

UNITED NATIONS GLOBAL COMPACT PRINCIPLES
COMMUNICATION OF PROGRESS - 2008

Introduction

On May 15, 2001 we had written to the UN Secretary General, Mr. Kofi Annan, confirming Hindustan Unilever Limited (HUL)'s support of the UN Global Compact. HUL continues to reaffirm its commitment to the principles of the UN Global Compact. We recognize that the UN Global Compact is a symbol of leadership in a complex world, and of the potential for mutual understanding. It provides a forward looking forum in which the United Nations, companies and civil society organizations can come together in an open and transparent dialogue. It offers the opportunity to discuss practical ways of working together to create a more prosperous and sustainable world.

Our commitment to sustainability and prosperity is rooted in our Vision, our Corporate Responsibility (CR) Strategy and the Code of Business Principles (CoBP).

Our Vision

Our Vision is to 'Earn the Love and Respect of India, by making a real difference to every Indian.' Our strategy to deliver this is by integrating our social, economic and environmental agenda with our brands, our people and the way we operate. We have made specific choices which are based on the needs of the nation and the capabilities and skills we can bring to bear on these.

Our CR Strategy

Corporate Responsibility (CR) in Hindustan Unilever Limited (HUL) is rooted in its Corporate Purpose - the belief that "to succeed requires the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live". HUL's CSR philosophy is embedded in its commitment to all stakeholders - consumers, employees, the environment and the society that the organisation operates in. HUL believes that it is this commitment which will deliver sustainable, profitable growth. We have identified five key platforms and have articulated goals, both short term and long term, stretching to 2015.

On the social front, we will work in areas of **Health (personal hygiene) & Nutrition** and **Empowerment of marginalized communities– thru Vocational education.**

Our economic agenda will be driven towards **Enhancing Livelihoods of marginalized communities.**

The environmental agenda will focus on **Water Conservation** and cutting **Green House Gases.**

We have developed specific programmes and initiatives to address each of these. More details can be found at http://hul.co.in/citizen_lever/index.asp

Our Code of Business Principles (CoBP)

Our CoBP is fundamental to Company operations encompassing every aspect of its processes, systems, procedures and controls in the area of manufacturing, distribution, supply, storage, marketing, Advertisements & Promotions and general administrative, operational and functional management of the Company.

CoBP is the key Policy governing all the organisational and functional policies of the company. The Code can be found at http://hul.co.in/knowus/code_bus_principles.asp

The CoBP not only spells out the overall framework within which the individuals and the organisation are expected to operate, but it also prescribes the commitment, duties and responsibilities of the organisation in discharging its role as a corporate citizen.

Our commitment, systems, actions and relevant performance under each of the UNGC principles emanates from our Vision, Corporate Responsibility Strategy and the CoBP. They are detailed hereunder:

Principle 1

Business should support and respect the protection of internationally proclaimed human rights

Principle 2

Business should ensure that they are not complicit in human rights abuses

Excerpts of the CoBP are given hereunder which reflects the commitment of the organisation in the specific areas of protection of human rights, upholding freedom of association and building strong

ethical practices in conducting its business as well as ensure elimination of corruption, bribery and other unfair practices:

“We conduct our operations with honesty integrity and openness and with respect for the human rights and interests of our employees”

“We shall similarly respect the legitimate interests of those with whom we have relationships”

“We are committed to safe and healthy working conditions for all employees. We will not use any form of forced compulsory or child labour”

“We respect the dignity of the individual and the right of employees to freedom of association”

“In our business dealings we expect our partners to adhere to business principles consistent with our own”

“Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantage for business or financial gain”

“No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management”

“No undisclosed or unrecorded account, fund or asset will be established or maintained”

“Unilever employees must not seek gain for themselves or others through misuse of their positions”

The company has robust and effective mechanism in place to spread awareness on the requirements of Code of Business principles amongst the employees at all levels by way of periodical training and communication programmes. For this the Company has devised customised communication and training modules, empowering the local management to cascade it suitably in alignment with the local and environmental sensitivities. It is a practice to induct all new recruits into the CoBP and a copy is annexed to their appointment letters. Similarly the CoBP is also made part of the terms and conditions of the Contracts & Agreements that the Company enters into with its Supply Chain partners.

The “Employees” section under CoBP underscores fairness in recruitment and career progression, safe and hygienic working conditions, and maintaining good communication with the employees.

Global hotlines has been set up through which one can anonymously and without fear report the breaches of the Code, in addition to the available local procedures of reporting breaches through superiors and skip level superiors.

