants into more categories. The acquisition of

Quala S.A completed in February 2018. Within two months of acquisition, its Savile and Ego extensions had brought to market multiple new products in five categories. Strong progress has been made building a highly attractive prestige portfolio which is on track to becoming a \$1 billion business. Our most recent acquisition in prestige, Hourglass, is growing fast, expanding into new geographies and with a commitment to become entirely vegan by 2020.

Future growth will depend on accelerating the adoption of a new model of marketing focused on brands with purpose, generating great content, delivered via digital channels using advanced data and analytics. The model is creating many new consumer touchpoints. For instance, Axe collaborated with DJ Martin Garrix to launch his Burn Out video with over 40 million YouTube views to date, celebrating the brand's message of individuality. In Latin America, Sunsilk partnered with an online influencer to co-create products for curly hair.

Our purpose-led brands are well positioned to meet growing concerns about the fragility of the planet and consumer preference for more

sustainable products. In October we joined calls from consumers, NGOs and politicians for a worldwide ban on animal testing of cosmetics and Dove, the Division's biggest brand, achieved PETA accreditation as cruelty free. The PETA cruelty-free logo will start appearing on many packs in 2019 and more brands are set to follow. We are also developing new packaging solutions with less plastic, better plastic and no plastic. REN launched a sea kelp and magnesium body wash in a bottle made from 100% recycled plastic, with 20% from recovered ocean plastic. Simple launched biodegradable face wipes made from renewable plant fibres and sustainable wood pulp. More packaging innovations will be launched in 2019.

Overall, underlying sales growth was 3.1%, driven by skin care and skin cleansing, but partly offset by slower growth in deodorants and oral care due to market and competitive pressures. Profitability progressed with underlying operating margin improving 80 basis points to 21.9%. Geographically, a number of countries grew above the market including US, Canada and the UK while emerging markets such as Pakistan and Bangladesh also had high growth. Brazil underperformed as did Japan and parts of Western Europe, where markets were flat to declining. In our channels, e-commerce remains a key driver of growth alongside the Health & Beauty channel where we would like to see faster growth following a slow year, especially in North America.

Looking ahead, we will continue to build our future-fit portfolio while adopting the new model of marketing, to deliver strong growth, making an accretive contribution to Unilever's top and bottom line.

FOODS & REFRESHMENT

FOODS & REFRESHMENT (F&R) GENERATED TURNOVER OF \$20.2 BILLION, ACCOUNTING FOR 40% OF UNILEVER'S TURNOVER AND 58% OF OPERATING PROFIT IN 2018.

The Division launched in January 2018 after the previous Foods and Refreshment Categories merged. The integration and relocation of the global teams to Rotterdam is complete. The disposal of the spreads business was also completed in July. F&R now includes the foods, ice cream and beverages categories, as well as Unilever Food Solutions, our dedicated foodservice business. F&R is home to five global brands with turnover of \$1 billion or above, namely Knorr, Hellmann's, Magnum, Lipton and Heart brand (eg Wall's) as well as other famous global brands including Brooke Bond and Ben & Jerry's. It also includes local jewels such as Bango and Robertson's plus recent B Corp acquisitions such as Pukka Herbs, Sir Kensington's and Mãe Terra. F&R's ambition is to accelerate growth while improving underlying operating margin. F&R's purpose 'Taste good, Feel good, Force for good' underpins our strategic priorities

which are to: transform the portfolio; organise for agility and lower costs; and transform capabilities.

Our efforts to transform the F&R portfolio are driven by consumer insights. For example, we are seeing stronger preference for healthier products with more natural and organic ingredients. F&R has launched a number of products addressing this trend, including Magnum and Hellmann's vegan variants in Europe, meat-free Knorr launches in the Nordics and Ben & Jerry's non-dairy alternatives. Knorr also expanded its organic and 100% natural ranges in Europe. In our beverages category, we continue to grow our good for me tea ranges. Lipton's range, which includes variants such as detox and stress-less, continued its global roll-out with strong performance. Recently acquired brands such as Pukka Herbs are being rolled out at pace. However, given continuous acceleration of the external landscape, we have to step up portfolio transformation further and increase the speed of our response to trends.

