

# UN Global Compact Communication of Progress Report by Unilever South Africa

May 2011



# INTRODUCTION

Unilever has been a global signatory to the UN Secretary-General's nine principles of the Global Compact since January 1999. The principles have since grown to 10 to include Anti-Corruption. Every year, Unilever has been using its Sustainable Development Report as its Communication of Progress.

With the establishment of the local UN Global Compact network in South Africa under the National Business Initiative, it has become necessary to demonstrate support for the 10 principles from a local reporting perspective. This is the second report that Unilever will be submitting. The report will show how we are implementing the principles in the South African business.

The UN Secretary-General has sought adherence by business to the principles as follows:

## Human Rights

**Principle 1:** support and respect the protection of international human rights within their sphere of influence; and

**Principle 2:** make sure their own corporations are not complicit in human rights abuses.

## Labour Rights

Business is to uphold the following labour principles:

**Principle 3:** the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

## Environmental Policies

Businesses are asked to:

**Principle 7:** support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives that promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



# CHAIRMAN'S STATEMENT ON UNILEVER SOUTH AFRICA'S COMMUNICATION OF PROGRESS

Unilever is one of the largest consumer goods companies in the world. For over 100 years now, our brands have been a part of the South African home and we identify the local needs and aspirations of South Africa as our own. It is based on this relationship, and our loyalty to our consumers, that we conduct our business in a sustainable manner. To this end, we have partnered with industry bodies, government, NGOs, educational institutions and local communities to ensure that our small actions together translate into a big difference for our consumers and for the world at large. This report will highlight our efforts in this regard.

Our continued submission of the Communication of Progress from Unilever South Africa is intended not only to comply with the UN Global Compact requirement for an annual report, but also to serve as an engagement tool for all of our stakeholders. Our efforts within the ambit of operating as a responsible company have been further defined through the launch of our Unilever Sustainable Living Plan.

To give impetus to our Sustainable Living Plan, we have set targets for various initiatives, initiatives that strongly echo the principles set out within the UN Global Compact Report. Being a responsible corporate citizen has been strongly embedded into the DNA of Unilever and we are confident that through continued efforts we will be able to increase the scale of impact that Unilever South Africa will be able to deliver.

Together with the continued submission of reports of this nature coupled with the right mindset from an internal perspective, Unilever South Africa will undoubtedly be contributing towards improving the lives of South African citizens.



**Marijn van Tiggelen**

Chairman, Unilever South Africa



# OUR SUPPORT FOR HUMAN RIGHTS

Unilever has consistently demonstrated, both on a national and local South African scale, that day to day business processes are very much in accordance with legislation that seeks to protect individual human rights. Stringent adherence is exercised with regard to global standards and this commitment is solidified within The Unilever Code of Business Principles.

The Unilever Code of Business Principles demands an annual sign off and commitment by all employees to work with honesty, integrity and respect for others. It is part of the annual positive assurance that is expected of all heads of business units. It encourages high standards of personal behaviour from all employees in their relationships with colleagues, dealings with suppliers, customers, consumers, shareholders and other third parties, and also in the use of Unilever resources.

Unilever South Africa boasts a richly diverse workforce. We continue to recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

In line with the principles, we do not use any form of child, forced or compulsory labour. Through the Unilever Business Partner code we demand a similar commitment from all our suppliers and service providers. We also expect managers to be mindful of ways to support employees to fulfil their family and other personal responsibilities. Where it is stipulated, the national minimum age for work is observed.

All forms of harassment whether individual or collective and whether based on sex, race, position in the organisation or otherwise are unacceptable and treated as a serious disciplinary offence.

We recognise the right of our employees to join or not to join a trade union. In all of our operations, we seek to engage in constructive relationships with recognised trade unions and other employee representatives. As per the country's labour laws we recognise and negotiate with local trade unions legally elected by employees on all matters affecting their well-being and labour rights.

In the case of consumers, we have transparent and well-tested procedures in place to address their

complaints fairly and speedily without undue cost or burden to them.

