

## COMMUNICATION OF PROGRESS

### UN Global Compact Principles

**Principle 1: Business should support and respect the protection of internationally proclaimed human rights**

**Principle 2: Business should ensure that they are not complicit in human rights abuses**

Unilever Code of Business Principle is lived by all HLL employees in their day-to-day activities (ref.: [http://www.hll.com/HLL/knowus/corp\\_businessprin.html](http://www.hll.com/HLL/knowus/corp_businessprin.html)). As elaborated in the Standard of Conduct, we conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We similarly respect the legitimate interests of those with whom we have relationships.

Hindustan Lever's Corporate Purpose states, "to succeed requires the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live." This behavior is guided by the following values that all the constituents of the company adhere by;

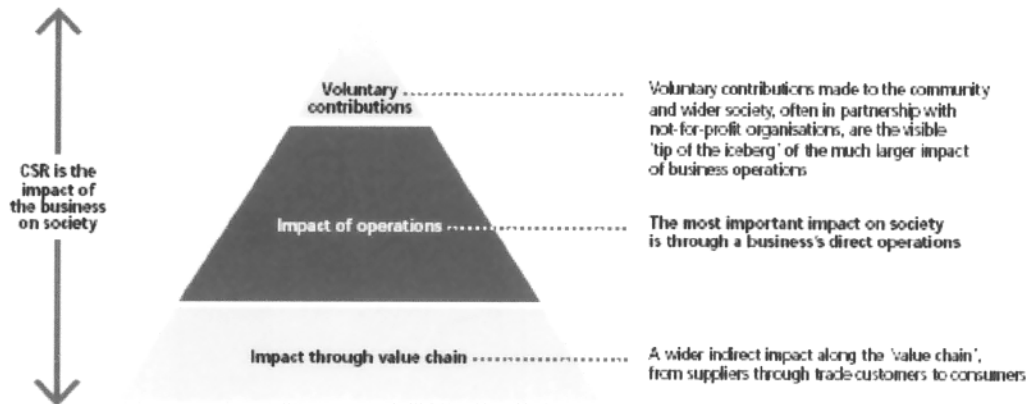
- Courage
- Truth
- Action
- Caring

Hindustan Lever Limited's (HLL) approach to Corporate Social Responsibility is rooted in the Corporate Purpose and the values. CSR, at HLL, covers the company's interaction with and impact on, society in three distinct areas (ref: <http://www.hll.com/HLL/reachingout/communitydev.html>) these are:

- The company's own operations;
- The company's relationships with its business partners through the value chain; and
- The voluntary or philanthropic contributions it makes to communities.

This has been visualized (ref: Unilever Social Review 2000) as follows;

### Three levels of corporate social responsibility



HLL thus believes CSR should be seen as a core business activity.

In a developing country like India, there is a need to recognize the right of the underprivileged to participate in economic activity. HLL has done so and Project Shakti is one of its initiatives to usher prosperity and uplift the standard of living in rural India. The objectives of Project Shakti are

- to create income-generating capabilities for underprivileged rural women by providing a tiny enterprise opportunity, and
- to improve rural living standards through health and hygiene awareness.

The Rajamma story illustrates this. HLL has trained underprivileged rural women as “Shakti Entrepreneurs”, who sell the company’s products in the villages of states like Andhra



Rajamma, a fifty-year-old widow, struggled to keep the fires burning and put her son through school. Her life was mired in innumerable financial problems. In a village where agriculture is the main occupation, Rajamma’s family worked in the fields for their livelihood. Little monsoon over the years and the abysmally low income had forced them to the brink of an impoverished existence. Prepared to save her family at all costs, when Rajamma heard about **Project Shakti**, she decided to become a Shakti Entrepreneur. Although she started her business with a small loan, her efforts paid off very quickly and peace and prosperity have smiled down upon her family. Her son has now joined her in her efforts to sell products door to door and to retailers in their villages and in the surrounding ones. The monthly income of nearly Rs.1700, Rajamma avers, has helped usher satisfaction and happiness into her life and has truly blessed her home.

