

## *Small actions big difference*

*As the bee searches  
for nectar, flowers are pollinated,  
crops grow....  
Every small action makes a big difference.*



*Hindustan Unilever Limited*

SUSTAINABLE DEVELOPMENT REPORT, 2009

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# HIGHLIGHTS

**45,000** Shakti entrepreneurs serving more than **1,00,000** villages across India

Enhanced livelihood of **75,000** rural women by INR **18 crores** in partnership with DHAN foundation

Lifebuoy Swasthya Chetna has touched more than **120 million** Indians since 2002

Reduced environmental impact of our manufacturing operations by

- **31%** for water use
- **28%** for CO<sub>2</sub> from energy

measured per tonne of production over 2004 baseline

**19 tea** estates certified by Rainforest Alliance for sustainable sourcing of tea

Our employees volunteered more than **1,15,000** hours for community initiatives through HUL Sankalp

More than **3 million** households protected by Pureit water purifier

HUL felicitated for receiving **highest number** of patents in 2009 in India

# INTRODUCTION

*We provide millions of Indians with a great variety of affordable and quality products which better their lifestyles. Our strategic approach – small actions, big differences – illustrates our responsibility towards our multiple stakeholders, and the deep and reciprocal impact we have on each other.*



Dear Stakeholders,

2009 was a challenging, yet transformational, year for business. The global economic and financial crisis highlighted the wider challenges of what it means to be a sustainable business.

Businesses must grow and generate profits, but this cannot be the only role of a business. At its core, business is about people and an understanding of their needs and aspirations. This is what will make a business thrive in the long run. An approach any narrower than this may bring short-term dividends, but will come at the cost of long-term value.

One is reminded, in this context, of the absolutely inspiring words of Lord Leverhulme, the founder of Lever Brothers – "I believe that nothing can be greater than a business, however small it may be, that is governed by conscience; and that nothing can be meaner or more petty than a business, however large, governed without honesty and without brotherhood." This belief has stood Lever Brothers, and now Unilever, in good stead through over 100 years of its existence.

In the 76 years of our presence in India, we have participated actively in contributing to society not only with product innovations that make people feel good, look good, and get more out of life, but also with our social initiatives – from health campaigns

to developing micro-enterprise opportunities.

In 2009, we received the highest number of patents in India and continued to focus on product and process innovations to derive improvements and better the quality of our consumers' life through our brands.

## **Future sustainability strategy**

Issues like poverty, low awareness about health and hygiene, scarcity of water and natural resources, are barriers to growth. Hence, it is imperative to address these issues in ways that go beyond simple charitable or philanthropic actions. If the impact needs to be scaleable and sustainable it will also require an organisational culture where people are not just sensitive to the issues we face, but also recognise that addressing them has become central to business strategy and sustainability.

The simple truth is that in the long run you cannot have a thriving business in a failing society. Once this truth is accepted, we can drive actions that will contribute to India's, and the developing world's, sustained and equitable growth. Hindustan Unilever will strive to remain at the forefront of these transformational initiatives.

Our business processes and brands have an impact at every stage of the value chain – from sourcing

raw materials, manufacturing, distribution, to consumer use and disposal. Therefore, we are implementing changes in our processes that will positively influence the entire value chain. Through our brands we will change the behaviours and habits of millions of our consumers. The collective transformation will make a big difference in society and to our business.

Although we have made excellent progress on many fronts while addressing the needs of our stakeholders, the highlight has been the impact generated by Pureit water filter in 3 million homes and the contribution of our employees who volunteered 1,15,000 hours for community service. These individual actions may seem small, but have helped our business cumulatively create a substantial difference to our stakeholders.

Through this report we would like to share our efforts with our stakeholders. We invite your feedback, which is important for us as we progress on this journey.

Nitin Paranjape  
Managing Director & Chief Executive Officer



# OUR BUSINESS AND BRANDS

*HUL's heritage dates back to 1888, when the first Lever product, Sunlight bar, touched Indian shores. Today, HUL is India's largest fast-moving consumer goods company with a strong portfolio of foods, home and personal care products that touch the lives of 2 out of 3 Indians, everyday.<sup>#</sup>*

'We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.'

## Net Sales

INR **17,524** crores

## Net Profit

INR **2,202** crores

**6 brands**  
with net sales more than  
INR 1000 crores

**Wheel**



**LUX**



*Fair & Lovely*



## Category highlights

Home and Personal care: INR **13,150** crores (net sales)

Foods, Beverages and Ice-creams: INR **3,062** crores (net sales)



## Material consumed and Purchase of goods

INR **8,901** crores

## Exports

INR **1,000** crores

## Advertising & Promotion

INR **2,391** crores

## Research & Development

INR **81** crores



## Leading category positions\*

### Number one

- Fabric wash
- Personal wash
- Shampoos
- Deodorants
- Dish wash
- Skin care
- Packaged tea
- Jams

### Number two

- Toothpaste
- Ketchups
- Coffee

# SUSTAINABILITY STRATEGY

*Unilever's vision is to double the size of its business while reducing the overall impact on environment. This new vision recognises that the world is changing, populations are growing and the rise in incomes is fuelling a growth in the demand for consumer products. Products like ours rely on an increasingly constrained set of natural resources, whether it is fuel, water, or other raw materials.*

In Hindustan Unilever Limited (HUL), the principle of Corporate Responsibility (CR) is an integral part of our commitment to all our stakeholders – consumers, customers, employees, the environment and the society that we operate in.

Today, India is battling multiple issues like water scarcity, poverty, and problems arising out of low awareness of health, hygiene, and nutrition. If these issues are not addressed soon, they will create insurmountable barriers to business growth. We believe that helping society prosper and ensuring a sustainable future for the planet goes hand in hand with our goal of ensuring growth that is competitive, profitable, and sustainable for our organisation.

Our contributions have to be substantial and sustainable, which is why we are not just banking on our philanthropic programmes, but are transforming our core business practices as well. Even the seemingly small innovations in our brands and business processes can lead to a big difference in society as we touch the lives of two out of every three Indians<sup>1</sup>.

For example, if one household uses Surf Excel detergent, it can conserve two buckets of water per wash. A million Indian households using

Surf Excel can save enough water for meeting the basic hygiene needs of many Indians. Thus, small individual actions multiplied with our large consumer base will make a big difference in combating the issues society faces.



We will further demonstrate that successful business strategies are driven by responsible business practices. The key to this approach is developing a CR framework which integrates the social, economic, and environmental agenda with our business priorities – growing markets, maintaining the competitive edge, enjoying goodwill in the communities we operate in, and building trust and an exceptional reputation. Hence, in the future, the three cornerstones for CR integration with business at HUL will be:

**- Growing markets responsibly:** We will address issues related to hygiene and nutrition through product innovations and awareness. Gathering information about the concerns expressed by consumers, communities, and stakeholders can help us identify opportunities for innovation

at the category, brand, and marketing plan level. We have a very strong and trusted position in India and we can leverage this to our competitive advantage.

**- Ensuring sustainable practices in our operations:** To secure a thriving future, we need to establish sustainable sources for raw materials. Being a company that is heavily dependent on water, agriculture, fuels and petrochemicals, we must plan now for a future in which water could be scarce, agriculture could be under pressure, and fuels will be expensive. Our consumers add up to two-thirds of the Indian population, hence addressing sustainability issues is a high priority.

**- Building a good reputation through responsible leadership:** CR is one of the key components of reputation and trust. A good reputation can be a major competitive advantage and can build employer brand and consumer loyalty.

<sup>1</sup>Hansa Research, Guide to Indian Markets, 2006

# COMPETITIVE, PROFITABLE & SUSTAINABLE GROWTH



*Our brands, people, and processes act as enablers of our corporate responsibility strategy and will help us grow markets, fuel innovation, create societal legitimacy and build our reputation, thereby ensuring competitive, profitable and sustainable growth, and a positive impact for our stakeholders.*

## STAKEHOLDER ENGAGEMENT FOR IDENTIFYING ISSUES THAT ARE MATERIAL TO US:

We appointed *SustainAbility International* to conduct stakeholder engagement on our behalf. They analysed and assimilated the expectations of stakeholders regarding issues that matter to them.

These expectations were similar to the areas identified by us, where HUL's contribution could create a significant impact.

## SCOPING THE AREAS FOR INTERVENTION:

While the issues are many, it is necessary to address them in a systematic manner to make a real difference. Instead of spreading thin across all issues, we have chosen to work on five areas to ensure a deep impact.

These areas have been arrived at using the output from our stakeholder engagement process and areas which we are poised to address through our business.

Key messages from stakeholders:

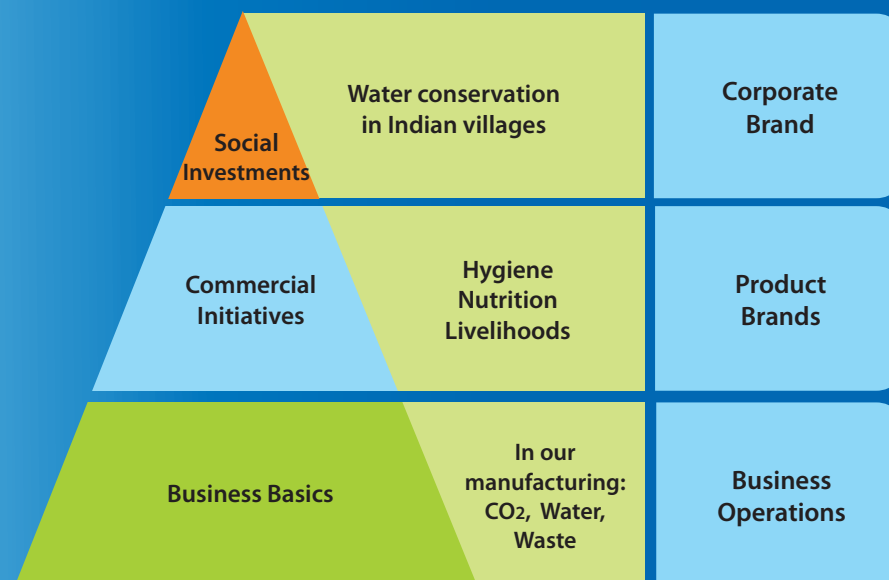
- *'Target. Allocate resources. Achieve those targets. This is more critical than just being visible & talking about it.'*
- *'We feel that some Indian companies can be leaders in their respective sectors. HUL has the potential to be such a leader.'*
- *'Invest for your markets – don't do social work, it isn't your ballgame.'*
- *'Please make money out of it. When you make money out of it, things are going to change.'*

## MAPPING ISSUES

	Stakeholders	HUL
Priority Issues	Health Poverty Water scarcity	Hygiene & Nutrition
Issues to Watch	Waste management Affirmative action	Packaging waste Climate change
Basic Issues	Corruption Ethics Labour rights	Eco-efficiency in manufacturing



## ISSUES WE WILL FOCUS ON



*Apart from the above five areas, the basic issues such as product safety, labour rights, employee health & safety, etc. have always been our areas of focus and action.*

# GOVERNANCE STRUCTURE

	Grow markets in a responsible manner		Ensure sustainable practices at HUL		Responsible leadership	
	Governance	Execution	Governance	Execution	Governance	Execution
BRANDS	Director: HPC*  Director: Foods	Leadership Team: HPC*  Leadership Team: Foods	Director: Foods  Director: Supply Chain	Leadership Team: Supply Management	Chief Executive Officer  Chief Financial Officer	Leadership Team: Corporate Responsibility  Leadership Team: Finance
PEOPLE	Director: Human Resources	Leadership Team: Human Resources	Director: Legal & Compliance  Director: Supply Chain	Leadership Team: Legal & Compliance Leadership Team: Environment & Safety	Director: Human Resources	Leadership Team: Human Resources
PROCESSES	Director: Customer Development	Leadership Team: Customer Development	Director: Supply Chain	Leadership Team: Environment & Safety	Management Committee	Leadership Team: Corporate Communications

\*Home & Personal Care

## GOVERNANCE

Corporate Responsibility at HUL is led by the CEO and the Management Committee (MC) of the company. The MC governs the sustainability strategy with a view of key strategic approaches and seeks reports on impacts and efforts against clear targets.

Each of the nine cells (refer to the diagram on page 5) is owned by an MC member. For the

execution of the strategy there is a team of 12 Sustainability Governing Council (SGC) members based on their respective functions.

## SUSTAINABILITY GOVERNING COUNCIL

The Sustainability Governing Council is responsible for:

- Recommending sustainability priorities for approval by the MC and monitoring its progress

- Recommending HUL's positions on critical issues for approval by MC
- Receiving stakeholder feedback

The role of the SGC is formalised, with a clear mandate and terms of reference outlining its mission, purpose, membership, meeting schedule, and reporting systems.



