



Unilever

## Unilever South Africa

Global Compact Progress Report  
December 2009





## UN Global Compact Communication of Progress By Unilever South Africa 2009

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 first report that Unilever will be submitting at the end of 2009. The report will show how we are implementing the principles in the South African business.

To begin, it is worth noting what the principles are about:

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 Issues

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

Securing and delivering human rights is ultimately the responsibility of government, but businesses can play their part, too, by upholding and promoting human rights within their spheres of influence.

We seek to do this in three ways:

- in our operations by upholding universal values and standards
- in our relationships with our suppliers, and
- by partnering with external initiatives, such as the United Nations Global Compact.

This initial 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 our stakeholders. Goodstein and Wicks, in an article "Corporate and stakeholder responsibility: making business ethics a two-way conversation"<sup>1</sup>, make the point that "true stakeholders should help create great organisations and a more ethical business context". This is an aspiration we have and know will remain a work-in-progress as long as we continue to do business.

As we trace the history of Unilever South Africa, going back to 1891, through years of prosperity and years of depression, we admire the pioneering spirit of the company's founders, which has always been about being "a force for good" in society. It is therefore fitting that our global coalition with the UN Global Compact should find

expression in South Africa through the way we continue to do business.

Our Code of Business Principles and effective communications and compliance mechanisms form the bedrock of our practices in support of the UN Global Compact Ten Principles. We acknowledge that further and ongoing training would be necessary to explain the different elements of human rights to our employees and business partners. Our Business Partner Code makes clear the standards to which we expect our business partners to adhere.

Our commitment to the UN Global Compact Principles would be of no practical use unless it is part of an active process of compliance, monitoring and reporting. As part of our worldwide positive assurance process, each year company chairmen give written assurance that their businesses are in compliance with the international treaties, codes of good conduct and corporate governance.

Serving in various business and government coalitions, addressing our country's social issues, I have much appreciation for the UN Global Compact on the Ten Principles, in that it provides corporations with the necessary focus and discipline to be a force for good in society. It sets a global agenda on how business can advance the interests of its various stakeholders. It is in this spirit that we wish to put this document in the public domain, as a basis for ongoing stakeholder conversations about the role of business in society and specifically on Unilever's contribution to South Africa.

It is my honour and privilege to endorse this initial Communication of Progress on the UN Global Compact Ten Principles on behalf of Unilever South Africa.

<sup>1</sup> Business Ethics Quarterly 17 (3): 375-398

Global Compact

UNILEVER SOUTH AFRICA



"Our association with the UN Global Compact is a constant and deliberate reminder of the universal values that create great societies and companies. These values do not only reflect our humanity, but also extol the dignity and integrity of our existence."

Gail Klintworth | Chairman



## Conduct promoting Human Rights

The corporate culture of Unilever globally is based on values espoused in the early days of its formation by founder William Hesketh Lever who said that the purpose of his enterprise in the late 19th century was, "To make cleanliness commonplace for women; to foster health and contribute to personal attractiveness".

We do not do corporate social responsibility out of compliance or social obligation, but rather in response to social conditions in the markets that we operate in and in terms of our core business strengths.

As a multinational organisation we respect all laws, regulations and standards of the countries we operate in. We also adhere to corporate standards set globally. Our understanding and support of the UN Global Compact principles is rooted in our long-term association with international codes such as the OECD Guidelines and the International Labour Organisation.

The OECD Guidelines on Multinational Enterprises contain a general statement on human rights which reads, "Enterprises should respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments". (General Principles, nr. 2). The Labour principles are reflected in clause 2 of the ILO Declaration on fundamental principles and rights at work.

The core principles of human rights are laid down in the first and third Principles of Unilever's Code of Business Principles. Our

Legal Group is responsible for interpreting all relevant laws and regulations and for rendering legal advice on how to ensure compliance to the principles.

Our Code of Business Principles demands an annual sign off and commitment by all employees to work with honesty, integrity and with 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.