Our market-focused organisation and agility supports our portfolio transformation and delivered several new brands in 2018 such as RED RED (UK), Culture Republic (US), and Jawara (Indonesia). We announced an agreement to acquire Horlicks and other consumer healthcare nutrition products in India and other Asian markets from GlaxoSmithKline (GSK), and also acquired the Vegetarian Butcher (Netherlands) and three ice cream brands Adityaa (India), Betty (Romania) and Denny (Bulgaria). After success in the US, Breyers Delights was launched in Europe. In addition, we introduced innovative licensed ice cream brands including Kinder in Europe and Cornetto Oreo in India.

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DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS CONTINUED

Consumers' shopping habits continue to change. We launched the IceCreamNow platform in partnership with restaurant delivery services, building a new home-delivery channel. We have also launched a global front-of-house programme to showcase our teas and condiments in restaurants, hotels and bars, and to capitalise on the growth of eating out and out-of-home consumption. These represent significant business opportunities.

The second F&R strategic priority is to organise for agility and lower costs. In 2018, our 5S and ZBB programmes stepped up fuelling our gross margin and marketing support. We will continue our savings programme to reduce structural costs, while providing funding for portfolio transformation and margin expansion. Our speed to market has improved by almost a third, reflecting how C4G is helping to unlock speed and agility. We are also piloting new ways of working across our teams.

Our final strategic priority is to transform our capabilities with a focus on R&D, lean innovation and precision marketing. The creation of our state-of-the-art global Foods Innovation Centre in Wageningen (Netherlands) will further strengthen our innovation capability. It is scheduled to open in 2019. We are also enhancing our capabilities in digital-driven marketing through extra resourcing across key markets, upskilling our current teams and hiring digital savvy marketers.

These strategic priorities are underpinned by the development of more purpose-led brands. Knorr, Hellmann's, Lipton, Brooke Bond and Ben & Jerry's continued to grow, each fuelled by a unique purpose which is resonating with consumers. Brooke Bond for example continued its work tackling cultural taboos through its campaigns, addressing same-sex relationships in Canada and divorce in the Gulf markets. Meanwhile, Hellmann's launched a major focus on food waste with an activation in Brazil to inspire people to use Hellmann's to transform leftovers into tasty meals. Action on plastic packaging is another priority for F&R. We have partnered with Ioniqa and Indorama Ventures to pioneer a technology which converts PET waste into virgin grade material for use in food packaging. In the UK, PG tips started to introduce 100% biodegradable plant-based pyramid bags. More innovations and new technologies are in the pipeline.

During 2018 F&R turnover declined 9.9% to 20.2 billion, due to the sale of spreads and currency devaluation. Underlying sales growth was 2.0% while our underlying operating margin improved by 80 basis points to reach 17.5%. Europe returned good results in ice cream, underpinned by good weather and innovations such as Magnum pints and Kinder ice cream. However, developed markets overall remain difficult and are seeing slower volume growth due to increasing segmentation of consumer preferences, especially in foods, where our efforts on portfolio transformation were not enough to offset the headwinds. Traditional channels in Europe such as supermarkets and hypermarkets continue to discount, creating deflationary pressure. Latin America had a challenging year due to tough economic conditions, a truckers' strike in Brazil and currency headwinds in Argentina which affected growth in these two markets. Excluding Latin America, emerging markets generally delivered a strong performance. Several key markets including India, China and Turkey saw double-digit growth reflecting the strong potential in emerging markets.

F&R will continue to drive growth and margin by focusing on its strategic priorities. Our portfolio transformation, step-up in capabilities and shift in culture are of paramount importance to meet these objectives.

HOME CARE

HOME CARE GENERATED TURNOVER OF 10.1 BILLION, ACCOUNTING FOR 20% OF UNILEVER'S TURNOVER AND

9% OF OPERATING PROFIT IN 2018.

Home Care is home to two global brands with turnover of 1 billion or above, namely Dirt is Good (eg Omo and Persil) and Surf. Other leading brands include Comfort, Domestos, Sunlight, Cif, Seventh Generation as well as our air and water purification brands Blueair, Pureit and Truliva/Qinyuan. 79.5% of our turnover is in developing and emerging countries. Home Care's ambition is to deliver sustained underlying sales growth and step up underlying operating margin.

The rapid change of consumer habits, media, competitors and channels, as well as heightened environmental stress, has redefined Home Care's