# GOVERNANCE AND EXECUTION TEAM

	Management Committee governing the agenda	Governing Council executing the agenda
<b>Corporate brand</b>	<p>Managing Director and Chief Executive Officer: Nitin Paranjpe</p> <p>Chief Financial Officer: Sridhar Ramamurthy</p>	<p>Head, Corporate Responsibility: Meeta Singh meeta.singh@unilever.com</p> <p>Head, Corporate Communication: Prasad Pradhan prasad.pradhan@unilever.com</p> <p>Vice President, Treasury, M&amp;A and Investor relations: Srinu Srinivasan srinu.srinivasan@unilever.com</p> <p>Group Controller: Vivek Subramanian vivek.subramanian@unilever.com</p>
<b>Product brands</b>	<p>Executive Director, Home and Personal Care: Gopal Vittal</p> <p>Executive Director, Foods: Shrijeet Mishra</p>	<p>Vice President, Skin Cleansing and Homecare: Sudhanshu Vats sudhanshu.vats@unilever.com</p> <p>Technology Management Director, Home and Personal Care: Niraj Mistry niraj.mistry@unilever.com</p> <p>Vice President, Packaged Foods: Sidharth Singh sidharth.singh@unilever.com</p>
<b>People</b>	<p>Executive Director, Human Resources: Leena Nair</p> <p>Executive Director, Legal and Company Secretary: Dev Bajpai</p>	<p>General Manager, Employee Relations (Human Resources): Sameer Nagarajan sameer.nagarajan@unilever.com</p> <p>Deputy Company Secretary: Amit Bhasin amit.bhasin@unilever.com</p>
<b>Processes</b>	<p>Executive Director, Sales and Customer Development: Hemant Bakshi</p> <p>Executive Director, Supply Chain: Pradeep Banerjee</p>	<p>National Account Manager, Modern Trade: Shivam Puri shivam.puri@unilever.com</p> <p>Head, Environment &amp; Safety: Ganesh Tripathy ganesh.tripathy@unilever.com</p> <p>Head, Supply Management, South Asia: Ramesh Krishnamurthy ramesh.krishnamurthy@unilever.com</p>

# OUR COMMITMENTS

	Execution enablers	Strategic action	Activities	Goal 2015	Responsibility - GC member
Grow markets responsibly	<b>Product brands</b>	Our brands will lead as agents of change	Reduce environmental impact through our brands  Drive hygiene for a healthy India - Lifebuoy soap will create awareness about hygiene - Pureit water filter will protect Indian families with safe drinking water  Help consumers make a healthy choice through nutritional labelling programme	To eliminate PVC from our brand packaging  To cover 150 million Indians cumulatively  2/3rd of our foods & beverages portfolio to be 'Healthy choice' certified (as per 2007 benchmarks)	Leadership Team, Home & Personal Care  Leadership Team, Foods
	<b>Employees</b>	Develop employees as change agents for sustainable growth	Strengthen 'Rural stint' programme for all new recruits wherein they will deliver constructive social projects  Encourage employee volunteering	All business leadership trainees  50% of employees	Leadership Team, HR (Employee Relations)
	<b>Processes (Sales)</b>	Shaping the sustainability agenda by leveraging partnerships	Engage with modern trade on sustainability  Scale up Shakti Entrepreneurs and increase their earnings	Endeavour to drive the sustainability agenda with key modern trade partners  Extend the Shakti programme to 75,000 entrepreneurs and work towards improving their earnings	Leadership Team, Customer Development
Ensure sustainable practices at HUL	<b>Brand HUL</b>	Leadership in sustainable sourcing of agri-based products.	Sustainably source key agri-based raw materials like tea, tomato, palm oil as per Unilever goals and plans	- Over 50% of tomatoes sourced from India will be from sustainable sources - Purchase all palm oil from certified sustainable sources - Purchase all tea for our Lipton tea bags from certified sustainable sources	Leadership Team, Supply Management
	<b>Employees</b>	Promote sustainable practices at HUL	Drive workplace safety for our employees and sensitise manufacturing business partners on the same  Create awareness of human rights amongst all employees	All HUL and manufacturing business partner units  100% employees including workmen	Head, Environment & Safety  Leadership Team, Legal
	<b>Processes (Manufacturing)</b>	Reduce environmental impact of our operations and extend the principles with our business partners	Reduce CO <sub>2</sub> from energy  Implement rainwater harvesting in our own sites	Above 25% reduction of CO <sub>2</sub> from energy by 2012 in our own factories on per tonne basis against 2004 baseline In all our own factories where it has the potential to yield results	Head, Environment & Safety
Responsible leadership	<b>Brand HUL</b>	Conserve water in Indian villages	We will endeavour to harvest rainwater and build awareness and capability on water conservation	Conserve 20 billion litres of water	Head, Corporate Responsibility
	<b>Future leaders and employees</b>	Build responsible leadership	Enable and encourage social business entrepreneurship through strategic volunteering of employees and mentorship	Support social entrepreneurship programmes in academia	Leadership Team HR (Talent development)
	<b>Process (Communication and Engagement)</b>	Engage and communicate with stakeholders in a responsible manner	Communicate sustainability agenda transparently	Institute an external stakeholder panel for HUL	Head, Corporate Responsibility



#### Awards & Recognitions (2009)

- ★ Awarded Customer and Brand Loyalty Award by *Business India* & *Business Standard*
- ★ Three HUL brands featured in the top ten, and seven in the top twenty list of *Brand Equity's* Most Trusted Brands survey
- ★ Received CNBC AWAAZ Consumer Awards in three categories:
  - Most Preferred Personal Care Company
  - Most Preferred Home Care Company
  - Value for Money Brand



Through the seasons, the bees work hard for the welfare of the hive. Their every action is geared towards nourishing and protecting each other, and growing together.



Through our brands, we hope to address the issues of low awareness of hygiene and nutrition, and impact the lives of our consumers.



# CONSUMERS

*Making a difference through our brands*

*Despite advances in science and increasing prosperity, millions of people still lack access to basic sanitation, nutrition and healthcare. We believe that our brands can grow by addressing some of the most important social and environmental challenges facing the country today.*

In 2005, we started to embed the sustainability agenda into our brands by using a process called Brand Imprint. It is a rigorous, diagnostic process that analyses the social and economic value, as well as the negative impacts of a brand.

This process has been carried out across all our key categories. Social and environmental considerations are now integrated with innovation plans for our major brands.

*We believe we can make a difference – through our brands and behaviour change campaigns in the space of nutrition and hygiene, and by providing consumers, from all income groups, access to a better life.*

## Our Brand Imprint process



## Our focus areas:

HYGIENE

NUTRITION

WELL-BEING FOR ALL

PRODUCT RESPONSIBILITY

## HYGIENE

*Products such as soap and toothpaste can help prevent disease and improve health and well-being. But this relies on people improving their everyday habits. Poor sanitation and the lack of good hygiene practices still cause millions of preventable deaths.*

Every year, diarrhoea and acute respiratory infections claim the lives of millions of children. Studies show that most people know they should brush twice a day, or wash their hands with soap after using the lavatory. Yet they have not translated this knowledge into a habit. The government and health agencies are grappling with this issue. We have been working in partnership to help develop effective interventions and share our expertise to bring about a change in consumer behaviour.

### WHAT WE DO

Our approach is to:

- Make effective products that improve health and well-being
- Change habits through behaviour change programmes
- Work with partners to develop joint campaigns and achieve a broader reach

### SAFE DRINKING WATER

A major source of disease in a developing country like India is unsafe drinking water. In fact, 80% of all diseases are water-borne, and this problem is most acute amongst the poor.

Our Pureit water purifier provides water 'as safe as boiled' without the need of electricity or pressurized tap water. Pureit eliminates water-borne germs that cause diseases, and is a more sustainable and affordable alternative to safe drinking water than boiled or bottled water. In 2009, we expanded sales of Pureit in all 28 states in India, increasing access to safe drinking water from 5 million people in 2008, to more than 15 million people in 3 million households. We are working with UNICEF to offer safe drinking water in schools and day-care centres in low-income communities in southern India. We are seeking sustainable and scalable ways of expanding safe water education and offering products in both, urban and rural, communities.

In 2009, Pureit received international recognition in the UK government-backed innovation awards (the 'iawards'), winning in the consumer product category for 'an innovation which supports society and positively impacts the lives of its consumers'.

*The Government of India's premier health assessment agency, the National Institute of Epidemiology (NIE), conducted a year-long scientific study in Chennai on the impact of Pureit in containing diarrhoeal disease in the slums that were affected by the tsunami.*

*The NIE scientifically established that homes using Pureit had a 50% lower incidence of diarrhoea. Notably, this health benefit was delivered even in the absence of any other health, hygiene, or sanitation intervention.*

### THE IMPORTANCE OF HANDWASHING

Studies show that washing hands with soap is one of the most effective and inexpensive ways of preventing diseases. It can reduce fatalities from diarrhoea by almost half and that from acute respiratory infections by a quarter. Our Lifebuoy soap brand leads our hand-washing campaigns. Its vision is to change the hygiene behaviour of 1 billion people across the world by 2015 through encouraging people to regularly wash their hands with soap.

Lifebuoy is the largest selling soap brand in India with over 70% Indians using Lifebuoy at least once a year. In 2009, Lifebuoy carried out a country-wide campaign to promote good health practices by actively encouraging people to inculcate good hygiene practices, such as washing hands with soap at least five times a day.





Lifebuoy's Swasthya Chetna is the single largest private rural health and hygiene educational programme undertaken in India. The objective of the programme is to educate people about basic hygiene habits. With a focus on rural communities, the programme targets school children, women, and community elders.

To ensure that the message of hygiene awareness is received well, the programme involves a range of engaging activities, including quizzes, games, songs, and the popular 'glo-germ' demonstration kit, with which one can see the germs on the hands, even after they've been rinsed with only water. This proves that using soap is essential for staying healthy. Since 2002, the project has touched more than 120 million Indians. In recognition of this massive effort, the Indian Postal Department released a special Lifebuoy Swasthya Chetna Postal Cover in 2006.

Lifebuoy also supports the Global Handwashing day. It is an annual event backed by the Public-Private Partnership for Handwashing with soap, of which Unilever is a founding partner. Lifebuoy, in partnership with a coalition of public, and NGO partners launched the inaugural Global Handwash Day in India on October 15, 2008. As part of this initiative, in 2009, Lifebuoy partnered with the Government of Tamil Nadu and organised a massive event to educate people about the importance of washing hands. Thousands of school children took part in awareness-raising activities and were encouraged to take handwashing pledges.

*To assess whether using soap at the right time actually reduces the incidence of sickness in families, in 2007-08 Lifebuoy conducted a clinical trial involving 2,000 families. Half the families were supplied with soap along with regular hand-washing education. The other half continued with their normal hygiene practice, acting as a control group. The trial revealed that among those who had received hygiene education; the use of soap increased by as much as ten times and led to a 25% reduction in the number of incidences of diarrhoea among children aged five.*

### IMPROVING ORAL HEALTH

Tooth decay and gum disease are one of the most common ailments today. The World Health Organization has identified oral health as a neglected area of general health. In developing countries, like India, there is low awareness of the importance of oral hygiene. Encouraging people to brush regularly remains one of our main objectives. The benefits are proven – scientific research has shown that brushing teeth twice a day, with fluoride toothpaste, can reduce tooth decay by up to 50% in children, compared to only brushing once. This is a clear opportunity for business growth as well as improving oral hygiene in society.

Here, too, changing everyday habits is critical. As one of the leading toothpaste companies in India, we have the opportunity to make a difference. Pepsodent, our oral care brand

conducts oral hygiene programmes in schools. In 2009, Pepsodent went to 180 schools across the country to educate more than 1,50,000 kids about the 'right brushing, night brushing' practice. Pepsodent is endorsed by FDI, the largest dental association globally, and is also among the most trusted brands in India (Brand Equity, Economic Times). Its mission is to improve oral health by encouraging children and their families to brush twice daily.



## NUTRITION

*As lifestyles change, there is great concern about the effect of diet on general health and well-being. Governments and policy-makers expect food companies to improve the nutritional quality of their products and to be more transparent and responsible in their marketing & communications.*

Consumers are now interested in the nutritional value of their food and where it comes from. Companies that ignore these trends could face falling sales and market share, increased legislation and risk to their reputation.

### WHAT WE DO

We believe we can make a difference to people's health even as we boost business growth. Through our products and partnerships we aim to make a difference to the quality of people's diets, helping to tackle both over- and under-nutrition. Our approach is founded on:

- Improving the nutritional quality of all our products
- Developing new products and expanding consumer choice
- Providing clear information

### NUTRITION THROUGH DAILY HABITS

Brooke Bond's Sehatmand, a tea with vitamins, has been launched to address the nutrition needs of low-income consumers. This is an innovation for the masses, with guaranteed vitamins in

*One can get 50% RDA of important B vitamins (B2, B6, B9 and B12) by consuming three cups of Sehatmand tea.*

each cup of tea, to help every family live a healthier life and help address problems caused by micro-nutrient deficiencies.

This is achieved by using a combination of technology and healthy ingredients to create a nourishing brand of tea that is available at an affordable price. The coating technology allows us to use tea as a carrier for micro-nutrients and vitamins that help strengthen the immune system and protect families from weakness and common illnesses.

An intensive on-ground campaign called 'Sehatmand Parivaar – Sehatmand Bharat' led by major NGOs and civil society groups was launched in a few states. The mission of this programme is to educate people about combating micro-nutrient deficiency related problems with proper health and nutrition.

This initiative seeks to bring together gram panchayats and various governmental and non-governmental bodies as well, so that the education campaign can reach across villages.