Even in the dark days of apartheid, Unilever believed that the progressive values inherent in the 10 principles, were non-negotiable to the extent that none of our facilities were racially separated. Faced with international lobbyist pressure to cease our operations in support of a political boycott against South Africa, the company decided to remain in the country to promote human rights, economic development and black employment. Even in those days, we believed our business was enhanced by diversity. To this day, we 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 our 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

Unilever engages with workers to play a role in the fight against HIV/Aids



Human Rights



family and other personal responsibilities. Where it is stipulated, the national minimum age for work is observed. Where no age is stipulated or is lower than 16, a minimum age of 16 is observed, except for work during school holidays, or which forms part of an educational programme and where this is authorised by national law.

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 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.

Sometimes our relationship with contractual partners will allow us to influence them to adopt principles and standards similar to our own. We also draw to their attention the rationale and importance of our Code of Business Principles. Where we are not in a position to exert our ethical code, we tend to seek alternative partners whose conduct and business principles are in accordance with our own.

At the highest level of the organisation, the Chairman, Gail Klintworth participates either as a sub-committee or Board member of local business organisations whose purpose is to collaborate with government and civil society to address major social and community issues. These organisations include:

#### 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. Centre for Development and Enterprise

This research body provides the country's decision-makers with detailed analyses of key national policy issues.

#### 4. Anti-crime initiatives

Through Business Against Crime and the Justice Crime Prevention and Security Cluster, Unilever contributes its in-house marketing and communication skills and expertise to develop communication campaigns aimed at intensifying the fight against crime.

Some of the civil societies that Unilever works with...





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

### **Broad-based Black Economic Empowerment (BBBEE)**

We consider Broad-based Black Economic Empowerment as an imperative for growth in the economy and within Unilever itself. To this end, the implementation of BBBEE is based on our Transformation Charter which sets out our commitment, principles and targets to achieve the objectives of the legislation. The Charter has a target date of 2017, but is also based on a foundation of 13 years of equal opportunity recruitment, diversity programmes, skills development, training and mentorship of employees.

### **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 2007 strike at the Boksburg factory and several minor work stoppages as a result of unsuccessful negotiations significantly reversed previously established good relations between management and trade unions. This was further compounded by the election of new office bearers in our trade unions. It is for this reason that the last two years were earmarked to start a new chapter in building relations and addressing long-standing issues which in our legislation are within our mandate as employer.

We acknowledge that certain issues, not prescribed as employer obligations by legislation, will remain a challenge in our relationship-building with trade unions. Our view is that some of these issues go to the heart of contested interests by rival unions on a given site. In such cases, the law requires recognition of the substantive interests of the majority trade union in our workplaces.

We continue to review communication structures and engagement opportunities with all our trade unions. We have appointed third party facilitators to ensure that the power relations between management and the trade unions are neutralised and effective negotiations take place. Despite this relationship building exercise, our challenge still remains inter-union rivalry for unfettered recognition, despite the requirements of current legislation.

The following source documents form 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.

**Unilever recognizes the principle of freedom of association of its employees and respects their right to collective bargaining**





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 are no good relations between the company and the trade unions.

We are in the process of negotiating sustainable solutions to the following requests by our trade unions:

- Engagement with all trade unions represented on site
- Bargaining at enterprise level rather than at sectoral/chamber level
- Separate bargaining rights for artisans
- Changes to recognition agreements and
- Mechanisms to settle wage negotiations within mandates and without work disruptions.

**“And as we let our own light shine, we unconsciously give other people permission to do the same.”**

**Nelson Mandela**

## Our Approach to the Environment

Unilever is committed to encouraging our employees and other stakeholders to play their part in society. Our employees enjoy and gain motivation from “making a difference” in this way. Annually, the business sets aside a whole week where employees can engage in community volunteer work during office hours. In conjunction with the Wildlands Conservation Trust, the company also conducts quarterly excursions for employees to visit communities in government poverty nodes in Kwazulu-Natal to expose them to environmental management training and entrepreneurship, better known as “tree-preneurship” - using tree growing to generate income and carbon sinks.