Source: <http://www.hllshakti.com>

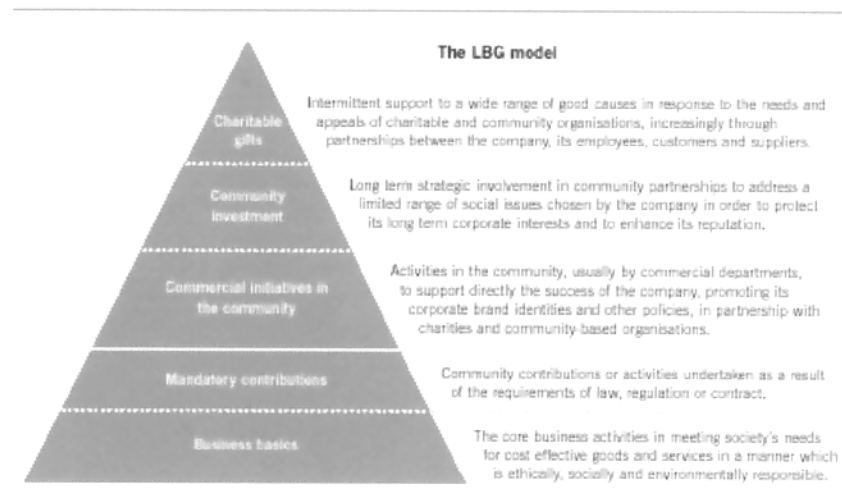
Pradesh, Madhya Pradesh, Karnataka, Orissa, West Bengal, and Gujarat. Currently, around 13,000 “Shakti Entrepreneurs” operate across 12 states of the country covering more than 60,000 villages and selling to 70 million consumers. This has been achieved in cooperation with over 300 organisations including NGOs, banks and both state and local government departments who recognize the potential for economic growth by encouraging women to become entrepreneurs.

Another HLL initiative, Shakti Vani is a communication program that spreads awareness of best practices in health and hygiene. Local women are appointed as Vanis, and trained on matters relating to health & hygiene. They use specially designed communication material, such as pictorial literature, and spread awareness at SHG meetings, school contact programs, and other social fora. The Vani project is currently operational in the states of Madhya Pradesh, Chattisgarh, and Karnataka. HLL aims to cover 50,000 villages through the Vani program in 2005. In order to impact both livelihood opportunities and living standards of rural communities iShakti a rural community portal has been developed to provide information and services to meet rural needs in agriculture, education, vocational training, health and hygiene. iShakti provides need-based demand driven information and services across a large variety of sectors that impact the daily livelihood opportunities and living standards of the village community. 400 iShakti kiosks have been set up in Andhra Pradesh in partnership with APOnline, a government initiative. HLL plans to set up 3500 iShakti kiosks by the end 2005. To catalyze overall rural development, HLL hopes to collaborate with mainstream institutions (both corporate and not-for-profit organizations) that are experts in agriculture, health, insurance, financial services and education. Project Shakti is unleashing the potential of rural India, and thus changing lives. It is ushering in prosperity and more importantly, self-respect.

HLL also undertakes community development for which it has identified focus areas. They contribute to the provisioning for human dignity of society in the areas of:

- Health and Hygiene
- Women Empowerment
- Environment – Water
- Livelihoods

Generally, community involvement initiatives of HLL are in areas, adjacent to the company's factories or plantations, or cities where HLL establishments are located. Issues and needs are also identified on the basis of feedback from local management. These help the continued involvement of the company's employees in such initiatives. The flavor of our involvement in communities can be understood through the London Benchmarking Group Methodology which is the approach used by Unilever



HLL evidences the entire spectrum of association that is depicted above. Some of its initiatives can be visited at [http://www.hll.com/citizen\\_lever/index.asp](http://www.hll.com/citizen_lever/index.asp) and include

- Lifebuoy Swasthya Chetana: the single largest rural health and hygiene educational program in India covering more than 18000 villages in 8 states
- Fair and Lovely Foundation: Economic Empowerment of Women
- Greening Barrens: Water Conservation and Harvesting around our factories in Buldhana district of Maharashtra and Silvassa of Dadra and Nagar Haveli Union Territory
- Happy Homes: Special Education and Rehabilitation in Mumbai, Assam and Tamil Nadu
- Yashodadham: Reconstructing earthquake impacted homes of a village in Kutch district of Gujarat
- Vindhya Valley: Providing support to state level Government organizations in Madhya Pradesh to regenerate rural livelihoods
- Rickshaw Bank: Resources for Livelihood development in North East India

**Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining**

**Principle 4: Business should support the elimination of all forms of forced and compulsory labour**

**Principle 5: Business should support the effective abolition of child labour**

**Principle 6: Business should support the elimination of discrimination in respect of employment and occupation**

The company provides direct employment to more than 35,000 people. Apart from this through suppliers, third parties, transporters etc it indirectly provides a source of livelihood to more than 180 thousand people. Apart from this company's initiatives such as HLL Network provide income-generating opportunities to about 275 thousand people.

With respect to employees our Code of Business Principles states;

“Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We maintain good communications with employees through company based information and consultation procedures. We will not use any form of forced, compulsory or child labour. In our business dealings we expect our partners to adhere to business principles consistent with our own.”