*Ambarish Singh, CEO of Pahal, a nodal NGO in Uttar Pradesh said, 'Malnutrition has serious long-term consequences because it impedes physical and mental development. 70% of our population cannot meet its daily requirement of micro-nutrients. What is alarming is that many communities in urban, as well as rural areas, are not even aware of the causes and health manifestations of micro-nutrient and vitamin deficiencies. We support these innovative*

*products which on one hand enhance nutritional values and are accessible by the masses. At the same time, compliance is also easy since it fits into the daily lifestyles of communities in rural India.'*

### NUTRITIOUS DELIGHTS

To cater to the needs of the growing number of health conscious people who will not compromise on great taste, Kwality Wall's launched a select range of fruit flavours. Each standard scoop (80 ml) has less than 99 Kcal.



### HEALTHY CHOICE

Our vitality initiatives include a Nutrition Enhancement Programme – a cross-category benchmark developed by Unilever Food & Health Research Institute, based on international dietary guidelines. HUL introduced this programme across key food brands in India to **reduce the levels of unhealthy ingredients such as trans-fat, saturated fat, salt, and sugar.** Most of our food and beverage brands carry the 'Healthy Choice' stamp (as per 2005 benchmark). The 'Healthy Choice' label is granted to food products that comply with the qualifying criteria based on international dietary guidelines.



## WELL-BEING FOR ALL

*Consumers with limited income cannot afford to compromise on quality and they value the consistency that brands offer. People, irrespective of their income levels, aspire to use high-quality innovative products. A large part of the population in India has limited resources. We continue to seek new ways of bringing our products within the reach of everyone.*

However, making affordable products in an economically viable way is a challenge. Any such model, or offering, will need to address four non-negotiable deliverables – affordability, awareness, relevance, and accessibility.

### WHAT WE DO

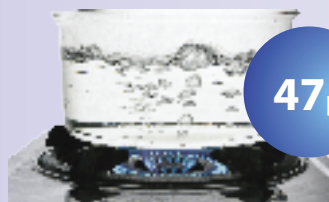
Our aim is to satisfy the needs and aspirations of consumers at all income levels with quality products. Whether it is through innovative distribution channels, using smaller formats, or creating new products, we are developing business models to reach the low-income consumer as well.



Pureit

25p\*

(\*based on cost of consumables)



Boiled water

47p#

(# as per boiling conditions in consumer home using LPG gas. Three litres of water in a typical vessel needs ten minutes to boil and ten minutes to maintain water at boiling temperature)



Bulk pack

350p



Bottled water

1200p

p= paise

<sup>1</sup>As per Household Panel Data, IMRB 2009



### AFFORDABLE INNOVATIONS

Pureit, the home water purifier, provides affordable and safe drinking water for middle-income families in India as it is cheaper than boiling water, or buying bottled water.

Brooke Bond Sehatmand addresses the health needs of the low-income group of consumers through their daily intake of tea. It is a unique innovation that allows us to use tea as a carrier for micro-nutrients.

### INNOVATIVE BUSINESS MODELS

In the laundry category, we created a new business model for Wheel detergent powder that delivers superior value to low-income consumers by driving efficiencies at every stage of the value chain. We developed a new product formulation,

low-cost manufacturing process, wide distribution network, and a different approach to pricing. Today, Wheel is the largest selling detergent brand in the country, reaching more than 120 million households<sup>1</sup>.

Our Shakti initiative is a micro-enterprise programme that creates opportunities for the rural population to sell our products door-to-door in their areas. Through this initiative, we expect to make our products more accessible to low-income consumers and reduce the menace of locally sold spurious products.

### LOW UNIT PACKS

In most product categories, we have low unit packs priced between 50 paise to INR 5, including brands like Lifebuoy, Clinic plus, Annapurna iodised salt and oral care brands.



## PRODUCT RESPONSIBILITY

*Our responsibility goes beyond manufacturing good quality products and distributing them. We need to ensure that our products are safe for the consumers and the environment. We must also communicate clearly with consumers so that they can make an informed choice.*



### WHAT WE DO

Our aim is to develop safe products, market them responsibly and communicate ethically to our consumers. We have robust systems and policies in place for:

- Testing safety of our products
- Advertising and marketing
- Consumer feedback and redressal

### PRODUCT SAFETY

Rigorous assessments are undertaken to establish that the product is safe for consumers as well as the environment. This is ensured through the SEAC (Safety and Environmental Assurance Centre) certification process for product safety and SIMAS (Safety in Manufacturing and Supply) clearance for process safety. Adherence to all applicable regulations including Bureau of Indian Standards (BIS), Drugs and Cosmetics Act is non negotiable. All risk assessments are undertaken by SEAC. SEAC's role is to provide independent scientific evidence and guidance so that we can identify and manage:

- Risks for consumers, workers, and the environment, with regard to the safety of products and supply chain technology
- Environmental impacts, with regard to the sustainability of Unilever's brands, products and supply chain

Our view on animal testing and chemicals in products:

Most of our products are developed on a global scale by following the policies and procedures laid down by Unilever. Mentioned below is the approach and work done by Unilever in this area.

*Animal testing:* The vast majority of our products reach the consumer without being tested on animals. Unilever has been developing and using alternatives to animal testing, including new approaches to risk assessment, biological, and computer-based modelling for data generation. Unilever has a policy on animal testing which explains, in detail, our view on this issue.

*Use of chemicals:* Unilever determines the safety of chemicals in our products by assessing the risk, taking into account the inherent properties of the chemicals (hazard) and the way they are used (exposure to the hazard). We carefully choose chemicals to ensure they are safe for people and the environment. Safety and environmental decisions are made independent of commercial considerations through the SEAC.

## RESPONSIBLE MARKETING AND COMMUNICATION

We are committed to responsible marketing and have clearly defined principles which guide our communications. Advertising is a way for us to engage with consumers on issues that matter to them. At the same time, we recognise the influence of marketing and advertising on consumers and take our responsibilities seriously. This means ensuring that all the claims we make have a sound scientific basis and that all such communication passes the baseline test of being 'legal, decent and honest'.



## Self-regulatory codes

We support the development of self-regulatory codes for all our marketing and advertising activities, and apply these codes across our business. Working through industry trade bodies, such as Advertising Standards Council of India (ASCI), we have supported the development of general principles in this area and their integration into advertising and marketing self-regulatory codes and systems.

In 2009, six complaints were filed with ASCI against advertisements by HUL brands and one complaint was upheld. The communication was suitably modified.

## Food & beverage marketing principles

In addition to national laws and self-regulatory codes in India, we apply Unilever's principles to the marketing and advertising of all our food and beverage products. Our food and beverage marketing principles contain additional clauses for marketing food and beverage products directed at children. They require that our marketing practices:

- do not convey misleading messages
- do not undermine parental influence.  
Our advertisements always show parents as gatekeepers to the product being consumed
- do not encourage pester power
- do not suggest time or price pressure
- do not encourage unhealthy dietary habits
- do not blur the boundary between promotion and content

HUL has decided that it will not advertise food and beverage products to children under 12 years, except for products which fulfill specific nutrition criteria that are based on accepted scientific evidence and/or applicable under national and international dietary guidelines. For the purpose of this initiative, 'advertising to children under 12 years' means advertising to media audiences with a minimum of 50% of children who are under 12 years.

Further, we have decided that there will be no communication related to food and beverage products in primary schools, except for products which fulfill specific nutrition criteria that are based on accepted scientific evidence and/or applicable under national and international dietary guidelines, where specifically requested by, or agreed with, the school administration for educational purposes.

## On pack labelling regulations

For on pack information, our home care, personal care and food brands adhere to applicable regulations such as the Drugs and Cosmetics Act, Weights and Measures Act, Bureau of Indian Standards Specifications, and the Trademark Act Copyright Act. Food and beverage brands also adhere to the Prevention of Foods Adulteration Act, Fruit Product Order, Tea Control Order, Tea Act, Tea Board Regulations, etc.

## COMMUNICATION WITH CONSUMERS

### Providing a good consumer dispute redressal system

Consumer feedback is very critical for HUL, and we actively seek it. HUL has appointed an ombudsman for consumer disputes redressal. This is a unique initiative and the first time a consumer goods company in India has appointed an independent and expert mediation procedure for the benefit of consumers. We also have a consumer care helpline service called Levercare. Helpline contact details are part of our standard on-pack information. To place complaint resolution on top priority, all complaints with high or medium risk are targeted for resolution within 14 days.

Feel it 😊 Say it 😊

for ideas, suggestions and feedback

Contact **Levercare** executive

📞 call toll free no: 1800-22-8080

📱 sms 'Levercare' to 54555

✉ PO box no. 14760, Mumbai 400 099

📧 email: Lever.care@unilever.com







#### Awards & Recognitions (2009)

- ★ Project Shakti won the Silver Trophy at the EMPI-Indian Express Indian Innovation Awards
- ★ Kwaliti Wall's Swirl's awarded 'The Franchisor of the year' for the Ice-cream parlour category by Franchise India



*Focused and reliable, the bee diligently collects pollen to bring back to the hive, and while doing this, it pollinates several flowers, benefiting each one of them.*



*HUL is dedicated to creating a sustainable future for its stakeholders. Our activities create equitable benefits for all our business partners. We help them grow, as we grow.*



# BUSINESS PARTNERS

*Enhancing livelihoods through partnerships*

*From sourcing to distribution – we engage with a diverse set of business partners. Our business creates economic benefits for all our partners, including our suppliers and distributors. We are committed to creating a positive and lasting impact on society by developing successful business partnerships built on mutual trust and respect. Ultimately, we hope, we will realise our strategic objectives of growing responsibly while enhancing the livelihoods of our partners.*

## WHAT WE DO

We actively seek to resolve sustainability issues across our entire value chain. This involves working closely with our suppliers and customers. Working with farmers who are part of our supply chain and developing micro-enterprise models, like Shakti, in our distribution chain has led to twin benefits. It boosts the income and prospects of the farmers and small-scale businesses we work with. It also provides us with security of supply of raw materials and new distribution routes to improve the penetration of our products.

## SECURING SUPPLIES & ENHANCING LIVELIHOODS

Sustainable sourcing is a strategic imperative from a business perspective. It not only helps us manage a key business risk, it also presents an opportunity for growth for us and for our partners.

Our products require a large amount of agriculture and forestry inputs. These supplies are sourced from contract growers, third-party suppliers, and small holders.

Businesses are expected to play a role in addressing supply chain issues such as working conditions, and fair incomes for growers. In these areas, our company is well placed to contribute.

### Farm workers:

We are working with Rainforest Alliance, an international environmental organisation, to ensure that the tea estates we source from are certified. Rainforest Alliance certification follows a comprehensive approach towards sustainable farm management, covering social, economic, and environmental aspects. As part of the certification it is ensured that workers are paid wages and perks higher than the minimum wage and they are adequately trained on occupational health and safety.

### Small-farm holders:

We also work with small-farm holders to implement sustainable agricultural methods and improve both – their crop yields and business profits.

In India, Unilever is working with the government to promote increased yields of gherkins used by Unilever's Amora and Maille brands. We are jointly funding eight drip-irrigation trials with gherkin suppliers to help reduce water use and increase yields and profits.

So far, two trials have been a success, resulting in a yield increase of 84%, increased profits of 245%, and a 70% reduction in water use. However, two other trials failed due to the incorrect implementation of the drip-irrigation technique. We are researching how we can help farmers avoid similar errors. More crop trials are planned in 2010.

### Business partner code

Our expectations from our suppliers are set out in our 'Business Partner Code', which details our requirements in key areas of health and safety at work, business ethics, labour standards, consumer safety, and the environment.

Unilever has formalised a Supplier Quality Assurance Policy to accompany the Business Partner Code. The responsibility of implementing the policy lies within the procurement function. The policy ensures that we have a consistent approach to supplier assessments. It also defines how the assessments will be done, by whom, and where the responsibility lies to ensure compliance.

### WINNING WITH CUSTOMERS

Our products reach consumers through a network of customers – from large retailers to a more diverse group of distributors, wholesalers, and small, independent outlets and kiosks.

It is our constant endeavour that consumers have ready access to our products across every corner of urban and rural India. We work with over 2000 distributors and cover more than 6.3 million outlets. This generates significant indirect employment opportunities as our distributors employ a large number of salespersons and handling staff.

We have also developed innovative distribution channels based on micro-enterprise models. These not only improve the reach of our products but also generate livelihood opportunities.

### Shakti: Micro-businesses, massive impacts

Shakti is our initiative that combines social responsibility, sustainability, and business strategy.

India has more than 6,30,000 villages, most of these are 'hard to reach' and offer relatively lower business potential. Hence, reaching them through the conventional distribution system is a challenge.

In 2000, we collaborated with Self-Help Groups (SHG) to extend our rural reach. We partnered with the SHGs by offering them opportunities for business. By promoting micro-enterprises, our initiative not only makes great business sense, but also has a deep social impact. The business objective is to extend our direct reach into untapped markets and to build brands through local influencers. The social objective is to provide sustainable livelihood opportunities for underprivileged rural women.