In recognition of our corporate responsibility we continually seek to reduce the environmental impact of our activities. In 2007, the company introduced the Brand Imprint Planning Toolset. The tool forces everybody in the company to think creatively about how our brands can capitalise on the green revolution and enhance their own social value. Its purpose is to help brands make not just small, incremental improvements, but transformational changes to the way products are sourced, formulated, manufactured, packaged and marketed.

It is this thinking that has made it possible for us to enter into alliances with diverse groups such as Greenpeace, Rainforest Alliance, Roundtable for the Sustainable Sourcing of Palm Oil and Oxfam. In South Africa, INSEAD Professor Ethan

## Case Study

### TREES FOR LIFE

#### TREES FOR LIFE

Indigenous Trees for Life is a Wildlands Conservation Trust community-based conservation project that works with disadvantaged communities in KwaZulu-Natal. The project aims to educate the community about the importance of indigenous trees in the environment, while empowering them to make a change.

The project provides the children in the community with the tools to grow indigenous trees which are then bartered for much-needed items such as bicycles and school uniforms as well as school fees, food and clothes. The trees are planted back into the communities to replace alien plants, as well as into reforestation carbon sink projects.

Unilever has been a long-time supporter of the Wildlands Conservation Trust and supported the first Indigenous Trees for Life programme four years ago.

Unilever continues to sponsor Indigenous Trees for Life with funding and in-kind donations of their products for the Trust's Tree Stores, and instigated the programme's expansion outside KwaZulu-Natal earlier this year.

Unilever also funds quarterly volunteer weekend for their staff to help out with Indigenous Trees for Life projects.



Kapstein conducted an independent study on the impact of the Unilever business and made recommendations on how we could improve our social, economic and environmental impact. This study has informed our approach on how we approach the environmental challenges created by our operations.

Following the release of the carbon footprint study in 2008, it was decided to focus on the following key areas to manage our environmental impact:

1. Energy use (Carbon Emissions)
2. Waste (including packaging)
3. Water (Laundry category impact and effluent management)

Carbon Footprint Training was conducted to equip the SHEQ (Safety, Health, Environment and Quality) team to identify and plan the management of key environmental issues resulting from our operations. This led to the creation of a roadmap of a reduction programme of the three key focus areas mentioned above. We decided that our handling of energy, water and waste, from production to disposal, as indicated above, had the biggest impact on the environment and climate change. We have since set ourselves a target to reduce usage by 50% year-on-year until 2015, trusting that these will meet regulatory parameters that have yet to be set.

Our Eco-Efficiency Capex (Capital Expenditure) will be invested in finding alternative ways to reduce re-use and recycle energy, water and waste. At all our sites we have established recycling stations not only for business use but also

for waste from employee households. The stations consist of separate bins for glass, paper, plastic, cans and general waste.

We have also conducted a Travel Study to understand our CO<sub>2</sub> (carbon dioxide footprint) emissions and introduced a meetings policy to reduce these by 30% year-on-year. The R1,3 billion investment in two mother warehouses in Pietermaritzburg and Boksburg – replacing 11 national distribution centres – is expected to significantly reduce our transport carbon footprint in the warehousing and distribution of our products.

Effluent processing plants have been set up at all our manufacturing plants to reduce our discharge into municipal waste systems and to improve our reuse of water from operations. We are currently exploring options with third parties to manage all waste that emanate from our operations and products. These will have to be aligned to government regulations that are expected to be announced sometime in 2011.

At our Boksburg plant we have changed the grade of coal for our boilers to one that emits less carbon dioxide and added scrubbers to improve performance. Regular checks are conducted to ensure compliance with municipal regulations. We are also using husks from our production process as biofuel and looking at gas as a possible energy source.

Waste from our foods operations is either donated to charity or sold to staff, instead of dumping it as waste.

