

ENHANCING  
LIVELIHOODS,  
ADVANCING  
HUMAN  
RIGHTS



Unilever

HUMAN RIGHTS REPORT 2015

# HUNDREDS OF MILLIONS

OF PEOPLE SUFFER FROM DISCRIMINATION IN THE WORLD OF WORK

SOURCE: ILO

## 1.3 BILLION

PEOPLE LIVE IN EXTREME POVERTY, SURVIVING ON LESS THAN \$1.25 A DAY

SOURCE: WORLD BANK

## 6,400

PEOPLE DIE EVERY DAY FROM OCCUPATIONAL ACCIDENT OR DISEASE, 2.3 MILLION DEATHS EACH YEAR

SOURCE: ILO

## 34 NATIONS

PRESENT AN 'EXTREME' RISK OF HUMAN RIGHTS VIOLATIONS

SOURCE: MAPLECROFT (2013)

## NEARLY 21 MILLION

PEOPLE ARE VICTIMS OF FORCED LABOUR

SOURCE: ILO

FEWER THAN

## 20%

OF AGRICULTURAL LAND HOLDINGS IN DEVELOPING COUNTRIES ARE OPERATED BY WOMEN

SOURCE: FAO

## 75% OF THE WORLD'S POOR

LIVE IN RURAL AREAS. MORE THAN HALF LACK EITHER ACCESS TO LAND OR A SECURE STAKE IN THE LAND THEY TILL

SOURCE: FAO

Paul Polman  
addressing the Third  
UN Forum on Business  
and Human Rights.



## We're pleased to share this inaugural report outlining our work on human rights.

In December 2014, I had the opportunity to address the Third UN Forum on Business and Human Rights. I approached my address to that distinguished group in the same way I approach this report: with a mixture of conviction and humility.

Conviction, because the need to act cannot be in doubt. Business can only flourish in societies in which human rights are respected, upheld and advanced. And yet, as incidents such as the tragedy at Rana Plaza in 2013 remind us, basic human rights for many of those employed in corporate value chains across the world cannot be taken for granted. Safe working conditions, freedom of association, fair wages, protection from forced labour, and freedom from harassment and discrimination: these must become universal operating conditions. Today, they are not.

And humility, because the challenges we face as a business community are enormous. Let me be clear, we are fully committed to driving a sustainable business that is both commercially successful and socially and environmentally responsible but we are cognisant of the barriers. Today, the risk of systemic human rights abuses exists across our value chain and the value chains of other global businesses. This is a reality we must confront and work together to resolve.

That's why, in 2014, we accelerated our efforts via several important steps. We formalised our commitment to promoting human rights across our value chain under

the Enhancing Livelihoods pillar of the Unilever Sustainable Living Plan (USLP), our blueprint for sustainable and responsible business. I use the word "promoting" consciously. Respecting human rights is the necessary foundation. We must build on it and engage actively in the promotion of rights to ensure that we succeed in our commitment.

Since then, we have significantly scaled up our efforts. As part of the journey, we are piloting the UN Guiding Principles Reporting Framework. We are proud to be the first company to pilot this framework, and this report is the result.

The process of developing this report has been both inspiring and humbling. We have documented stories that show progress is possible. We've taken significant steps forward, whether it is in our efforts to eradicate human trafficking, the fight against sexual harassment and gender-based violence, our commitment to recognise and respect the human right to water and sanitation and to operate our business in a way that fulfils that right – such as the introduction of Pureit that makes safe water accessible and affordable for millions – or the growing impact of our partnerships with organisations such as Solidaridad and Oxfam to find solutions that are systemic and sustained.

But our work has also enabled us to understand in greater detail the full scale of the task ahead. Issues such as land rights, for example, are incredibly complex and evade easy answers. And while setting global policies is important and necessary, it is at the local level that implementation must be managed, and a host of legal and cultural barriers overcome.

This year can be a momentous one, with the work being done to advance the post-2015 development agenda, the new UN Financing for Development agreement, the Sustainable Development Goals and the prospect of a global climate agreement in Paris at the end of the year. Human rights are inextricably linked to both because the effects of climate change threaten all humans, with expected impacts hitting the poorest people and communities the hardest. So it feels fitting that this is the moment we've chosen to outline our path forward. In this inaugural report, we share some of our successes and challenges, together with the lessons we've learned along the way.

For us, this signals both a new beginning and a long-term commitment. Our challenge now is to take what we've learned and redouble our efforts to embed the promotion of human rights into the fabric of our business.

We hope you'll join us.

**Paul Polman**  
Chief Executive Officer, Unilever

# KEY MILESTONES

2010

## LAUNCHED UNILEVER SUSTAINABLE LIVING PLAN

Launched the **Unilever Sustainable Living Plan (USLP)**, decoupling growth from environmental impact while increasing positive social impact.