All CoBP violations are centrally collated and closely monitored by the Company through a core committee, comprising of representatives from the management committee/ senior management, from finance, legal and HR functions. The company follows stringent guidelines in terms of the time frame and the manner of investigations into CoBP violations, so that there is objectivity and speed in taking remedial and corrective measures.

During the year there were 54 reported cases under CoBP including 4 complaints of non-CoBP nature. These cases were resolved within the average period of 10 to 12 weeks.

As an ongoing process to cover every Unilever employee with communication and training on CoBP, a CoBP training module is available on the Learning Management System (LMS) - which is the online training tool. This is designed to enhance and familiarise the concept of CoBP amongst the employees by exploring and understanding how best to apply the Code in practice and promote the same in an integrated way with the business. As a part of the training, the employees are required to undergo an Assessment module by solving recognizable examples on CoBP breaches. The minimum passing score is 80%. 17 training sessions of CoBP were held during the period covering approx. 350 employees across different levels/ locations of the organisation. This training includes all employees at the entry levels for building awareness and members of the leadership team for accepting joint responsibilities in carrying forward CoBP. Apart from this, customised training sessions were organised for Supply Chain, HR, Finance, Factories, Market Research and Modern Trade.

As a part of the Sarbanes Oxley (Sox) Audit on internal processes and controls, the CoBP operating procedures were subjected for an in-depth audit by an external consultancy firm, and re-affirmed by the auditors for its certification under the Entity Level Assessment as per the Sox requirements.

All employees of the Company work in safe and hygienic working condition. The company has adopted the Du Pont methodology on Safety and focuses on behavioural change as the mode to building a safe working environment at our sites. This involves training, communication and regular engagement with employees towards checking and correcting unsafe acts and recognizing and motivating safe behaviour at work. Our Safety & Health Policy requires that occupational safety and health are integrated into business processes. This Policy can be found at http://hul.co.in/nowus/safety_policy.asp . We use

and track leading indicators of safety in addition to lagging indicators and safety features in every Manager and Officers Work Plan across the Company.

On the Occupational Health front, all our sites have a fully operational Occupational Health Centre manned daily by a visiting/full time doctor. Every person, including contractor who works at our site undergoes a pre-employment medical check up and routine medical check ups at least once in two years (or more frequently if the nature of job or operations so require). All employees are covered under appropriate form of Medical Insurance scheme and receive additional support from the Company in case of medical exigencies as well, even when not related to occupation. We have developed an internal Vitality Index for all our employees on key health parameters, which is used to provide suitable intervention / advice to enhance personal vitality both at work and at home through lifestyle changes.

A copy of the CoBP is also shared as a first step, with our third parties and contractors in order to share our expectations from them on the ethical standards with which HUL and Unilever conduct their business.

The Company is committed to fair treatment and open communication with all its employees in matters involving them. During the year, the Company completed restructuring of its business activities by relocating its Foods Office from Bangalore to Mumbai, following the highest standards of fairness and transparency in the relocation/ restructuring of the Office with minimal impact to the concerned employees. The Company designed a very pragmatic and generous compensation package for the employees who did not wish to relocate to Mumbai and where possible, alternative employment opportunities were co-ordinated by the Company for them. The relocation was completed in full compliance with the applicable regulatory laws.

Principle 3

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

We respect the dignity of the individual and the right of employees to freedom of association. We maintain good communication with all employees through Company based information and consultation systems.

We provide direct employment to nearly 15,000 employees. Indirectly, more than 1,80,000 people are provided a source of livelihood at our suppliers, third parties, transporters etc. In addition Company's

unique initiatives such as “Project Shakti” provide income generating opportunities in rural areas to more than 45,000 people across 15 states of India by providing them sustainable livelihoods.

Our Company upholds the right of its employees to associate, as clearly articulated in the CoBP: *"We respect the dignity of the individual and the right of employees to freedom of association."* Nearly 82% of the employees in bargainable cadre (“workmen”) are unionized. Wage revision in the Company is undertaken through a process of collective bargaining between the management and the Union / authorized representatives of the workmen. Over 95% of our employees are a part of this process and either through their Unions / their authorized representatives, they engage with the management on their demands on wages or working conditions. Through this process, every year we sign on average 10 – 12 settlements (wage contracts) and cover all Units on a periodic basis.

Principle 4

Business should support the elimination of all forms of forced and compulsory labour

Company strictly complies with the Law of the Land in terms of employment of labour, remuneration and working conditions. . Every employee is issued a Letter of Appointment which clearly spells out his / her terms of employment with the Company. Any revision of these terms and conditions are undertaken through the process of collective bargaining with the Union and explicitly documented in the Long Term Settlements.