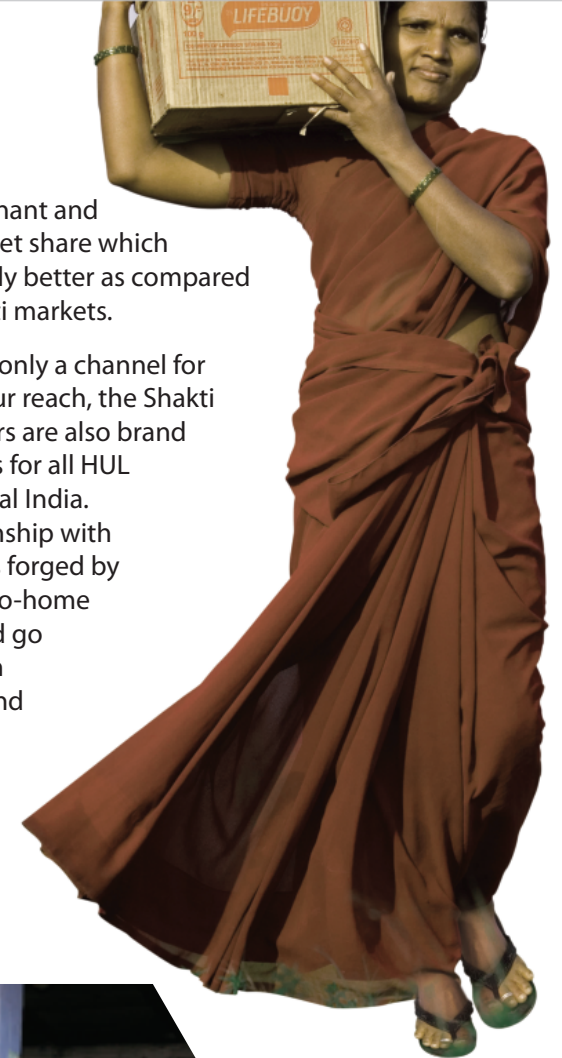
On an average, a Shakti entrepreneur earns INR 700 - 1000 a month, and since most of them live below the poverty line, this earning is significant, often doubling the household income.

Shakti started with 17 women in two states. Today, it provides livelihood enhancing opportunities to about 45,000 women in 15 Indian states and provides access to quality products across 100,000+ villages and over 3 million households every month.

Project Shakti contributes to 10% of rural turnover nationally. In most Shakti markets,

we are dominant and enjoy a market share which is qualitatively better as compared to non-Shakti markets.

Shakti is not only a channel for increasing our reach, the Shakti entrepreneurs are also brand ambassadors for all HUL brands in rural India. Their relationship with consumers is forged by their home-to-home contacts, and go a long way in building brand loyalty.





Our Shakti initiative can be described in many ways – as a sales and distribution initiative that delivers growth; a communication initiative that builds brands; a micro-enterprise initiative that creates livelihoods; and a social initiative that improves the standard of life in rural India by providing quality products. What makes Shakti scalable and sustainable is the fact that it contributes not only to our business, but also to the community it is a part of.\*

### Kwality Wall's: Mobile cart vendors

Thousands of men belonging to economically weaker sections travel to bigger Indian towns seeking employment. They are employed in a variety of labour intensive activities, usually earning less than what is prescribed by the Minimum Wage Act. Through our marketing and distribution channels, we are working towards providing sustainable and dignified entrepreneurship opportunities to over 5,500 such migrant labourers by engaging them in our ice-cream distribution operations.

We provide uniforms, first aid kits, behavioural and basic sales training and financial support through our channel partners. Initial stock on credit and a vending cart with freezers are provided by our channel partner to start them off.

We have been able to make a substantial improvement in the quality of life of these vendors with this opportunity that gives them a regular income, growth potential, entrepreneurial training, and better living conditions. In most cases, each vendor can

make INR 3000-4500 a month. This channel generates over INR 16 crores in commissions for our vendors. Some of our vendors have now become distributors themselves, managing INR 2 to 10 crores in the ice-cream business and earning upwards of INR 1,00,000 per month.

Arvind Jain's story is one of the many success stories we are privileged to be part of.



*Ten years ago, Mr. Arvind Jain chose to be an entrepreneur, and became a vendor of Kwallity Wall's in Delhi. He had the responsibility of taking care of his wife, two children and four younger brothers. He began earning a modest sum of INR 1000 per month. But soon, with his persistence, excellent selling skills and friendly nature, he was able to significantly enhance his earnings. His story even inspired his brothers to become vendors of Kwallity Wall's. Over the next few years, he decided to take the next step, and with the help of company officials, he invested his savings and became a distributor of Kwallity Wall's.*

*He now manages a few hundred vendors himself, running a vibrant and sizeable business. Today, he is an extremely successful business partner of Kwallity Wall's, earning a good living for himself and his family. He has his own house in Delhi, his brothers are now well settled. He dreams of an even better future for his children, who are studying in a reputed school in Delhi.*

*Mr. Jain is a self-made man, who has created an inspiring success story through his partnership with Kwallity Wall's.*



\*Unilever in India: Hindustan Lever's Project Shakti-Marketing FMCG to the Rural Consumer, V Kasturi Rangan/Rohithari Rajan, HBS case study, March 2006



#### Awards & Recognitions (2009)

- ★ HUL ranked fourth in the 'Top Companies for Leaders, 2009' (Asia Pacific region) and 10th place in the global rankings in a survey carried out by Hewitt Associates
- ★ HUL's Goa factory won a Gold Trophy at the Greentech Awards in the manufacturing sector category for their outstanding work in Safety Management



*Bees are exemplary social insects, committed to prioritising the colony's needs and working together.*



*Such team work and a passionate commitment to achieve a shared goal is what helps HUL create milestones.*





# EMPLOYEES

## *Building responsible leaders*

*Our employees are our biggest assets. Every step taken by our team boosts our growth exponentially. We endeavour to constantly strengthen our team's capabilities and develop innovative business solutions for a competitive, profitable, and sustainable future. We have clear action plans aimed at building responsible leaders, ensuring employee health and safety, and promoting sound human resource practices and policies. Over the years, our approach towards nurturing leaders has been very successful. More than 400 CEOs who are steering the Indian industry have been part of HUL.*

### WHAT WE DO

It is vital that we have people with the right talent and supporting systems to meet our growth ambition. We are developing people and building structures to help us advance towards our new vision. It is essential for us to:

- Build the capabilities of our people
- Instill values
- Ensure health and safety
- Develop responsible Human Resource (HR) practices and policies

### BUILDING CAPABILITIES

Developing and retaining the right people is going to be crucial for our growth strategy. We consistently nurture talent and promote leadership practices that develop a strong team of leaders.

#### **Business Leadership Training programme**

Our Business Leadership Training programme grooms young managers and makes them

business leaders. It provides exposure to the various functions in a large organisation. Each year, we choose the best business schools and engineering colleges in the country and select promising talent to join us for the programme. During this 15-18 month structured programme, each trainee goes through cross-functional stints, a rural stint and an international stint (in another Unilever business). To facilitate learning, a senior manager is appointed as a mentor, a young manager is designated for informal connect and support, and a tutor is assigned to every trainee.

#### **Leadership development**

Leadership development is a strength HUL has built over decades and it is jointly owned by line managers, HR and employees themselves. The entire process is holistic and well integrated, right from attracting the best talent, providing diverse experiences through challenging roles and job rotations every 2-3 years, a high performance culture, strong capability building plans, rigorous and well-executed HR planning processes. Some

of our talent processes are considered industry best practices, for example, the Functional Resource Committees, Leadership Differentiation Toolkit (a matrix that maps high performing and high potential individuals based on an objective evaluation process every year on the 'what' and 'how' of performance). These observations are then used to devise strong career and development plans for managers, which includes career planning and international opportunities within Unilever. HUL is a key source of talent for Unilever and currently 195 HUL managers are on international assignments with Unilever.

#### ***Engaging future leaders***

In 2009, HUL and CNBC TV 18 started 'Lessons in Marketing Excellence'. It was a series of Inter Business School marketing challenges. Through this initiative, marketing students got an opportunity to go through real life business cases and display their thought process and devise solutions with the advice of those in the industry.

## India immersion

In order to connect our employees to the rural population and bring them closer to the social and economic challenges India is facing, we have a rural programme for managers as well as the HUL-Sankalp volunteering initiative.

**Hul Sankalp:** This is our formal employee volunteering initiative. In 2008, our 75th year in India, our employees committed to volunteering one hour for each day HUL has been in India, which collectively meant 27,375 hours of community service. In 2008, our employees volunteered more than 48,000 hours against a target of 27,375 hours. In 2009, we clocked more than 1,15,000 hours of volunteer work.

**Rural Programmes for Managers:** Business Leadership Trainees are required to go through a rural stint and spend time working on projects that address the concerns of the rural population. In 2009, 37 trainees were sent for such projects. They interacted with the rural consumer and understood their profile, psyche, and lifestyle. They also gained an understanding of the Shakti micro-enterprise model.

## INSTILLING VALUES

### Code of Business Principles

People, integrity, and values have always been central to HUL and will continue to be so. Our policies and programmes are based on the values as set out in our Code of Business Principles (CoBP). This describes the way we treat our people and also the high standards of behaviour and integrity we expect of them. It is the moral

framework that guides us in our day-to-day operations and establishes an unshakeable value system. This code is founded on three basic principles:

- Formation of trust and respect
- Building mutually beneficial relationships
- Engaging in responsible management practices

To deepen the understanding of this code awareness/re-iteration workshops and reinforcement programmes are also carried out regularly in a structured manner by the members of the management committee and leadership teams. Such training also includes anti-corruption awareness. Violations of the CoBP are reported in the quarterly communication bulletin to enhance sensitivity of the employees to CoBP compliance. These reports are also translated into the local language. All new employees receive the entire code as part of their initiation kit. A copy of the code and a detailed report about reported cases is accessible to all employees via the company intranet.

### Responsible leaders

Sustainability is now even more closely tied to our business strategy. Ensuring its implementation requires a workforce that is aware of the wider impacts the business has on society and the environment. Our R&D function has developed a three-day sustainability foundation course. The course is open to all managers across the business. A complementary sustainability awareness e-learning module was developed in 2009. These courses aim to show how one can deftly weave sustainability into our business strategy as a means of achieving a competitive advantage.

## ENSURE EMPLOYEE HEALTH AND SAFETY

### Personal well-being

We engage in a spectrum of activities to communicate the importance of personal well-being to employees. We address physical, emotional, and psychological health issues through company-wide periodical activities such as one-to-one discussions, well-being workshops and awareness campaigns.

Periodic medical check-ups for employees are the norm. During these checks, physical health is evaluated and practical advice is dispensed on any health concerns that might be identified. Follow-up meetings are adhered to strictly. Counselling facilities are available on request. Recreational facilities to enhance physical fitness are set up in many locations. Ergonomic design of work-stations has also helped in minimising work related muscular or skeletal disorders. We have introduced an initiative called the Vitality Index which covers all our employees and colour codes (green, amber and red) them based on their state of health. Employees identified in the 'Red' state are provided specialist support and treatment as necessary.

We conduct regular education, training, and counselling programmes on various diseases, including HIV/AIDS, diabetes, hypertension, malaria, water-borne diseases, blindness, anaemia, and cancer. We offer a non-discriminatory working environment for those afflicted with HIV, consistent with our policy on HIV/AIDS.



## Occupational safety

We stand committed to being an injury-free organisation. Our safety principles have the same standing as our Code of Business Principles (CoBP) and are deeply integrated into our business processes, people, systems, technology, and facilities. Safety is driven top-down and supported by demonstrated leadership. Prevention is at the core of our safety policy and working safely is a condition of employment. This policy has been implemented across manufacturing units and offices and has been included as a key responsibility in line management and business performance.

Safety data is collected from all our own manufacturing sites. It covers 42 manufacturing sites (including one site in Nepal), six offices, and two research labs. Our safety performance is governed through the Central Safety Health and Environment Committee (CSHEC) which is responsible for strategic direction on occupational safety and health issues. It is supported by sub-committees which are responsible for recommending standards. Implementation and monitoring is carried out by safety health and environment committees at division and unit level (DSHEC and USHEC). The Corporate Safety & Environment team is responsible for providing expertise; coordinate CSHEC and Sub-committee activities; check conformance to standards and help build safety capability in line organisation.

All manufacturing units conform to Unilever's internal safety, health and environment

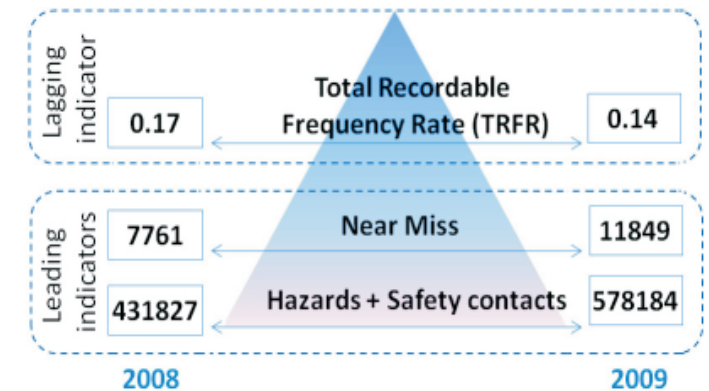
Framework Standards (FWS) modelled on ISO-14001 and OHSAS 18001. In addition to this, some of our manufacturing units conform to the OHSAS 18001.

**Behavioural-based safety:** In order to boost our safety journey we have imbibed behaviour-based safety systems since 2004. We have partnered with Dupont to achieve leadership and excellence in our safety performance.