These principles have been actioned through

1. Employee Relation Guidelines, formalized in 2004, which have been disseminated across all units of the company.

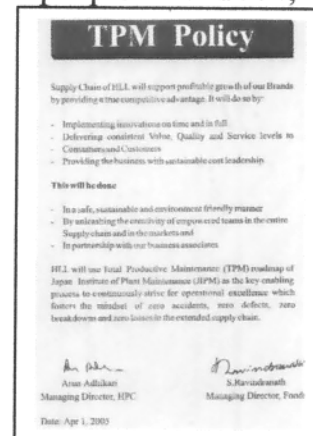
These are followed up and monitored through a ‘Dashboard’ that reviews various parameters highlighted in the guidelines –

- The quantitative cluster on Productivity, Quality, Safety, Cost, Delivery and Morale
- The qualitative cluster includes the following;
  - Values: Directed to mould behavior, which visibly demonstrates values in day-to-day activities.
  - Communication : To make sure that the employees in the unit are aware of the business priorities and concerns and share a feeling of ownership in dealing with these concerns. It is also aimed at achieving a level of interaction that enables early problem identification and resolution. Effective communication is intended to build visible approachability and transparency in the unit’s culture
  - Performance Development Planning (PDP) implementation: The process contributes towards aligning every employee’s objectives to the unit and the organization objectives. It motivates managers and officers towards delivery of stretch targets, individual skill and competency development and career management. This is achieved through effective target setting, monitoring performance against targets, development of action plans based on skill and competency gaps and expression of career choices. Ensuring the timeliness, coverage and rigor of the PDP process makes the process meaningful, and gives the benefits mentioned above. It helps in identification of high potential resources, who can

then be given differential inputs to prepare them for higher responsibilities

- Employee Engagement : This aims at creating alignment between an employee's goals and the organisational/unit goals. It is also intended to create a culture of team spirit in the unit
- Innovation : It aims to make sure that the unit is effectively leveraging technology in different systems and processes. Technology is not just IT, but various tools, techniques, etc which can be used to better existing systems and procedures. Innovation can be in terms of implementing a new strategy, tool, system or procedure in the unit, or even in terms of applying a concept used in another unit effectively. Innovation involves learning from best practice sharing

- 2 A policy on TPM (Total Productive Maintenance), which extends beyond manufacturing into the extended supply chain. The policy focuses on achieving supply chain excellence in a safe, sustainable and environment friendly manner and by unleashing the creativity of people. Till 2004, TPM has been initiated on 27 manufacturing locations and 3 sales branches and during the year 2004 , 3 sites received the Consistency award and 6 sites (including a sales branch) received the Excellence award from Japan Institute of Productive Maintenance, Japan .TPM process was initiated in Japan in 1970's and HLL has first adopted this process in mid 90's. It has enabled HLL to create a work culture where employees participate and contribute in creating world-class products while applying TPM tools to hone their skills and in the process earn the respect of their colleagues and society



3. Our vision is to be an injury free organization. Our principles require that safety be integrated with business process to ensure safe and healthy working conditions for all employees. HLL's Safety and Health Policy has been rolled out across all units and offices (ref: [http://www.hll.com/HLL/knowus/corp\\_safetynhealth.html](http://www.hll.com/HLL/knowus/corp_safetynhealth.html)). Safety, Health and Environment aspects are led at Corporate level by a Central Safety, Health and Environment Committee comprising of business / functional Directors / Heads. Implementation is through line organisation with involvement of all levels in the organisation.

The Policy applies at

- All own/leased sites – Manufacturing, Research/Innovation, Offices, Depots, Warehouses

- In-house purchased services i.e. canteen, travel desk, IT implementation etc.
- Sites of associates with HLL holding > 24% while carrying out operations of making, handling, using, transporting, selling or disposing off of our products

The Policy applies to

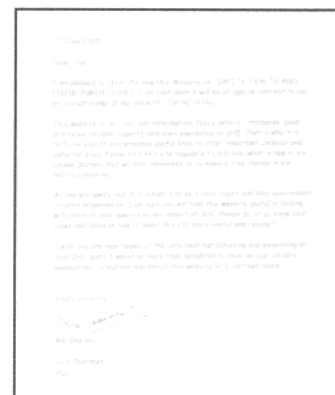
- All employees at work anywhere
- Contractors and visitors while at our sites

The situations where it applies are

- At work (our employees, contractors and visitors)
- Travel between home and work of our employees
- Business related travel including stay out of headquarter
- All Company organised business events i.e. training programmes, conferences, business related get-togethers, annual sports etc.