We pay employees Fair Wages as determined by the Cost of Living in the region, Wage Erosions on account of Inflation and Region cum Industry wage surveys. Our wages for a new joiner employee upon confirmation are nearly double of that stipulated by the Government as the minimum wage for the relevant skill and industry.

The salaries of employees get revised on:

- a) a six monthly basis (Dearness Allowance on account of increase in Cost of Living),
- b) annually on account of fixed increments and
- c) once in four years through the process of a formal Wage Revision Agreement.

A policy on Total Productive Maintenance (TPM) applies beyond manufacturing to commercial offices / sales branches. This Policy focuses on achieving business excellence in a safe, sustainable and environment friendly manner by unleashing creativity of people. Upto 2006, 28 of our 54 sites were accredited at various levels of TPM excellence awarded by Japanese Institute of Productive Maintenance (JIPM). Several sites have received coveted safety awards from the respective State

Governments. For achieving exemplary occupational safety standards and safety culture, our site at Haldia received during the year the prestigious Unilever Premier Safety Trophy. To encourage safe behaviours each site has a comprehensive reward and recognition scheme which includes own and contract employees and is run on a quarterly basis.

Principle 5

Business should support the effective abolition of Child Labour

Company fully supports effective abolition of child labour. We do not employ any child labour in our operations. Our CoBP specifically disallows use of any form of forced, compulsory or child labour in our operations. Though the Indian law also prohibits employment of child labour, i.e. any person under the age of 15 years, we employ only those persons who have attained a minimum age of 18 years at the time of joining. The age of each applicant is verified through one or more of the Government attested proofs/certificates.

Employment in factories is undertaken in partnership with the local Employment Exchanges only, and the minimum age criteria is clearly stated to the Exchange, which allows first level of filtering there itself.

In case of our third parties, we receive a written commitment from them on a set of “Minimum Mandatory Standards” prescribed by us to which they shall comply to conduct business with the Company, which includes a specific requirement on non-use of child labour. Periodic audits at third parties are carried out against our Standard to ensure adherence to the requirements including non-use of child labour.

Principle 6

Business should support the elimination of discrimination in respect of employment and occupation

Our Company is committed to diversity in all its forms in working environment, where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the Company on one hand and their self-development on the other. We recruit, employ and promote employees on the sole basis of qualifications and abilities needed for the work to be performed without discrimination in terms of caste, creed, race, gender, religion or economic status.

Over the years a number of policies have been formulated to encourage more women to join the Company. These include Policies on Flexible working hours, Career Breaks, Extended Maternity Benefits and protection against Sexual Harassment.

Towards building a more inclusive society, the Company has also introduced a “Special Apprenticeship Program” as an initiative under Affirmative Action in India. Under this scheme we have already recruited over 69 Apprentices from backward castes/tribes of the society on a one year Apprenticeship Program aimed towards capability building of youth of these strata of the society.

Principle 7

Business should support a precautionary approach to environmental challenges

Principle 8

Business should undertake initiatives to promote greater environmental responsibility

As stated in our CoBP we are committed to making continuous improvements in the management of our environmental impacts and to the longer term goal of developing a sustainable business. We are also committed to work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practices. Company’s Environment Policy can be found at http://hul.co.in/knowus/environment_policy.asp

Besides our ongoing environment improvement programmes Company has embarked upon major initiatives on water and GHG reduction as a part of our CSR strategy. We have already achieved a 50% reduction in water since 2002 and 32% reduction in energy consumption per unit of production since 2004.

Going forward our strategy is to strive for making our operations water positive by 2015. Similarly our goal is to reduce our GHG emission impact by 25% for every tonne of our product manufactured by 2012 on a baseline of 2004.

This year, we will initiate rain water harvesting activities around 10 of our sites. We have developed self-sustaining environmentally-friendly model for water and soil conservation through water harvesting in villages around our units at Silvassa and Khamgaon. The secret of our success here was largely on account of the successful partnerships that we were able to forge with the local government, NGOs and the local community.

All manufacturing sites work on five-year rolling targets for achieving planned improvements for various environmental parameters which are set far below the statutory requirements. Some of the key parameters being continuously monitored on a daily / monthly basis are energy usage, CO2 emission, water usage, COD, hazardous waste disposal (to Government approved designated sites), non-hazardous waste, boiler SOx and ODS. In addition and as a precaution each plant site submits a positive assurance statement every quarter to assure ongoing compliance to legal and company Environmental Standards. The Company also follows the Environment Management System which is modeled on ISO-14001 applicable to all Unilever Companies worldwide.