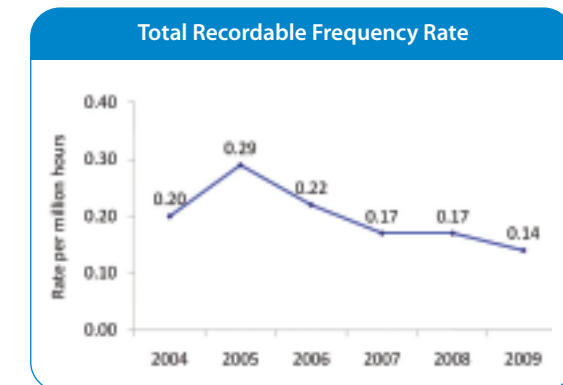
We have trained more than 3300 managers and executives through workshops for Developing Safety Commitment (DSC) aimed at helping leaders effectively carry out safety engagements and identify personal action plans to demonstrate his/her safety commitment.

We have established systems for 'safety engagement with employees' to proactively identify unsafe acts and unsafe conditions. All managers and executives in the factory have leading indicator targets for behavioural audits, Safety Action Meetings (SAM), hazard identification, and system checks. The target for leading indicator is more than one safety engagement per employee, per month.

We strongly believe that visible and felt leadership and employee involvement are the key to the success of our safety programme. It is this visible leadership commitment that builds trust and faith across the board, and encourages personal responsibility throughout the organisation. **In 2009, DuPont published a case study on HUL, which showcased our efforts in leading corporate culture transformation through 'Behaviour Safety'.**



Leading indicators represent proactive measures to bring about behaviour change which includes Hazard Identification, Near Miss Incidents etc. Our continued focus and monitoring of leading indicators has helped in improving our performance in lagging indicators.



**Our consistent efforts have resulted in a 30 percent decrease in the Total Recordable Frequency Rate over 2004 base**

Total Recordable Frequency Rate (TRFR) is tracked for employees on duty. It covers workplace accidents, excluding those cases that require simple first aid treatment. It is expressed as a rate per one million hours worked.



Our robust safety management practices have resulted in zero fatalities across our manufacturing operations since the last two years

## HR PRACTICES AND POLICIES

Our total employee strength, as of December 31, 2009, was 15,466. We also had 18,210 variable manpower including 800 fixed-term and temporary contract employees. We encourage employment of local residents in our manufacturing operations depending upon availability of skills. Our employee relations policy recognises the freedom of association and collective bargaining. Our company follows a collective bargaining process while finalising long-term settlements in all supply chain units. All the workmen at the supply chain units are organised and are represented by various unions/authorised representatives in their units. In 2009, 10,018 employees were covered under collective bargaining agreements across manufacturing operations and offices.

We have witnessed 4.9% voluntary attrition amongst managers and 9% amongst officers

in 2009. The total rate of employee turnover (total exits due to resignation, retirement, demise, early retirement) in 2009 was 10% for managers and 14% for officers. The rate of turnover for workmen in our operations was negligible.

**Child labour:** Our recruitment policy doesn't permit engagement of child labour directly or indirectly. Regular audits ensure compliance at our own sites and at third party locations/sites.

**Forced or compulsory labour:** The Employee Relations Policy and business principles adopted by the company prohibit such practices and this is upheld in letter and spirit.

**Rights of indigenous people:** We haven't witnessed any violations of the rights of indigenous people and none of our sites are at risk of violating such rights.

**Diversity:** We are committed to maintaining diversity in our working environment. We aggressively pursue the target of increasing the proportion of women in management cadres. We have a number of gender-friendly policies such as Maternity Benefit, Career Break, Flexi-working, Agile Working from remote location, Sabbaticals, Part-time work and Career Breaks. In 2009, 19% of our managers and 9% of our officers were women. Our eight-member management committee has a woman member. Our formal employment and fitment policy absolutely prohibits gender-based discrimination. No incidents of discrimination or complaints have been reported in 2009.

We are a merit driven organisation and this is reflected in the policies concerning recruitment,

training, and promotion which ensure that the best person gets the job, independent of subjective considerations.

**Facilities for full-time employees:** Benefits are provided to full-time employees, such as basic access to above-minimum wages, subsidised canteen facility, safety training and equipment, safe infrastructure and washroom facilities, irrespective of contractual status. Certain benefits extended as a result of collective bargaining agreements are available only to those groups of workmen covered by the agreements.

**Notice for operational changes:** The minimum notice period for any operational change with respect to terms and conditions of service is 0-3 weeks, while that for any restructuring activity is 3-6 weeks.

**Employee engagement:** We maintain good communication channels with employees through company based information and consultation procedures. We have several processes instituted to ensure a two-way communication channel. In 2009, we began an employee engagement programme to ensure that employees are involved in Unilever's vision and plans for the future.





### Communication with employees

- *CEO report back: Quarterly performance updates from the CEO to the employees. Conducted at the Head Office, webcast to all sites*
- *Annual Review: All managers are invited to the Annual Review in four major metros*
- *Young Managers Lunch with CEO: Every month the CEO meets about 10-15 young managers and has informal chat sessions about the organisation and receives their feedback*
- *A Global People Survey (GPS) of all Unilever employees is conducted every 2-3 years. 'GPS-Pulse', a refined version, is conducted at six-month intervals in the years when a GPS is not scheduled for managers*
- *Ur Say: an online portal through which employees can give suggestions addressed to the Management committee on any aspect of the organisation*
- *FM-Connect: All factories have FM-connect meetings that invites participation from all workmen*
- *Hamara: Our in-house magazine provides a platform to employees to connect, bond, inspire and express*

**Training and development:** Capability initiatives are planned based on the skill gaps identified during performance evaluations. We follow the 70:20:10 principle to bridge employee capability gaps – 70% through on the job trainings, 20% through coaching and contact between self and



superior and 10% through classroom training and e-learning initiatives. For staff and workmen, the learning data is tracked centrally in the form of learning score and TPM EDGE (Total Productive Maintenance - Every Day Great Execution) score. We currently track training data for managers and officers, and in 2009, training was imparted for 53,758 hours for managers.

### HUMAN RIGHTS

Our CoBP and Business Partner Code embody our commitment to upholding human dignity and the labour rights of our employees and suppliers.

We adhere to the United Nations Global Compact principles. It is a United Nations initiative which sets out commitments for business in relation to human rights, labour, environment, and anti-corruption. We are committed to upholding these principles across our business.

#### Labour relations

We have experienced two specific instances when labour relations were in dispute. These complaints concerned a site closure (Sewri factory, Mumbai) and the freedom of association and collective bargaining (Doom Dooma, Assam). The closure of our Sewri factory in Mumbai has been resolved amicably in 2009. A settlement payment was agreed by HUL and local trade union representatives on October 13, 2009. It was signed by both

parties in the presence of the Labour Secretary, Government of Maharashtra.

The other issue involved a dispute regarding a collective bargaining agreement at our Doom Dooma unit in Assam. HUL's position on this has been very clear from the start. The complaint alleged that HUL had conspired to force workers to join a new trade union as a precondition for their continued employment at the factory and by doing so, breached the freedom of association provisions of the Organisation for Economic Cooperation and Development (OECD) Guidelines. While it is a fact that there are two unions in the plant and both claim to have majority support, we maintain that we have not breached the OECD Guidelines, or our own Code of Business Principles. There had been significant disorder at the factory over a long period. In one instance a group of managers, including a woman, was held hostage by the workers.

In order to resolve the situation, HUL did offer the Assam State High Court in a petition filed by one of the trade unions its views on how best to organise "free and fair" elections. Finally, in March 2010 the Court ruled that no further action was necessary to re-open the matter. The Trade Union has thereafter petitioned the OECD wherein the OECD has as part of its ongoing process invited Unilever and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) to once again explore a resolution to this case.

We remain committed to the Code of Business Principles and reiterate that we believe we are not in breach of the principles.



#### Awards & Recognitions (2009)

★ Awarded in the Category 'FMCG Manufacturing Supply Chain Excellence' at the Third Express, Logistics & Supply Chain Awards by APL Logistics, Indiatimes, Mindscape, Business India Group

★ Our Orai unit received the Gold Excellence award and the Khalilabad unit received the Silver Excellence award in the environment category by Greentech Foundation



*Compared to what the bee takes  
from nature, what it gives back to the world  
is much more priceless and useful.  
As it performs its carefully planned actions,  
it impacts the ecosystem in several positive ways.*



*At HUL, we are constantly engaged  
in improving our product formulation  
and business processes, to protect,  
replenish, and restore the environment  
that sustains us.*



# ECOSYSTEM *Sustainable living*

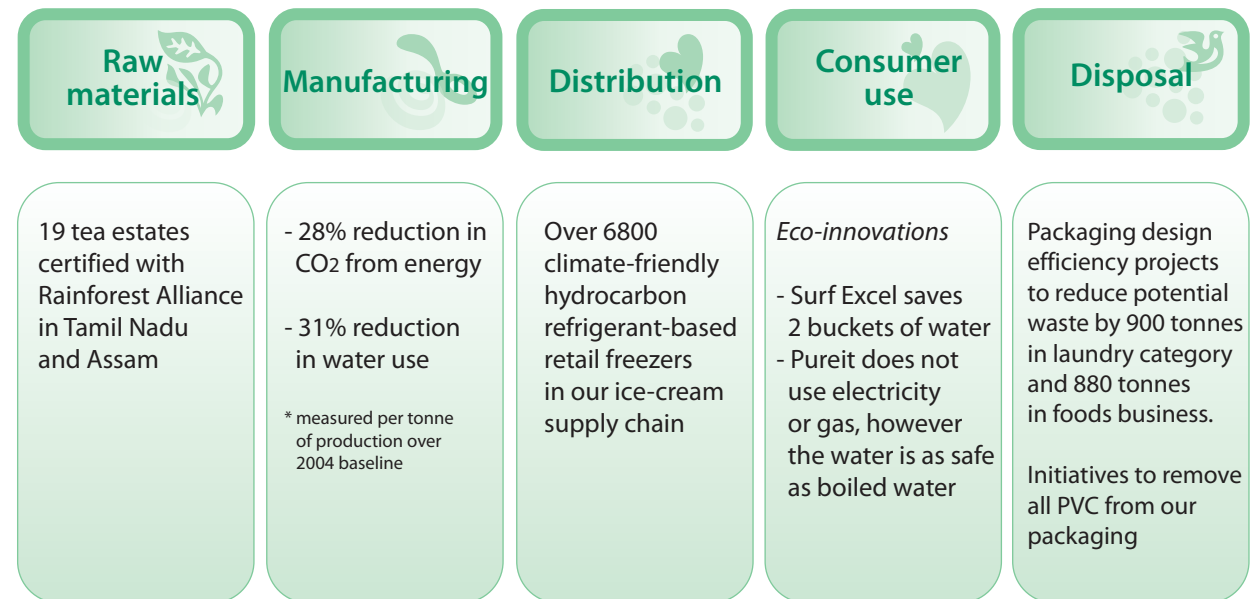
*Our planet faces enormous environmental problems. Our aim is to make our own business activities more sustainable and encourage our suppliers, consumers, and others. It is our constant endeavour to manage and reduce our wider footprint with our sustainable agricultural practices, eco-efficient operations, as well as with product and packaging innovations.*

Our commitment to sustainability requires us to go beyond our own operations and reduce our total environmental footprint. We ensure that our impact on the environment is minimised across the value chain, starting from sourcing materials to consumer use.

## WHAT WE DO

A large amount of the raw materials we need is derived from agriculture, so our Sustainable Agriculture Programme plays a key role in managing our upstream impact. In our operations we aim to improve the eco-efficiency of our manufacturing operations, minimise resources used and waste created. To manage our downstream impact, our research and product development teams work towards reducing the environmental impact of our products and packaging through reformulation and innovations.

## Initiatives across the value chain



## SUSTAINABLE SOURCING

Since we depend on agriculture and forestry for a large part of our raw materials, sustainable sourcing has become a strategic issue for our business and brands. Unilever developed the generic Good Agricultural Practice Guidelines (now known as the Unilever Sustainable Agriculture Code) for growers of key crops, which cover 11 indicators, including water, energy, pesticide use, biodiversity, social capital and animal welfare. In 2002, we started using these guidelines for five crops. We work closely with our contract growers and third-party suppliers to implement these guidelines.

Our success has been the greatest where we have the most influence – on our own farms and with growers for whom we are the primary customer.

### Palm Oil

Unilever is one of the largest buyers of palm oil in the world, as well as in India. Unilever purchased GreenPalm certificates that cover 15% of its global volumes in 2009, and plans to double this figure in 2010 and double it again to reach 60% in 2011. GreenPalm certificates support the production of sustainable palm oil, certified according to the standards set by the Roundtable on Sustainable Palm Oil (RSPO). Unilever is committed to sourcing 100% of its palm oil requirements from sustainable sources by 2015.

As a founder member of the RSPO, Unilever's endeavour is to influence the industry to embrace sustainable palm oil practices.



### Tea

We are working closely with key tea producers (in North and South India) and Rainforest Alliance (RA), an international certification body in the area of sustainable agriculture. Nine tea estates in the Nilgiris (Tamil Nadu), and ten tea estates in Assam were certified 'Sustainable Estates' by RA in 2008 and 2009. This certification is currently sought for 52 other tea estates in Assam and Darjeeling. Unilever's goal is to source 100% of our tea requirements for Lipton teabags from certified sustainable sources by 2015.