Parameters measured include number of ‘safety contacts’ and ‘Safety Behavioral Observations – SBOs’ made by officers and managers, proactive hazards identification and mitigation, Safety Action Meetings conducted, First Aid cases, Medical Treatment cases, Restricted work cases, Loss time Accidents, All Injury Rates.

Safety, Health and Environment are related with the value of “caring” at HLL and there have been efforts to make the concept and practices accessible to all employees through a new website which has been launched by the company



- 4 Diversity at HLL considers the participation of women as also nationalities among the employees. Thus in 2004, we had more than half of our employees as women and employees from 8 nationalities in our work force. Increasing representation of women, especially among the Managers, is the key thrust of our HR strategy. The board of the Company is directly involved in managing and reviewing the progress against this thrust. Special measures are being undertaken to improve the number of women managers. These measures include:

- Board members directly interact with women managers to understand their specific needs and build greater sensitivity within the organisation towards women.

- Focus on women while recruiting/placing in certain specialisation areas, e.g. Personal Products, Marketing, HR.
  - Building awareness and developing flexible policies.
  - Special mentorship programme for women managers.
- 5 Freedom of association is practiced in the company and more than 75 % of the employees are members of unions
- 6 A quality framework has been developed and enshrined in the Quality Policy (ref.:[http://www.hll.com/HLL/knowus/corp\\_quality.html](http://www.hll.com/HLL/knowus/corp_quality.html)). Our Quality Policy, besides responding to consumers, also equips employees to fulfill HLL's legal and statutory obligations. The Policy also articulates applicability to production from HLL's own facilities as well as production that is outsourced, thereby extending the quality standards to contract manufacturers. The company has delegated authority and responsibility for dissemination and implementation of this policy to each Business and Unit Head. HLL has an elaborate system of redressing consumer complaints. When a complaint is received, a member of the company's sales force visits the consumer concerned, collects the pack in question, and recompenses the consumer with two fresh packs of the same product. The pack in question is then sent to the respective category's quality assurance department, analysed and a feedback is given to the consumer concerned. Consumers can write in by postal mail, and also by electronic mail through the company's website, [www.hll.com](http://www.hll.com). HLL uses **Daffodils - Consumer Complaint Handling and Management System** – a unique system for managing Consumer Complaints. This system is being used to record all consumer complaints across the detergents and personal products businesses.

**Principle 7: Business should support a precautionary approach to environmental challenges**

**Principle 8: Business should undertake initiatives to promote greater environmental responsibility**

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

Our Code of Business Principles states that, “Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice”.

This is actioned by HLL's Environment Policy (ref. [http://www.hll.com/HLL/knowus/corp\\_environmental.html](http://www.hll.com/HLL/knowus/corp_environmental.html)).

HLL's National Management Committee has nominated Coordinators both at Corporate level as well as at Plant level to operationalise various aspects of the



policy. Parameters monitored include Energy, Water, COD, Hazardous Waste, non hazardous waste and Boiler SOx. refer . The Company continuously strives to develop products that reduce environmental degradation and improve eco-efficiency. HLL's products are fast moving consumer goods items, which are not hazardous to the environment or consumers either in storage or consumption.

Utmost care is taken by the company at every stage to ensure safety and environmental protection of operations. Thus for instance;

- Toxicological clearance for ingredients & packaging materials in case of foods and product clearances in case of non-food-products is the major initiative taken at HLL. Environment Safety Laboratory (ESL) clears all formulations. Only safe raw materials are used in the formulation.
- Health issues are addressed during product design stage, at the trials (machinability, storage & transit) stage, and finally during commercial production stage by way of operational control. HACCP is mandated across factories. Risk assessment is carried out before any product is rolled out.
- Consumer Safety Framework Standard has been introduced to address product safety issues and its implementation is periodically audited
- For safety during storage, the packaging development function is responsible for choosing/selecting the packing materials.
- After sales service is provided mainly for ice creams by way of control over cold chain and recently for out of home product-service (both ice creams and Tea/Coffee vending) through third party (3P) agency.
- Material Safety Data Sheets (MSDS) are made available to all users of critical inputs and they are trained on safety measures while in storage and in use.