Our corporate vision serves to further validate the inherent culture that can be found throughout the organisation:

**We work to create a better future every day**

**We help people feel good, look good and get more out of life with brands and services that are good for them and good for others. We will inspire people to take small everyday actions that can add up to a big difference for the world. We will develop new ways of doing business that will allow us to double the size of our company while reducing our environmental impacts.**

These corporate values that have been expressed in the above vision are brought to life through the recently launched Unilever Sustainable Living Plan. Included in this plan are the focus areas of Enhancing Livelihoods and Improving Health and Well-being that position Unilever very much at the forefront of corporate responsibility.

We have realised our efforts to enhance livelihoods through the establishment of strategic partnerships across our Supply Chain where we contribute to the development of small enterprises around South Africa and in so doing ensure that the livelihoods of South African's are enhanced.

In partnership with the Development Bank of Southern Africa (DBSA) and the Accelerated Shared Growth Initiative of South Africa – Eastern Cape (ASGISA-EC) we have established a small holder farming initiative to grow and procure paprika for our Robertson's Spice brand. Based in Keiskammahoek in the Eastern Cape, an area which has an 87% unemployment rate, the programme has successfully completed two production cycles and has provided employment to over 200 community members. Unilever South Africa is committed to supporting this initiative to make this a sustainable and commercially viable agricultural model thereby increasing the benefit to the wider community.

For over ten years Unilever South Africa has worked with Smollan's to deliver the Unilever Trade Development Programme. 4,700 Small general traders around South Africa receive regular on-the-job business development, pricing advice and in-store layout guidance to ensure that their business becomes successful and sustainable. The traders also receive a quarterly Trader Value Club magazine which ensures the further transfer of skills.

We also recognise the value of partnering with bodies that will enable us to increase the overall scale of our impact within South Africa. Unilever South Africa is a founding member of the South African Diversity Council (SASDC), part of the National Business Initiative (NBI), which has been established to promote black suppliers through the sharing of knowledge, experience and best practice in supplier diversity. We also support SASDC member commitments to increase procurement and development opportunities for black-owned suppliers.

Below are other organisation that we share partnerships with in a combined effort to address the national agenda on various socio and economic issues:

### 1. BUSA (Business Unity South Africa)



Acting as the principal representative of South African business, BUSA provides expert

comment to government on the economy, transformation, the national budget and various pieces of legislation. Significant in the past year are the relevant comments made on the Consumer Protection Bill, which aims to promote fair business practices.

### 2. Business Trust



The Business Trust implements programmes and projects in partnership with government to promote growth, capacity, employment and investment in key areas of the economy to combat poverty.

### 3. NBI (National Business Initiative)



Through our association with the NBI we are able to be at the forefront of aligning our efforts to deliver against our country's national agenda. We also have provincial board representation.

Through our work with Government and other stakeholders we have helped improve the health and well-being of South African citizens. We have improved the quality of life by educating communities on the importance of simple hygiene procedures. Issues pertaining to personal hygiene have been addressed by Lifebuoy through the Wash Project and Global Hand Wash Day initiative. We have targeted rural and urban women in South Africa with an educational programme designed to improve their knowledge and understanding of basic hygiene. In 2010 Lifebuoy managed to reach the following groups with their campaign:

- 12 230 Schools
- 5 503 500 Children
- 253 Paediatricians
- 75 900 Patients

Domestos has also established a community based programme in partnership with the Department of Health and the World Toilet Organisation. Through the World Toilet Day initiative we have gone into areas of high risk in South Africa where diarrhoeal disease is endemic in certain months of the year. To further amplify the message, Domestos has gone into a school, Sapebusi Primary School in Orlando West, Gauteng and refurbished their ablution facilities.

Enhancing the quality of peoples' diets to help improve heart health and tackle both over and under-nutrition is key to the work that we have done around nutrition. We have worked with the Heart and Stroke Foundation of South Africa to raise awareness of Cardiovascular Disease (CVD) and the importance of a healthy diet and lifestyle in reducing CVD risk factors through our Flora 'Test the Nation' campaign. In 2010 we tested the cholesterol levels of approximately 22,000 people across the country. Flora has also demonstrated their commitment to a healthier lifestyle by being the main sponsor of the Comrades Marathon.

All the initiatives we support are intended to entrench the Human Rights from a broad perspective enshrined in the Constitution of the Republic of South Africa.