### Tomatoes

We have started developing Indian producers for the tomato paste we make. We are working closely with key producers and our initiatives include water conservation, use of authorised pesticides, land conservation, and improvement of farmer income. Commercial production has already commenced.

### Material input

The major raw materials consumed by HUL comprises the following key categories:



- Chemicals and Perfumes: 1,082,781 tonnes
- Oils and Fats and Rosins: 212,851 tonnes
- Tea: 93,543 tonnes
- Coffee: 16,609 tonnes

The above materials constitute about 87% of the total raw material consumed across our manufacturing operations. At present, we do not classify all our materials into renewable and non-renewable materials.



***Our long-term aim is to buy all our key agricultural raw materials from sustainable sources, so that:***

- Farmers and farm workers can obtain an income they can live on and improve their living conditions
- Soil fertility is maintained and improved
- Water availability and quality are protected and enhanced
- Nature and biodiversity are protected and enhanced





## ECO-EFFICIENCY

We aim to improve the eco-efficiency of our manufacturing operations, minimising resources used, and residual waste created. We have continuous improvement targets for all our environmental parameters and specific goals with respect to water and carbon.

**- CO<sub>2</sub>:** Reduce CO<sub>2</sub> from energy in our manufacturing operations per tonne of production by 25% by 2012 (against the 2004 baseline).

**- Water:** Implement rainwater harvesting facilities in our own manufacturing sites where it has the potential to yield results.

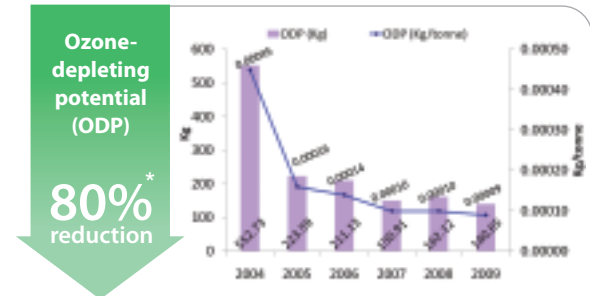
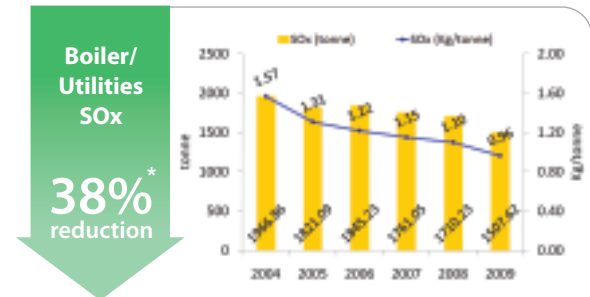
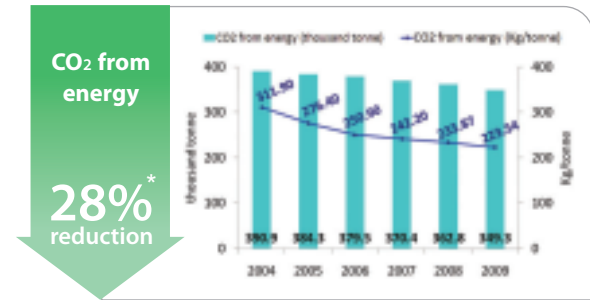
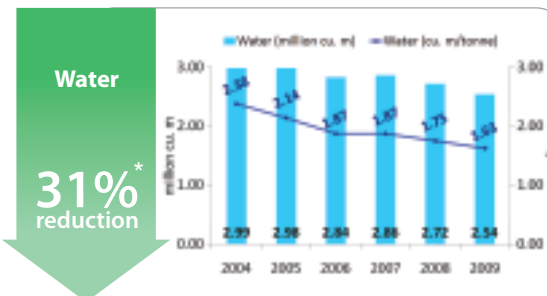
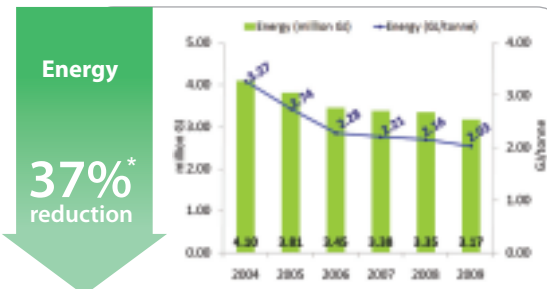
All our own manufacturing sites have implemented Unilever's Environmental Care Framework Standards, which require all Unilever operations to establish a formal environmental management system. The framework is modelled on ISO-14001 and OHSAS 18001 international standards and is ultimately applicable to all our manufacturing sites. Some units are also ISO-14001 and OHSAS-18001 certified.

The environmental data was collected from all our 42 own manufacturing units (including one in Nepal). We apply a set of mandatory standards of safety and environment to our third party manufacturers and co-packers and encourage them to monitor their own performance. Our environmental performance is periodically reviewed by the Central Safety, Health and Environment Committee (CSHEC). It is supported

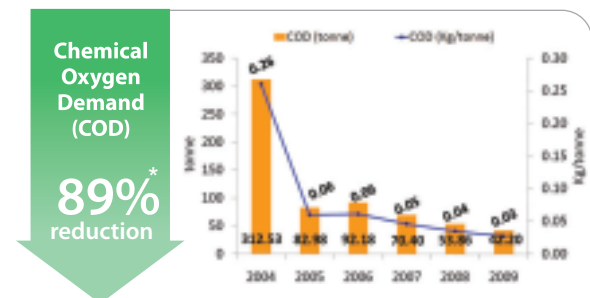
by sub-committees which are responsible for making and recommending standards. Implementation and monitoring is done by safety, health and environment committees at division and unit level (DSHEC and USHEC).

### Performance on key environmental parameters

We have been able to reduce our footprint across key environmental parameters even though production at our own sites has increased by 24% from 2004.



The data shows our Ozone-Depleting Potential (ODP), expressed as kg of CFC R-11 equivalent



\* measured per tonne against 2004 baseline

## Waste

The quantity of hazardous waste generated in our manufacturing operations is small and has been reducing over the years. We abide by the Ministry of Environment and Forest's guidelines, which require the disposal of all hazardous waste in authorised and approved Treatment, Storage and Disposal Facility (TSDF) sites only.

However, until recently, there were no government-approved TSDF sites operational in some of the states where our units are located and the interstate transfer of hazardous waste was not permitted. As a result, our manufacturing units had to accumulate and store the waste in a controlled manner.

In 2008-09, as TSDF sites were set up in the states where we had operations, we were able to dispose the accumulated hazardous waste. However, the actual current generation of such waste has in fact been reducing in our units.

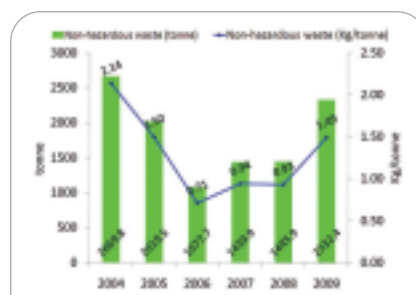
### Hazardous waste



With regard to the non-hazardous waste generated in our operations, 100% of such waste

is recycled in environment-friendly ways. Some of our supply chain waste is sent for co-processing at cement plants to ensure its eco-friendly disposal. The waste is combusted at very high temperatures and the heat is utilised in the cement clinker. An international agency has helped us confirm that no undesirable gases, such as dioxin/furan, are released during this process.

### Non-hazardous waste



## Eco-efficiency initiatives

### Low carbon technology:

The ploughshare mixer technology eliminates the need for steam in soap making, cutting carbon emissions by 15,000 tonnes per year. We are the first Unilever business, in the world, to be awarded carbon credits under the Clean Development Mechanism (CDM).

### Carbon neutral fuels and renewable energy:

Manufacturing operations at Chiulun, Puducherry, and Hosur use briquette boilers that utilise bio-mass as fuel. The reduction per annum in CO<sub>2</sub> emissions in the Chiulun factory

is 11,000 tonnes and in the Puducherry factory is 10,000 tonnes.

Our project of switching over to biomass as fuel and replacing furnace oil has been registered as a CDM project.

Mysore and Hosur manufacturing operations source green electricity from windmills.



Ploughshare Mixer



Bio-Fuel (Briquette) Fired Boiler, Chiulun

### *Water sustainability in manufacturing operations:*

Our strategy for water is based on the 4-R Principle – we reduce at source, reuse within process, recycle wherever possible, and renew groundwater with rainwater harvesting projects. Our own manufacturing units set annual water targets which are closely monitored every month.

At select units we have applied technologies like reverse osmosis to treat effluents and reuse water after treatment. More than 75% of our units are zero discharge sites. As part of our long-term water strategy, in 2008, we initiated rainwater harvesting projects at 14 of our sites to scientifically recharge the underground aquifers or store and reuse the rainwater from the catchments.

More than 50% of our manufacturing units have rainwater harvesting facility. As of now, five HUL sites have the potential to return more water to the ground than is being consumed by them – thus becoming water positive units.

We plan to install rainwater harvesting structures in more manufacturing sites, where it has the potential to yield results, to ensure sustainable water supply and thus increase the share of water returned to the ground as compared to the fresh water consumed. We have partnered with several NGOs and institutions to install such water harvesting structures.



Rain water harvesting, Silvasa



Khallilabad unit recharges more rainwater than the freshwater being consumed by the unit

### **Compliance and audit**

All our manufacturing units comply with local and national laws. Necessary environment clearances and all their conditions as applicable are being complied with. External audits for Unilever's Environmental Care Framework

Standards are conducted once every three years for our manufacturing operations. Apart from this, quarterly checks are conducted by the Corporate Safety and Environment team and TPM (Total Productive Maintenance) hub leaders on a quarterly basis at all sites to keep track of the environmental performance of the sites. In 2009, no prosecution or fine was reported for environmental non compliance by our manufacturing units.

### **Kodaikanal Thermometer Factory: Update on environmental issue:**

In 2001, environmental and risk assessment studies on the site concluded that there is no adverse impact on the environment and health, except for some limited impact on the soil in certain areas in the factory which requires remediation.

After receiving approval from Tamil Nadu Pollution Control Board (TNPCB), pre-remediation work commenced at the site in 2009 as per the detailed project report submitted by Government of India's National Environment Engineering Research Institute (NEERI). Prior to this, HUL exported mercury bearing waste to a recycler in USA in 2003 and completed decontamination of plant and machinery in 2006.

The Expert Committee appointed by the Madras High Court concluded that there has been no adverse health impact on employees.





## DISTRIBUTION, CONSUMER USE, AND DISPOSAL

### Climate-friendly refrigeration

Our ice-cream business uses deep freezers in retail and vending operations for storage of product at the point of sale. Since 2007, Kwality Wall's has moved into procuring technologically advanced Hydrocarbon (HC) refrigerant-based freezers for its retail operations, instead of the hydrofluorocarbons (HFC) refrigerant based freezers. We are also trying to develop freezers with HC technology for use in vending operations.



Our HFC avoidance methodology has been approved by the United Nations Framework Convention on Climate Change. There are 6800 HC-based freezers in our fleet, accounting for almost 45% of our retail freezers in the market. These freezers have brought about a significant reduction in our carbon footprint and will result

in approximately 9% savings in power consumption as well. The energy savings will increase with a higher number of freezers. This will indirectly contribute to a reduction in the green house gases emitted by our company's operations. The direct impact of this initiative is also very significant, as HC has zero ozone depletion potential and negligible global warming potential.

### Safe drinking water without consuming energy

Without making use of electricity or heat energy, Pureit water purifier ensures that that water is as safe as boiled water. Pureit filtered water meets the stringent criteria of the Environmental Protection Agency (USA). Consumers who use Pureit to get safe drinking water, do so without consuming electricity, thus conserving energy. Our internal studies have indicated that in terms of CO<sub>2</sub> emission reduction, Pureit is more efficient in generating safe drinking water than boiling water.



### Reducing our water footprint

Our research has concluded that while washing clothes, water consumption can be reduced significantly by controlling water usage while rinsing. Therefore, Unilever developed a formulation that produces less lather and hence requires less water when rinsing. Surf Excel quickwash saves up to two buckets of water. Based on our study of current laundry habits and recommended detergent usage, it is estimated that Surf Excel quickwash has the potential to reduce water usage by consumers significantly. Considering our large consumer base for this product, it makes a big difference, especially in the southern states of India, where laundry accounts for up to a quarter of the total water used.



## Sustainable packaging

Packaging protects our products right from the transportation stage till its purchase by a consumer. We take a lifecycle approach to managing the environmental impact of our packaging, therefore we try to ensure that the most suitable and sustainable packaging material is used. Our approach to sustainable packaging involves:

- Considering the whole product, not just the packaging
- Adopting leading-edge design techniques and choosing materials to minimise impact
- Working with others, through advocacy and partnerships, to strengthen the recycling and recovery infrastructure

This approach is dictated by five principles - remove, reduce, reuse, renew and recycle. The environmental impact of different materials varies significantly, so we consider the impact of the packaging at each stage of the product's lifecycle.