## Environmental Summary

### Environmental Summary Highlights

- **Good performance**

Unilever South Africa achieved targets for COD, Water and Sox YTD

Boksburg Foods, PMB, Avenue East, Fountain Park, Phoenix HPC & Maydon Wharf have maintained ISO 14001:2004 certification; No major findings raised.

- **Areas of concern**

Achievement of waste & energy targets (May not be achieved by year end)

- **Key actions**

Ensure implementation of 2009 site action plans

CO<sub>2</sub> footprint management plan to be finalised by end 2009



Our Corporate Social Responsibility (CSR) programme has embraced sustainable development as the foundation for all future programmes. Apart from adopting the seven pillars of government's policy for broad-based black economic empowerment, the CSR strategy has taken to heart recommendations by Professor Kapstein's footprint study. In it he recommended the use of the strengths of our brands - nutrition, hygiene and health – to improve our contribution to the local economy. Each of the three categories is in the process of finalising strategies that deal with specific social themes, e.g. obesity, under-nutrition and hunger for the foods business.

The categories of our business – foods, home care and personal care - also require stringent health, safety and quality standards. To this end, we have policies and procedures that:

- ensure the safety of our products and operations for people and the environment; and
- promote the development of innovative products and processes that reduce environmental impacts, such as water and energy use, packaging, certified sourcing and waste disposal technologies that go beyond re-use and recycling.

All our employees are made aware of Unilever's corporate sustainability policy through various internal communication channels, e.g. Board Reviews, print and electronic campaigns.

From a performance perspective, we have been unable to achieve our targets for hazardous and non-hazardous waste.

The running rate for non-hazardous waste is 4.28 kg/tonne versus a target of 3.718 kg/tonne. The running rate for hazardous waste is 3.48 versus a target of 2.957.

## Anti-Corruption

Giving or receiving bribes or other improper advantages for business or financial gain is absolutely prohibited. This prohibition applies everywhere and under all circumstances. 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.

## Environmental Summary

Parameter Description	Unit	Boksburg Foods	Boksburg HPC	Maydon Wharf	Phoenix HPC	PMB	Prospecton Avenue East	Prospecton Fountain Park	Unilever South Africa
Production	Tonnes	197,874.00	195,874.00	76,036.20	2,141.00	2,078.00	30,627.60	14,530.00	419,882.80
Total CCD	Kg/Tonne	3.08	0.0089		0.424				1.38
Hazardous Waste	Kg/Tonne	0.034	2.536		0.472		5.83		
Non-Hazardous Waste	Kg/Tonne			2.753					
Sox from Boiler	Kg/Tonne	0.072	0	0.0004		0	0	0	0.0167
Energy	Kg/Tonne	2.531	1.375			0.508		0.775	
CO2 from Energy	Kg/Tonne		181,825			119,857		182,539	
Total Water	Kg/Tonne	2.143		0.98	0.989		1.719		1.179



The policy also makes it clear that employees cannot employ agents to circumvent the rules on bribes and gifts. 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.

A survey by the Reputation Institute ranked Unilever at No.6 within a list of top listed and unlisted companies. Performance in governance (ethical behaviour) is relatively good.

For the period September 2008 to September 2009 the following types of breaches in terms of the Code of Business Principles were reported:

Type	Closed	Open	
		Within 60 days	Post 60 days
Asset Misuse	4	1	0
Asset Theft	41	5	0
Bribery	0	1	0
Conflict of Interest	2	1	0
Fraudulent Disbursements	12	0	5
HR	13	0	0
Policy Breach	7	0	0
Other	5	1	0
<b>TOTAL</b>	<b>84</b>	<b>9</b>	<b>5</b>

The following sanctions were applied after the investigation of the cases:

Type	Number
Criminal Prosecution/Dismissal	10
Disciplinary Action/Written Warning	4
Counselling	1
Process change	10
Resolved	26
Unable to Verify	10
Unsubstantiated	20
Other	3
<b>TOTAL</b>	<b>84</b>

## Case Study

### EMPLOYEE VOLUNTEER WEEK

#### EMPLOYEE VOLUNTEER WEEK

Being involved in communities is a central aspect of good corporate citizenship.