# OUR SUPPORT FOR HUMAN RIGHTS

## Broad-based Black Economic Empowerment (BBBEE) and Diversity

We consider Broad-based Black Economic Empowerment an imperative for growth in the economy and within Unilever itself. To this end, the implementation of BBBEE is based on our commitment, principles and targets to achieve the objectives of the legislation. Based on a foundation of years of equal opportunity recruitment, diversity programmes, skills development, training and mentorship of employees. In 2010 we achieved a BEE level 6 verification certificate.

We are dedicated to creating a working environment that enables all people, especially women, to become future leaders and role models. Our gender representation levels are ahead of industry norms, particularly at senior levels within the organisation, compared with local (JSE listed) and state-owned enterprises. Since 2005, Unilever South Africa has partnered with SA WomEng, a non-profit organisation, which seeks to address the issue of gender inequity in the South African engineering field.

## Upholding the Rights of Workers

Our strategic intent as contained in our IR (Industrial Relations) strategy is to build constructive and meaningful trade union relationships and to ensure fair labour practice and compliance

The following source documents remain the basis of our industrial relations strategy:

a) Basic Conditions of Employment Act - where we strive to do better than the minimum requirement of the legislation.

b) Sections 23 (1) to (4) of the Bill of Rights in the Constitution of the Republic of South Africa, which outlines the rights of employers and workers.

c) Unilever Business Code of Business Principles, which we get our contractors to sign off, to ensure that they too are compliant with worker rights.

d) Unilever's Industrial Relations Strategy, which explains the company's intent to promote good relations between itself and trade unions.

The objective of good relations with trade unions is a matter of enlightened self interest. We would like to ensure that work disruptions are minimised, management is able to run our businesses cost effectively and competitively and that all parties comply with ethical conduct and fair labour practices. Disciplinary and grievance procedures as sanctions for poor performance would be greatly undermined if there were no good relations between the company and the trade unions.

We have successfully step changed the level of engagement with all trade unions represented on all of our sites. We have, where possible, influenced bargaining to take place at an enterprise level rather than at a sectoral/chamber level. Amongst others to maximise the benefits of strong industrial relations, mechanisms to settle wage negotiations within mandates and without work disruptions have been implemented and hopefully will be mutually beneficial to all parties.



human rights



# OUR APPROACH TO ENVIRONMENT

Working across all of our operations and activities and in partnership with government, other stakeholders and the people who use our products, we continue to do work that seeks to reduce our overall environmental impact in the areas of greenhouse gases, water and waste.

We have introduced plans into each of our manufacturing sites to reduce Co2 emissions from energy alone by 12% by 2015 vs. a 2009 baseline:

From a manufacturing perspective we have saved 2,352 tons of Co2 from waste disposal via our recycling initiatives from January 2009 to April 2010.

We have installed energy efficient motors and variable speed drives for our manufacturing equipment in two of our factory sites which will significantly reduce energy consumption. In 2010 we installed solar panels at our Boksburg manufacturing sites.

In addition, 36% of our Ola Cabinets currently installed in our Ola ice-Cream distributors are climate-friendly (hydrocarbon) cabinets. These new refrigerants are not only better for the environment but last longer and maintain colder temperatures for longer.

We are continuously decreasing water usage in our manufacturing process to meet a 15% reduction target by 2015. We have also supported work towards the improvement of water quality on a national level. Through our partnership with the Institute of Water Research at Rhodes University, the Unilever Centre of Environmental Water Quality (established in 2000) aims to leverage government and relevant stakeholders to monitor and put in place programmes that improve the quality of South Africa's water. A key initiative that has been borne out of this project is the work that we are currently doing at Boksburg Lake within the Ekurhuleni Municipality. The Centre and Unilever have partnered with the local municipality, community and industry at large to restore Boksburg Lake to its former glory. This year we saw the second Boksburg Lake Day take place. It was attended by just over 230 scholars from nine schools in the Gauteng area.

Unilever South Africa has been reducing the packaging material of its brands in a number of different ways.

Some examples of this are: we replaced detergent cartons with flexible block bottom pouches. This has removed 4,457 tons of material from the waste stream annually. We light weighted our deodorant roll-on caps resulting in a polypropylene waste stream reduction of approximately 120 tons per annum.