Tertiary packaging materials like corrugated boxes used for most of our products are recyclable. Some recent packaging initiatives with a potential to reduce environmental impact are:

- Eliminated PVC from the printed shrink sleeve for Pond's Talc, in line with our goal to remove PVC from packaging
- More than 20 projects were initiated for reducing the amount of packaging material used for our food brands, with a potential

to save 750 tonnes of laminate and 135 tonnes of corrugated board

- Reduced potential packaging waste by over 900 tonnes through several projects across different brands in the laundry category

**Litter due to sachets:** We sell millions of units of some of our products in single-use sachets. This makes our brands affordable to people who have a low income. We are trying ways that not only help people dispose these sachets more sustainably, but we also recover some value from the raw materials. We have been exploring new technologies since 2009 and have identified pyrolysis as a promising solution. Pyrolysis turns plastic waste into fuel, recovering around 60% of the energy embedded in the plastic. We are evaluating this and other technologies to assess their technical and commercial feasibility.





#### Awards & Recognitions (2008-09)

★ Awarded for Best Corporate Social Responsibility Practice at the Social & Corporate Governance Awards 08-09 by BSE, Nasscom Foundation and Times Foundation



*A very keen sense of belonging and unity is what binds the whole beehive together. Each bee is focused towards helping, protecting, and nurturing its fellow bees.*



*At HUL, we volunteer our expertise, resources, and time to support and care for the vulnerable.*



# SOCIETY *Creating a positive impact*

*We believe that the true worth of an organisation comprises more than just its business achievements. The service it renders to society bestows great value on the organisation itself. We are committed to creating a responsible leadership that has a positive impact on society, and helps solve its most challenging issues. In 2009, HUL contributed INR 30 crores towards community related initiatives. Our contribution in 2009, went either to long-term community investment partnerships or to commercial initiatives, with mutual benefits for both our business and our partners.*

The United Nations reports that people need a minimum of 50 litres of water a day for drinking and other basic needs. In India, more than 50% of the population lives on less than 10 litres of water a day.

Approximately 70% of the total water is consumed by the agriculture sector. India is an agri-economy, and as its population grows, there will be an increase in water consumption by the agriculture sector. These issues are likely to be exacerbated by climate change, making access to water an issue for farmers and society.

## WHAT WE DO

We have identified water conservation as an issue we would like to focus our energies on. We are working in close partnership with our stakeholders to conserve precious drops of water.

Water management has been a key area of focus for HUL across the entire value chain. We are also engaged in community projects to conserve water.

We aim to conserve more than 20 billion litres of water by 2015.

## WATER

We will conserve water by working on a wide range of locally relevant initiatives and partnerships for water conservation and spread awareness about the issue amongst our consumers and communities. We are working with specialised NGO partners in the field of water conservation, and use various models with specific performance indicators and evaluation procedures.

We began this journey seven years ago to build

our learning. Since then, we have been engaged in successful projects on water conservation across different terrains in India which face acute shortage of water.

### Successful water conservation pilot projects

*Project Khamgaon:* Dry arid barren region in Maharashtra

*Project Silvassa:* The tribal zone with village hamlets in Dadra & Nagar Haveli

*Project Puducherry:* Restoration of natural tanks and other water bodies in Tamil Nadu.

### Project Khamgaon:

Seven years ago, our team from the Khamgaon factory started a pilot watershed management project, on a five hectare plot, to prevent soil degradation and to conserve water. The selected

area was located in a dry and arid region of Maharashtra. The efforts have resulted in the creation of a green belt, which is now a veritable forest with about 6,300 trees. Encouraged by the results, we extended the model to a neighbouring village, Parkhed, in association with The Energy and Resources Institute (TERI) and BAIF Development Research Foundation. The community at Parkhed constructed 47 percolation bunds, 1,600 trenches, 6,000 running metres of continuous contour trenching over 100 hectares and five permanent check dams. More than 350 families are reaping the second crop, which is made possible by the check dams.

The total land under cultivation during the second crop season is approximately 470 acres.

The annual income of the farmers in the vicinity of the five check dams has increased from an average of INR 36,000 to approximately INR 85,000, per farmer. This success has been attributed to the availability of well water during the Rabi season and an increase in the water level during the Kharif season. Hence, along with reaping a Rabi crop, the farmers have also been able to almost double the yield of the Kharif crop. This initiative received appreciation at the Johannesburg World Summit on Sustainable Development.



Project Khamgaon  
before  
&  
after intervention



### Address water-related issues through our growth enablers

### Beneficiary stakeholders

	Brands	People	Processes	Society
Grow markets responsibly	Our brands will enable consumers to reduce their water usage <b>Eg: Surf Excel</b>	Helping our employees understand the issue of water sustainability	Engaging with our business partners to create awareness about water sustainability	
Ensure sustainable practices	Sustainable sourcing of agri-based products for water conservation	Address the health issues our society faces due to water quality through <b>Pureit</b>	Reduce, Reuse, Recycle, and Recharge water in all our own manufacturing sites. <b>Reduced water usage by 31%*</b>	
Responsible leadership	Lead water conservation in villages / towns Khamgaon, Silvassa, Puducherry	Advocate water sustainability values to future leaders	Engage with industry on water sustainability issues	

\* measured per tonne on 2004 baseline



### Project Silvassa:

In April 2004, Vanarai and HUL started a project in Karchond and later in Dapada, Pati, Sindoni, and Silvassa. Till March 2010, the project has made an impact on water and soil conservation. The project has ensured sustainable development of water and land resources, locals have attained self-sufficiency in basic needs of food, water, fodder and fuel, and local employment opportunities have been generated through increased economic activity. The other highlights are:

- More than 67 million litres of water have been harvested since 2004
- Additional income of INR 160 lakhs was accrued to villagers during project period
- 325 families have benefited under various programmes, 130 families now have access to the public toilet facility
- Soil conservation treatment has been carried out on 282 hectares of land
- 12,000 mango seedlings have been planted
- 22 borewells and 20 open wells were recharged

### Project Puducherry:

In 2008-09, HUL's Puducherry unit partnered with DHAN Foundation, Madurai and identified eight village ponds for renovation to enhance the water availability. One of the unique aspects of the project was to form social capital by organising villagers into pond association and empower them to execute the physical renovation work. The pilot project has improved water availability

in eight village ponds by harvesting monsoon run-off. Rainwater harvesting storage of 22300 cu. meter has fulfilled the multiple domestic needs of 4519 households in eight hamlets and 346 acres are now irrigated due to the rejuvenation of ground water.



### LIVELIHOODS

Enhancing livelihoods has been another focus area. We have developed innovative distribution channels, like Shakti, based on micro-enterprise models as part of our business process. We have also implemented community initiatives to enhance livelihoods with NGO partners, such as:

- Enhancing livelihoods of 75,000 poor women in partnership with DHAN Foundation
- Enhancing livelihoods in Dadra & Nagar Haveli

through vocational training for 1080 tribal youth. This programme was to complement and expand our impact in the region through the existing water conservation project.

### Project in partnership with DHAN Foundation:

75,000 women from rural, urban, tribal, or coastal areas in the south were given information on how to pool in their own savings, access bank resources and identify commercial activities based on their skills and local market potential. Their activities mobilised more than INR 52 crores and generated an incremental income of INR 18 crores.

### Project in partnership with Aide et action:

With Aide et Action we have set up iLEAD centers for the youth in Silvassa, offering vocational courses like tailoring, basic knowledge about computers, electrical wiring, etc.

As of now, 60% of the trained students have been successfully placed in different organisations in the region. Young women like Vimala Chatta, who is a Class 2 dropout, today earns INR 3000 a month because of the tailoring skills she picked up in an iLEAD course.



Deepak Pargi learnt how to use Photoshop and started his own photo studio at Surangi.

The short term courses offered by iLEAD are attuned to the demands and needs of the industry leading to more relevant employment opportunities, thus leading to higher returns. This is a win-win model for local communities and businesses. What is remarkable is that the youth from the iLEAD programme are pitching in by mobilising new trainees, and providing necessary counselling about taking up jobs outside their village through an alumni association they set up!

Youngsters are also given necessary space and advice when they want to establish their own enterprises.



two mobile vans equipped with basic medical equipment and a specialised team comprising one male and one female doctor, two nurses, a medical attendant and drivers. On an average, 400 Sanjivini medical camps are conducted every year in remote villages surrounding our factory. The project is run in close co-ordination with the local administration and its progress is reviewed every quarter.

### Assisting women through education

*Fair & Lovely Foundation:* Scholarships of up to INR 1 lakh have been awarded to those women who do not have the financial strength to realise their dreams, but have the aptitude, drive, and ambition to carve a place of pride for themselves in society. The scholarship which was awarded only to postgraduate studies has now been extended to graduate students as well. Since 2003, more than 790 scholarships have been awarded to women across India.

### Disaster relief and rehabilitation

*Floods, Bihar, 2008:* We contributed 10,000 kits worth INR 60 lakh as the first installment of material for immediate relief of the flood affected families in Araria District in Bihar. The kit contained essential items such as utensils, clothes, blankets, and other useful material. In all, 12 truckloads of material were distributed to the affected families under the guidance of the Araria District Magistrate. A sum of INR 84 lakh was contributed by HUL and our employees to rehabilitate the underprivileged amongst the flood-affected families in the village of Jorgama, Madhepura district, Bihar. The project aims at the



## OTHER COMMUNITY INITIATIVES

### Providing healthcare

*Sanjivani Mobile Medical Facility:* We started Sanjivani, a mobile medical service in 2003, to offer effective medical care in villages surrounding our Doom Dooma factory in Assam. The objective has been to meet the basic medical needs of people living in the remote villages in Assam through a free mobile medical facility.

Apart from basic medical services, Sanjivani also spreads awareness about hygiene, child immunisation, family planning etc. The project covers a radius of 40 km around the factory with





construction of 100 disaster proof houses for the purpose of rehabilitation.

*Tsunami, South India, 2006:* We contributed over INR 10 crores towards the relief and rehabilitation of tsunami-affected families by way of providing relief material, land, and construction of facilities. We distributed nutritional and personal hygiene products worth INR 5 crores for immediate relief to the needy soon after the tsunami hit the region. Later, pursuant to a request from the Government of Tamil Nadu about the urgent need for housing the affected families, we donated 5.27 acres of land (market value on a conservative basis is INR 4.5 crores) at Tondiarpet, Chennai, to the government. The complex has 960 permanent houses spread over 5.27 acres of land. Our employees also made a contribution of INR 50 lakhs which was used to construct the facilities in the complex.

### **Caring for the vulnerable**

*Asha Daan:* In 1976, HUL provided a 72,500 sq. ft plot for setting up Asha Daan in the heart of Mumbai. This home is supported by the Missionaries of Charity and cares for abandoned and challenged children, victims of HIV, and the destitute.

We bear the capital and revenue expenses for maintenance, upkeep, and security of the premises.

The needs of the abandoned/challenged children are met by the Sisters of the Home. Special classes are arranged that teach the children basic skills, physiotherapy, etc. Whenever necessary, we also arrange for corrective surgery in city hospitals. In 1995, we were able to open a ward for female HIV positive patients, which was one of Mother Teresa's dearest desires.







### Awards & Recognitions (2009)

- ★ Awarded top Indian company in the 'FMCG' sector for the third consecutive year at Dun & Bradstreet-Rolta Corporate Awards



*The nectar from the flowers  
the bee takes is returned manifold  
as honey and wax.*



*Inspired by this, we continue to research,  
innovate, deliver returns, and ensure  
sustainable growth for all our stakeholders.*



# INVESTORS

*Ensuring returns through sustainable growth*

*The company created history when it was listed in the Bombay, Calcutta, and Madras Stock Exchanges in 1956 and offered 10% of its equity to Indian shareholders. It became the first subsidiary of a foreign company in India to offer equity to the Indian public. Today, HUL shares are listed on the Bombay Stock Exchange and the National Stock Exchange.*

## WHAT WE DO

With our portfolio of strong brands, our presence across the country, and our long-standing commitment to 'shared value creation', we believe we can achieve our most ambitious goals.

We ensure a successful future by adopting good governance practices and embedding the principle of sustainability in all our business strategies.

## WELL-POISED FOR GROWTH

Our brands – Lifebuoy, Lux, Surf Excel, Rin, Wheel, Fair & Lovely, Sunsilk, Clinic, Close-up, Pepsodent, Lakme, Brooke Bond, Kissan, Knorr, Annapurna, Kwality Wall's, and many more – are household names across the country and

span many categories, such as soaps, detergents, personal care, tea, coffee, staples, ice-cream and culinary products.

Seven hundred million consumers use HUL brands<sup>1</sup> in India in their daily lives. We hold leading market positions in most of the categories we operate in. We are market leaders in terms of value share in eight categories and a strong number two in three others<sup>2</sup>.

We have an extensive distribution network covering 6.3 million retail outlets, including direct reach to over one million outlets.

Our structure is designed to infuse speed and flexibility in decision-making and implementation, with empowered managers across the company's nationwide operations.

## CORPORATE GOVERNANCE

Success, we believe, requires us to display the highest standards of professional behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact. This is our road to sustainable, profitable growth, and long-term value for our shareholders, our people, and our business partners.

Hence, our foundation is rooted in stringent corporate governance principles of fairness, transparency, and accountability. Being ethical is not only the right thing to be, it is also a good business practice and leads to more successful and profitable operations.

<sup>1</sup>Indian Readership Survey, 2006

<sup>2</sup>A.C Nielsen-2009 value shares

Our Code of Business Principles (CoBP) lays down the framework of standards within which we work. It supports our approach to governance and corporate responsibility.