The Management Committee of the Company has nominated Environment Co-ordinators at each Plant level and the Corporate level, to operationalise various aspects of the Policy.

Over the years the environment management at plant sites has been significantly upgraded using the “5 R’s principle” – Reduce, Reuse, Recycle, Recover and Renew. In each of these areas several initiatives are undertaken ranging from basic operational hygiene to material substitution to inducting novel processing routes, which eventually result in reducing our environmental footprint. Today 29 of our 48 sites are zero water discharge while 9 of them are zero effluent sites. At several locations the end-of-pipe treatment has been upgraded through tertiary treatment and reverse osmosis which facilitates reduction in consumption of ground water.

To further spearhead the energy conservation and GHG reduction Company’s Energy Board comprising of Senior Technical Experts, continues to develop future programmes and guides the sites in implementation.

Company has nominated Corporate Environment Co-ordinator on various Industry Associations (BCCI, CII, FICCI) and NGO Groups (TERI, Vanarai, BAIF) to propagate environmental responsibility across industries and sharing of best practices.

Principle 9

Business should encourage the development and diffusion of environmentally friendly technologies

Company strives to explore possibilities of developing products and services that use environmentally friendly technologies. This is done within the limits of strong consumer preferences.

A key initiative on GHG front, was a pioneering work in India, through development of a new patented process for manufacturing soap based on 'PSM' technology. This eliminates the need for steam in soap making. Since soaps are a sizeable part of our business, the new technology cuts carbon emissions by 15,000 tons per year. As a result, we became the first Unilever business worldwide to be awarded carbon credits under the 16 Clean Development Mechanism operated by the United Nations Framework Convention on Climate Change.

Our endeavour is to continuously develop special product formulations which result in minimizing the impact on environment during usage by consumers; e.g. New Surf Excel fabric wash powder requires half the quantity of water per wash compared to previous formulations and other similar products in the market.

As a part of social responsibility initiative, Company has established and operated watershed management techniques within the plant site and in the nearby villages at specific locations where the land is arid and rain deficient. Along with an NGO the techniques have been published in the form of a document entitled “Green Barrens” which is available for various stakeholders for adoption. This can be found at http://www.hll.com/citizen_lever/greening.asp.

In order to dispose off non hazardous plastic / packaging waste in a scientifically sustainable manner, the Company has partnered with one of the cement manufacturing Companies, to make use of “co-processing” technology. Since inception we have co-processed 1060 tonnes of waste from our Supply Chain in an environment friendly manner through this technology. Once fully established, Company intends to propagate this route for its extended Supply Chain as well as other like-minded industries and collection agencies, thereby promote significant reduction in accumulation of non-biodegradable packaging waste across the Country.

Principle 10

Business should work against corruption in all its forms, including extortion and bribery

Our Company through the CoBP is committed to work against corruption in all its forms as well as extortion and bribery. It applies to business operations across regions and functions. Key principles of honesty and business integrity are at the very roots of these guidelines. It is also more definitive and illustrative in the context of business integrity as exemplified by Policies and Standards specific to:

- Acceptance of bribes or gratification in any other form – the prohibition is absolute, no matter if it has led to a benefit or otherwise to either party;

- Giving and receiving gifts – including ‘financial accommodation’ in any form of loan, guarantee, credit etc. – is prohibitive to the extent it will entail a ‘compromise’ in the discharge of official duties and responsibilities in a fair and transparent manner.
- Bribery and gift should be circumvented in any form, leading to or arising out of a benefit or interest of any kind.
- As an offshoot of the structure against bribery and gifts, appointing or engaging an agent should be purely on commercial terms and duly accounted for.

By way of its responsibility to the external environment relying on the financial information of the Company, the Code casts upon itself a prohibition on undue influence in the process of audit by way of providing information, correctness of the same, co-operating in the conduct of audit and fixing of a remuneration which is commensurate with their role and responsibilities as auditors.

All employees particularly Managers are expected to avoid conflict of interest which is not confined only to pecuniary conflict. We have set examples by taking action including termination of our employees or business partners wherever cases of compromise on CoBP came to light, after due process of investigation. Where any deviations to the Code are noticed, employees are appropriately disciplined.

CoBP is widely circulated and communicated to all our suppliers, contractors, employees and stakeholders. All new stakeholders are informed that the Company discourages any form of bribe or inducement and any request for the same must be declined by them and immediately reported to the appropriate person in the system.