We moved Omo and Skip 9kg plastic buckets to PET/Pe flexi-bags which has removed 85 tons of packaging material per annum from the waste stream. We have also light weighted the Dawn lotion closures saving 13.5 tons of packaging material annually.

We have provided consumers with refills to make it possible to reuse the primary pack, for example: we launched pouch refills for our Sunlight 750ml bottles. This has removed 37.5 tons of packaging from the waste stream. Refills were launched for our Lifebuoy hand wash liquid which saved 8 tons of packaging. Where possible our packs have been designed for reuse by consumers.

## Case Study: Wildlands

**Through an existing partnership with the Wildlands Conservation Trust, we have initiated a recycling programme that commenced in March 2010. This project encourages communities within rural areas to collect recyclable goods to be bartered for basic day to day commodities.**

**The projects statistics to date for 2010 are as follows:**

- Total recyclables collected : 889 850 kg
- Projected value of recyclable material: R336 707
- Projected avoided emission impact: 1017 tCO2e

**Below are the numbers of stakeholders that have participated in this project:**

- Schools: 45
- Businesses: 62
- Waste-preneur communities: 7
- Government Departments: 3
- Charities: 3
- Residential Areas: 21

## Summary of our Environmental Statistics for 2010

ENVIRONMENTAL KPI	UNIT	BOKSBURG FOODS	BOKSBURG HPC	MAYDON WHARF	PHOENIX HPC	PMB	PROSPECTON AVENUE EAST	PROSPECTON FOUNTAIN PARK	UNILEVER SOUTH AFRICA	UNILEVER SOUTH AFRICA TARGETS	% ABOVE TARGET
PRODUCTION	TONNES	140,043.00	251,994.00	109,573.00	2,819.00	19,497.30	41,995.90	12,115.70	578,037.90		
TOTAL COD	KG/TONNE	1.60	0.091	1.383	0.466	3.632	0.763	1.11	0.893	1.099	Target achieved
HAZARDOUS WASTE	KG/TONNE	0.02	8.764	9.888	0.702	12.543	1.259	0.436	6.227	2.548	59.08
NON-HAZARDOUS WASTE	KG/TONNE	2.07	2.072	2.691	2.341	21.334	13.206	29.016	4.214	3.722	11.68
SOX FROM BOILER	KG/TONNE	0.0504	0	0	0	0	0	0	0.0122	0.0165	Target achieved
ENERGY	GJ/TONNE	2.613	1.618	2.517	3.261	0.636	1.536	1.409	1.994	2.072	Target achieved
CO2 FROM ENERGY	KG/TONNE	290.789	163.404	385.287	787.158	153.626	280.414	340.176	251.244	254.474	Target achieved
TOTAL WATER	M3/TONNE	2.111	0.497	1.114	0.996	1.51	1.523	1.284	1.132	1.117	1.33



# ANTI-CORRUPTION

Employees are required by Compliance Management to sign off on the policy and to commit that any demand for, or offer of, a bribe or improper advantage must be immediately rejected and reported to management. The policy also stipulates that no gifts or other benefits including entertaining may be offered to government officials or others of whom we require services, or with whom we do business, which could reasonably be expected to render advantage to Unilever. The Company Chairman reviews and sets clear limits as to what gifts can be made, taking into account local social custom.

All such gifts have to be properly accounted for, recorded and approved by local management. Employees are advised not to expose themselves to a potential conflict of interest by accepting benefits, gifts, favours or entertainment offered by a supplier, customer or other contact which exceeds the common practice associated with usual business conduct. Improper benefits include, among other things, loans, consulting fees, guarantees or any other granting of credit. Any benefit offered on behalf of Unilever to third parties must conform to the Anti-corruption Policy which forbids any form of bribery.

**The gifts and entertainment policy gives the following guidance to employees: "The issue of gifts is sensitive. Gifts can be seen as bribes. They may be intended to influence decision-makers, or to build reciprocal obligations. Any employee who accepts money, gifts, favour or benefits for an inappropriate purpose or of an inappropriate monetary value will be liable to disciplinary action which in serious cases could result in immediate dismissal on the grounds of serious misconduct or be subject to criminal prosecution under relevant laws."**

The annual Positive Assurance exercise, which is monitored by the global Corporate Risk Management Office, requires heads of businesses to confirm in writing compliance, breaches and exceptions to policy that have occurred within the year of reporting.