With respect to shareholders, the CoBP states that we will conduct our operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular, and reliable information about our activities, structure, financial situation, and performance to all shareholders.

Our approach, governance structure, corporate policies, internal controls and risk management are discussed in detail in our annual financial report.

## REWARDING SHAREHOLDERS

At HUL, we believe in creating long term value for our shareholders. HUL has a history of consistent dividend payment to its shareholders.

As on March 31, 2010, HUL has over 3.5 lakh shareholders, of which more than 3.4 lakh are retail investors.

To mark the completion of the 75th year of our operation in India, HUL, in 2007, declared a special Platinum Jubilee Dividend to the shareholders at the rate of INR 3 per share. A share buy-back scheme, announced in the same year, further strengthened the Earning Per Share (EPS) for the shares of the Company.

For 2009-10, HUL has declared a total dividend of INR 6.5 per share of INR 1 each.

## Earnings & Dividend Per Share (INR)



## COMMUNICATION TO SHAREHOLDERS

Effective communication of information is an essential component of corporate governance. It is a process of sharing information, ideas, thoughts, opinions and plans to all stakeholders, and promotes management-shareholder relations. HUL regularly interacts with shareholders through multiple channels of communication, such as the results announcement, annual report, media releases, company website and other subject specific communications. Quarterly, half-yearly and annual results are published in leading newspapers. The results are also made available on the website [www.hul.co.in](http://www.hul.co.in). The website also has vital information related to the company, official press releases and presentations for analysts.

The Annual General Meeting of Shareholders is an important annual event where the shareholders of the Company come in direct

communication with the Board of Directors and management. The Board engages with shareholders and answers their queries on varied subjects whether relating to financials, performance of the Company or otherwise.

## INVESTOR SERVICES: ALTERNATIVE DISPUTE REDRESSAL

In 2004, HUL pioneered the mechanism of providing an alternate redressal system for shareholders to resolve shares-related disputes pending before the parties by amicable settlement. We started the unique initiative of organising Alternative Dispute Redressal Meetings wherein aggrieved investors could get a chance to settle their disputes, some of which were pending for years.

HUL has engaged the services of retired judges to preside over the meetings in order to give a fair view to each case. A number of shareholders have availed the benefit of this process. Through our various initiatives we keep exploring the possibilities of settling such issues. The process helps the investor release the locked-up investment and save their time from being consumed in contesting legal proceedings. The objective of this process is to facilitate a quick resolution between the parties.

## EMBEDDING SUSTAINABILITY IN BUSINESS STRATEGY FOR LONG-TERM RETURNS

Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks



deriving from economic, environmental, and social developments.

Companies that wait to be forced into action, or those who see sustainability solely in terms of reputation management will do too little too late and face challenges in the future.

We've always believed in doing the right thing, and in the power of our brands when it comes to improving the quality of people's lives. As our business grows, so do our responsibilities. We recognise that global challenges such as climate change concern us all. Analysing and remedying the wider impact of our actions is embedded in our core values and is a fundamental part of who we are. We have embedded the principle of sustainability in our business strategy and our approach towards sustainability is expressed in the strategy section of the report.

### EXTERNAL RECOGNITION

In 2008, HUL was in the top five of Standard & Poor's Environment, Social and Governance India Index, which measured 50 companies from a pool of 500 Indian companies that had the highest score in terms of environmental, social, and corporate governance responsibility.

In 2009, Unilever and HUL have both been named in the Forbes 'Top 100 Most Respected Companies' list for the first time in the survey's four-year history.

We feel proud to belong to a company whose visionary founders had laid the foundation for good governance several decades ago. Our parent company, Unilever, is a recognised

leader in sustainability. It has led the food sector of the Dow Jones Sustainability Index for the last 11 years.

Unilever has been named in the 2009 World's Most Ethical (WME) Companies list. The ranking, awarded by the Ethisphere Institute, evaluated a record-breaking 10,000 companies from more than 100 countries, and over 35 industries. Unilever topped the latest Tomorrow's Value Rating, which assesses the sustainability of the world's top ten companies in the Food & Beverage sector.



*'The long-term strategy and roadmap provides a comprehensive approach towards meeting future sustainability challenges, especially with respect to resources such as water and energy.'*

**- Shirish Sinha, Head Climate Change & Energy Programme, WWF**

*'We are happy with the focus on linking the business processes with corporate responsibility. Social impact has to be central to business processes, which is brought about by HUL's strategy. Corporate responsibility via business strategies is the way forward.'*

**- Ibrahim H. Rehman, Director, Social Transformation Division, TERI**

*'The tying up of your strategic threads is excellent. Ensure that you carry it through action!'*

**- George C. Varughese, President Development Enterprises, Development Alternatives**

# INDUSTRY AND BUSINESS ASSOCIATIONS

HUL holds a membership in many industry and business associations whose activities are related to the Company.

- Advertising Standards Council of India (ASCI)
- Associated Chamber of Commerce and Industry of India (ASSOCHAM)
- Bombay Chamber of Commerce and Industry
- British Business Group
- Centre for Macro Consumer Research for Business Strategy and Public Policy, National Council of Applied Economic Research (NCAER)
- Centre for Science and Environment
- Centre for Social Markets
- Confederation of Indian Industry (CII)
- Expert Committee on HRD and Labour Laws, Associated Chamber of Commerce and Industry of India
- Federation of Indian Chamber of Commerce and Industry (FICCI)
- FMCG Committee, Confederation of Indian Industry
- Food Processing Committee, Federation of Indian Chamber of Commerce and Industry
- Indian Soap & Toiletry Makers Association (ISTMA)
- Indian Society of Advertisers (ISA)
- National Committee on Accounting Standards & Company Law, Confederation of Indian Industry
- National Committee on Food Processing, Confederation of Indian Industry
- Rural Sub-Commission, Confederation of Indian Industry
- Sustainable Development Committee, Bombay Chamber of Commerce & Industry

## Public policy engagement

We strive to be trusted members of society wherever we operate, working transparently with governments and other partners to fulfill our responsibilities and achieve our goals. We engage with the government in developing new laws and guidelines such as food laws, tax laws etc. Our Code of Business Principles guides all aspects of our conduct internally and also with external parties.





# GLOSSARY OF ACRONYMS AND DEFINITIONS USED IN THE REPORT

Terms suffixed with \* indicate that their usage is specific to HUL

<b>ASCI</b>	Advertising Standards Council of India
<b>ASSOCHAM</b>	Associated Chamber of Commerce and Industry of India
<b>BIS</b>	Bureau of Indian Standards
<b>CDM</b>	Clean Development Mechanism
<b>CEO</b>	Chief Executive Officer
<b>CFC</b>	Chlorofluorocarbon
<b>CII</b>	Confederation of Indian Industry
<b>CoBP*</b>	Code of Business Principles
<b>CR</b>	Corporate Responsibility
<b>CSHEC*</b>	Central Safety, Health and Environment Committee
<b>Cu. M or m3</b>	Cubic metre
<b>DSHEC</b>	Divisional Safety, Health and Environment Committee
<b>FDI</b>	World Dental Federation
<b>FICCI</b>	Federation of Indian Chamber of Commerce and Industry
<b>FMCG</b>	Fast Moving Consumer Goods
<b>FWS*</b>	Unilever's Safety, Health and Environment Framework Standards
<b>GHG</b>	Greenhouse Gas
<b>GJ</b>	Gigajoule
<b>GPS*</b>	Global People Survey
<b>GRI</b>	Global Reporting Initiative
<b>HC</b>	Hydrocarbon
<b>HFC</b>	Hydrofluorocarbons
<b>HIV / AIDS</b>	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
<b>HPC*</b>	Home and Personal Care
<b>HR</b>	Human Resources
<b>HRD</b>	Human Resource Development
<b>HUL*</b>	Hindustan Unilever Limited
<b>INR</b>	Indian National Rupees
<b>ISA</b>	Indian Society of Advertisers
<b>ISO</b>	International Organization for Standardization
<b>ISTMA</b>	Indian Soap & Toiletry Makers Association
<b>IUF</b>	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
<b>Kcal</b>	Kilocalorie
<b>Kg</b>	Kilogram
<b>KPI</b>	Key Performance Indicator
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MC*</b>	Management Committee

<b>NCAER</b>	National Council of Applied Economic Research
<b>NEERI</b>	National Environment Engineering Research Institute
<b>NGO</b>	Non-Governmental Organization
<b>NIE</b>	National Institute of Epidemiology
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>PVC</b>	Polyvinyl Chloride
<b>R&amp;D</b>	Research and Development
<b>RA</b>	Rainforest Alliance
<b>RDA</b>	Recommended Dietary Allowance
<b>RSPO</b>	Roundtable on Sustainable Palm Oil
<b>SAM*</b>	Safety Action Meetings
<b>SEAC*</b>	Safety and Environmental Assurance Center
<b>SGC or GC*</b>	Sustainability Governing Council or Governing Council
<b>SHG</b>	Self Help Groups
<b>SIMAS*</b>	Safety in Manufacturing and Supply
<b>TERI</b>	The Energy and Resources Institute
<b>TNPCB</b>	Tamil Nadu Pollution Control Board
<b>TPM</b>	Total Productive Maintenance
<b>TPM EDGE*</b>	Total Productive Maintenance - Every Day Great Execution
<b>TSDF</b>	Treatment, Storage and Disposal Facility
<b>UNGC</b>	United Nations Global Compact
<b>UNICEF</b>	United Nations Children's Fund
<b>USA</b>	United States of America
<b>USHEC</b>	Unit Safety, Health and Environment Committee

## ENVIRONMENTAL DATA

<b>Boiler/ utilities SOx</b>	Oxides of Sulphur. This air emission parameter is calculated from the total mass of fuel consumed, and its sulphur content, and is expressed in terms of a mass of sulphur dioxide (SO <sub>2</sub> ).
<b>COD</b>	Chemical Oxygen Demand. COD is the key parameter for measuring the organic pollution of the wastewater and is measured in terms of the oxidisable material present.

<b>CO<sub>2</sub> from Energy</b>	Carbon dioxide. CO <sub>2</sub> from energy load has been calculated from the source energy data using internationally accepted conversion factors derived from the Greenhouse Gas Protocol website. See: <a href="http://www.ghgprotocol.org/calculation-tools/all-tools">http://www.ghgprotocol.org/calculation-tools/all-tools</a>
<b>ODP</b>	Ozone Depleting Potential. Ozone depleting substances (ODS) are compounds mainly used as refrigerants and have the potential to deplete the ozone layer. We report the annual quantity of ODSs emitted to the atmosphere including losses, for example, due to leaks or maintenance (which is subsequently topped up) and emissions to the atmosphere not replaced, for example, when a unit is decommissioned and for some reason the refrigerant is not recycled. The source data we use is from the Environmental Protection Agency (EPA) website for some of the single source refrigerants (R-11, R-12, R-113) – see values in <a href="http://www.epa.gov/ozone/ods.html">http://www.epa.gov/ozone/ods.html</a>

## OCCUPATIONAL SAFETY DATA

<b>Fatality</b>	Incidents of occupational injury or work related illnesses which result in death in the course of employment.
<b>Hazard identification</b>	Proactive identification of unsafe conditions.
<b>Near miss</b>	An unplanned single event without loss that has the potential to result in human injury or loss of property.
<b>Safety contacts</b>	Pro-active identification of unsafe acts and methodological process of engaging with employee to prevent recurrence. Also known as Safety Behaviour Observation (SBO).
<b>TRFR</b>	Total Recordable Frequency Rate. It is tracked for employees on duty and covers workplace accidents, excluding those cases that require simple first aid treatment. It is expressed as a rate per one million hours worked.

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Indicator not material		- Indicator Protocol: EC4	

-\*HUL Annual Report, 2009-10 can be downloaded from <http://www.hul.co.in/investorrelations>

- Awards and Recognitions are mentioned at the beginning of respective sections in the report

- For information on GRI G3 Guidelines visit <http://www.globalreporting.org> and for UNGC principles visit <http://www.unglobalcompact.org>

# ABOUT THE REPORT

This is HUL's first Sustainable Development Report. The essence of our commitment towards responsible operations is captured through our sustainability strategy. Our stakeholder centric approach is represented in the flow of this report, where through each stakeholder section we present our approach towards them.

The report addresses the United Nations Global Compact (UNGC) principles. A reference table for UNGC principles and Global Reporting Initiative's G3 Sustainability Reporting Guidelines is also provided in the report for comparability. The sustainability performance indicators presented in the report capture data on performance through the calendar year 2009. Financial indicators are an exception and represent data for the financial year 2009-10 as per our annual report. While we transparently showcase the impact across our value chain,

the data on environmental and safety performance is limited to our own operations.

We are committed to communicating our sustainability performance through detailed Sustainable Development Report biennially and an update on our commitments through our Financial Report annually. We will be pleased to have your views on our first Sustainable Development Report. Please send your feedback to [Corporate.Communication-Hul@unilever.com](mailto:Corporate.Communication-Hul@unilever.com).



*The report is based on inputs provided by the Sustainability Governing Council members. The final report has been approved by the Management Committee of the company. All photographs used in the report reflect genuine activities of the company and were taken for the purpose of this report or for general internal communication.*

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