The company also highlights environmental and health benefits in its communications. This is evidenced in;

- Surf Excel: Requires less Rinsing- water conservation
- Iodised Salt: To promote Health in terms of Iodine Deficiency in general population
- Lifebuoy: Promoting Health and Hygiene awareness

Production of our products does draw upon natural resources, either directly, as in the case of water, or indirectly, as in the case of energy. In keeping with its objective of sustainable development, HLL has taken steps to progressively reduce consumption of water and energy, ref : <http://www.hll.com/HLL/reachingout/sustainabledev.html>. During the period 1996 – 2004, HLL has achieved a reduction of 75% in the specific Water Consumption per ton of product at its manufacturing sites, through a series of technology innovations across the entire supply chain, inducting novel processing routes, adopting clean technologies and through recycle/reuse of treated effluent. Most of our factories are now 'zero liquid discharge units'. One of the

innovations to reduce water consumption is the Non Spray Drier route for manufacturing detergent powders, which was developed, in house and is widely applied in manufacture of our fabric wash powders. There is still a sizeable scope for further reduction, and HLL is actively pursuing it.

In addition, HLL is actively engaged in afforestation to increase water tables in areas near its factories. One of the best initiatives on this front is HLL's Watershed Management Project at Khamgaon factory in interior Maharashtra. With an average rainfall of just 585 mm, Khamgaon faces acute scarcity of water for agriculture and domestic consumption. The stony soil strata, low retention capacity of soil, and the undulating topography leads run-off, aggravating the water scarcity. All rivulets and canals in the area dry up, particularly during the summer months. Population pressures add to the problem.

In 1993, HLL began its initiative to develop a green belt and conserve water. A five-hectare plot within the factory premises was taken up for soil conservation and water harvesting through afforestation. Today this plot is a veritable forest of 6293 trees, including 1468 ornamental plants, 645 fruit-bearing plants and 4180 forestry species. In addition, 1000 kg of vetiver grass has been planted in the form of hedgerows and vegetative barriers.

Among the benefits as of date, there has been remarkable improvement in the quality of soil. Along with the vegetation, this has resulted in an annual conservation of approximately 8000 cubic meters of water.

A study by The Energy Research Institute (TERI) ref: [www.unilever.com/ourvalues/environmentandsociety/casestudies/water/india.asp](http://www.unilever.com/ourvalues/environmentandsociety/casestudies/water/india.asp) Greening Barrens shows that after seven years when the fruit plants start yielding, the annual revenue from scientific harvesting of fruits, fuel wood and fodder would be more than Rs.30, 000, which can partly cover the annual maintenance expenditure. Major returns can be expected after 25 to 30 years, when most of the trees are ready for harvest. Income from the sale of timber, at current market prices, can exceed Rs.25 million.

In the last two years the project has been extended beyond the factory to a nearby village Parkhed.

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

Our Code of Business Principles is a set of guidelines encompassing business operations across regions and functions and integrity is spelt into every aspect of the same. However, it is more definitive and illustrative in the context of business

- Acceptance of bribes or gratification in any other form - the prohibition is absolute, no matter if it has led to a benefit or otherwise to either party;
- Giving and receiving gifts - including 'financial accommodation' in any form of loan, guarantee, credit etc.- is prohibited to the extent it will entail a 'compromise' in the discharge of official duties and responsibilities in a fair and transparent manner.
- Bribery and gift should be circumvented in any other form, leading to or arising out of a benefit or interest of any kind.
- As an offshoot of the stricture against bribery and gifts, appointing or engaging an agent should be purely on commercial terms and duly accounted for.
- By way of its responsibility to the external environment which relies on financial information furnished by the Company, the Code prohibits undue influence in the process of audit by way of providing information, correctness of the same, co-operating in the conduct of audit and fixing of a remuneration which is commensurate with their role and responsibilities as auditors.

All employees particularly Managers are expected to avoid conflict of interest which is not confined only to pecuniary conflict. We have set examples by taking action including termination of our employees or business partners wherever cases of compromise on COBP came to light, after due investigation.

We firmly believe, that long-term business success depends to a large extent on honesty and integrity.



# Hindustan Lever Limited

## TPM Policy

Supply Chain of HLL will support profitable growth of our Brands by providing a true competitive advantage. It will do so by:

- Implementing innovations on time and in full
- Delivering consistent Value, Quality and Service levels to
- Consumers and Customers
- Providing the business with sustainable cost leadership

### **This will be done**

- In a safe, sustainable and environment friendly manner
- By unleashing the creativity of empowered teams in the entire Supply chain and in the markets and
- In partnership with our business associates

HLL will use Total Productive Maintenance (TPM) roadmap of Japan Institute of Plant Maintenance (JIPM) as the key enabling process to continuously strive for operational excellence which fosters the mindset of zero accidents, zero defects, zero breakdowns and zero losses in the extended supply chain.

Arun Adhikari  
Managing Director, HPC

S. Ravindranath  
Managing Director, Foods

Date: Apr 1, 2005