Below are statistics from 2010 illustrating our vigilance within this area of business focus:

2010 - Type of Allegations	No	%
Asset Misuse	0	0%
Asset Theft	6	22%
Brand Reputation	0	0%
Bribery	3	11%
Conflict of interest	5	19%
Fraud	4	15%
HR Employee Behaviour	3	11%
Abuse of Company Time	1	4%
Policy Breach	5	19%
<b>Total</b>	<b>27</b>	<b>100%</b>

2010 - Types of Sanctions	No
Under Investigation	4
Criminal Action /Dismissal	4
Disciplinary Action	4
Resolved	10
Unable to verify	2
Unsubstantiated	3
Other	0
<b>Total</b>	<b>27</b>

## Case Study: COMMUNITY INVOLVEMENT

Annually we run a volunteer week which enables employees to have one day's paid leave to spend doing volunteer work in communities. Since we started the programme in 2008, 52 charitable organisations, reaching thousands of disadvantaged individuals, have been touched by this initiative.

As part of our charitable giving programme we distribute all of our good obsolete food, products through Foodbank South Africa and our home and personal care products through Gift of the Givers. In 2010 we donated the equivalent of R10 million worth of products and Foodbank SA and Gift of the Givers saw that it reached deserving beneficiaries across the country.

Our partnership with the Wildlands Conservation Trust also extends into the realm of community involvement through a project aligned with environmental conservation. This project aims to educate and provide poor children and parents with the tools to grow indigenous trees which are then bartered for goods such as bicycles, school uniforms, school fees, food and clothes. Currently this project spans over 8 communities. During 2010 there were 1,167 individuals growing trees. 195 267 trees were bartered to the value of R1 070 661.

# DIMENSIONS OF REPUTATION RATINGS FOR UNILEVER 2010

The Corporate Responsibility and Reputation Committee oversees Unilever's conduct as a responsible multinational business. It is also charged with ensuring that Unilever's reputation is protected and enhanced. Inherent in this is the need to identify any external developments which are likely to have an influence upon Unilever's standing in society and to bring these to the attention of the Board.

The Chief Legal Officer and external counsel report to the Committee in this regard and matters are then considered by the full Board. The Committee comprises four independent Non-Executive Directors: Leon Brittan (Chairman), Hixonia Nyasulu, Narayana Murthy and Louise Fresco.

To ensure that it is kept up to date with current and emerging sustainability issues, the Committee benefits from the insights of two groups. The first is the Unilever Sustainable Development Group (USDG) – five experts from outside the Group who advise on Unilever's sustainability strategy. The second is CRISP, the Corporate Responsibility, Issues, Sustainability and Partnerships group of senior executives from across the business.

The Committee's terms of reference and details of the Unilever Sustainable Development Group are available on our website at [www.unilever.com](http://www.unilever.com)

## Case Study: THOKOMALA

In 2002 Unilever launched THOKOMALA as a meaningful and holistic response to the plight of children left without parents because of the HIV/Aids pandemic by setting up a community family home housing six children, cared for by a foster mother. This unique, independent and professionally managed orphan care programme was registered as a Section 21 company in 2005 in order to leverage partnerships with community organisations, government, donors and donor organizations. THOKOMALA now operates 20 community family homes in six of South Africa's provinces. THOKOMALA which means "warmth" or "care" in isiZulu gives orphans of HIV and AIDS and other vulnerable children quality care: A better life, free from the stigma and discrimination surrounding HIV infection; and at the same time, providing much needed support to counteract the emotional and social scars caused by losing one's parents.

THOKOMALA is a holistic model in that it not only offers shelter, food and care but also the love and nurturing of a normal family environment, essential to raise children to become healthy and emotionally balanced adults. In partnership with Child Welfare South Africa, other NGOs and local and international funders the programme aims to provide HIV/Aids infected and affected children with the best possible chance of leading a normal family life.