Realising that volunteering is a powerful force for change for those who volunteer as well as for the wider community, Unilever implemented a one-week employee volunteer programme.

Environment and conservation, hygiene, nutrition, HIV/Aids, enterprise development and capacity building projects were identified around Durban.

From 20 to 24 October 2008, 460 staff members participated in 25 one-day volunteer projects that they chose themselves in accordance with their talents and personal affinity.

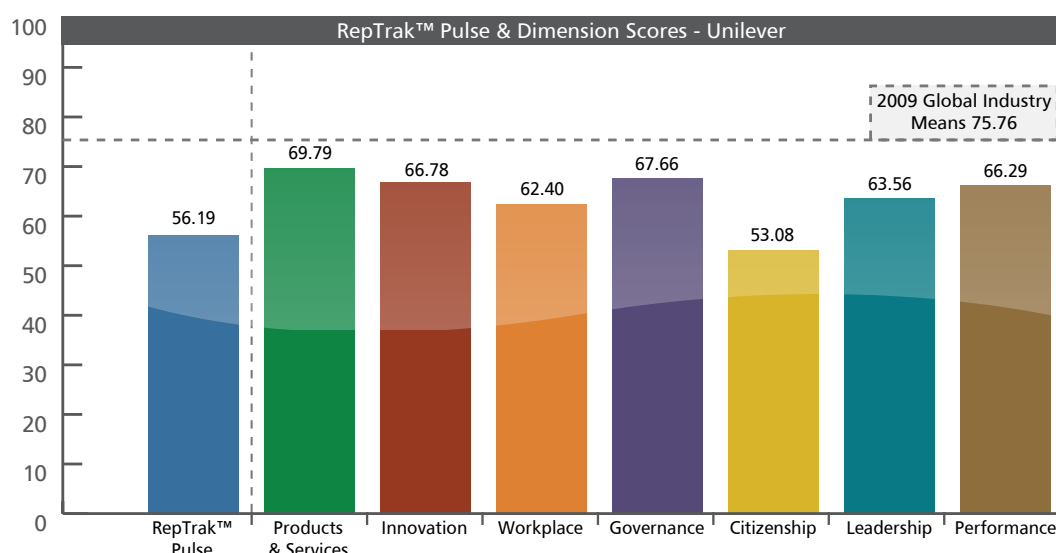
Unilever men and women set about gardening at crèches; sprucing up the garden and surroundings at Thokomala Aids orphanages; painting youth hostels and children's places of safety; building a mini cycle park for disadvantaged boys; delivering food to beneficiaries; cleaning swimming pools; making sandwiches for the hungry; building water features and attending to general maintenance at welfare and charity organisations.

On the last day of volunteer week, employees signed a pledge, committing to make a difference in the lives of those that need it.

## Dimensions of Reputation Ratings for Unilever 2009

Unilever scores highest in the areas of Products & Services Governance and receives the lowest scores in the Areas of Citizenship.

Most of Unilever's reputation dimension scores are below the global industry mean of 75.76%. Six out of seven dimensions receive and Average/Moderate ranking. Citizenship presents an opportunity to shift perceptions.



Excellent/Top Tier	Above 80	All Global Pulse scores that differ by more than +/- 0.5 are significantly different at the 95% confidence level.  Pulse scores are based on questions measuring Trust, Admiration & Respect, Good Feeling and overall Esteem (captured in the Pulse score on a 0-100 Scale).
Strong/Robust	70-79	
Average/Moderate	60-69	
Weak/Vulnerable	40-49	
Poor/Lowest Tier	Below 40	

## Case Study

### THOKOMALA

#### THOKOMALA ORPHAN CARE ORGANISATION

Conservative estimates predict around two million AIDS orphans in South Africa by 2010, a figure which overwhelms government and calls non-government organisations to action. In 2002 Unilever launched THOKOMALA as a meaningful and holistic response to the plight of children left without parents 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.



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