Collaborated with **INSEAD** to examine the economic impact of our operations in South Africa, building on our earlier report on Indonesia with Oxfam Novib.

Built on previous **informal dialogue** about our labour practices with the International Union of Food workers (IUF) by creating a more formal engagement mechanism.

## LAYING THE FOUNDATIONS



2011

Published **The Unilever Sustainable Agriculture Code**, a culmination of previous Unilever Good Practice documents for our key crops.

Joined **AIM-PROGRESS** (Program for Responsible Sourcing).

Began evaluating **suppliers** using a country-based risk matrix developed with Maplecroft to determine the need for audits/self-evaluation.

Participated in a **project with the Global Compact** (Netherlands) resulting in a guidance tool - 'How to do business with respect for human rights'.

Endorsed the **UN Guiding Principles on Business and Human Rights** passed by the UN Human Rights Council in June.

Established **USQS** (Unilever Supplier Qualification System) to drive compliance toward Quality and Responsible Sourcing requirements.

Joined the **LEAD** group of **UNGC** participants.

## PUTTING THE PROCESSES IN PLACE

2012

## 'NO CONFORMANCE NO CONTRACT'

Implemented a **Unilever-specific scoring system** for non-conformance issues in our extended supply chain.

Rollled out concept of **'No compliance, No contract'** which moved compliance from a perfunctory task to a Procurement-led activity.

## ENDORSED WOMEN'S EMPOWERMENT PRINCIPLES

2013

Appointed **Global VP for Social Impact**.

Began a review of our **policy framework** and processes for robustness on human rights issues highlighting gaps and opportunities to improve.

Implemented an **early warning/key incident process** alerting us to any significant issues found during the course of a supplier audit.





**Oxfam published a report on labour standards in our Vietnam operations.**

We agreed to this research to help us understand how to implement the UNGPs.

**Endorsed Women's Empowerment Principles.**

**Joined the Global Social Compliance Programme.**

**Joined Shift's Business Learning Programme.**

**Devised a five-year strategy on human rights.**



**Strengthened the Enhancing Livelihoods ambition of the USLP**

by adding three new pillars, including one specifically on Human Rights (Fairness in the Workplace) and Opportunities for Women.

**Launched the Responsible Sourcing Policy.**

**Created the Unilever Human Rights Policy Statement.**

**Deployed an integrated process and new system for supplier qualification,**

designed to encompass all the aspects developed and refined from 2012 and 2013.

**Established the Procurement Code Committee.**

**Our Global Vice President for Social Impact becomes Vice Chair of the World Economic Forum Global Advisory Council on Human Rights.**

## MOVING TOWARDS AN INCENTIVE-BASED SYSTEM FOR OUR SUPPLIERS

# 2015

# 2014

**Launched our Understanding Responsible Sourcing Audit (URSA).**

**Piloting the Responsible Business Partner Policy.**

**Published our inaugural report on Human Rights** aligned with the UNGP Reporting Framework.

**Will launch our Global Land Rights Policy.**

**Continual training and capacity building** on respecting rights/social impact.

**Moving towards an incentive-based system for our suppliers.**

**Ongoing work through multi-stakeholder initiatives** to tackle the root causes of negative human rights impacts.

**Will carry out human rights impact assessments.**

**Continued implementation of our Safety for Women and Girls Programme.**



## STRENGTHENING AND DEVELOPING

THE UNILEVER VALUE CHAIN INCLUDES APPROXIMATELY

**76,000**

**SUPPLIERS AROUND THE WORLD,  
SALES IN MORE THAN 190 COUNTRIES,  
EACH OF THEM WITH ITS OWN CULTURAL  
NORMS, SOCIAL AND ECONOMIC CHALLENGES,  
VARYING LEVELS OF THE RULE OF LAW AND  
DIVERGENT VIEWS OF WHAT IT MEANS TO  
RESPECT HUMAN RIGHTS.**

**THIS ECOSYSTEM INCLUDES  
PARTS THAT WE CONTROL,  
AND PARTS THAT WE CAN  
ONLY INFLUENCE.**

Marcela Manubens attending the launch of the UN Guiding Principles Reporting Framework.

**At Unilever, our vision is to build a company that represents the new capitalism, in which business exists to serve – not take from – society, and is a critical enabler of inclusive economic growth and job creation.**

When it comes to our human rights commitments, I offer a few words on the scale of the challenge we accepted. The Unilever value chain includes approximately 76,000 suppliers around the world, with sales in more than 190 countries, each of them with its own cultural norms, social and economic challenges, varying levels of the rule of law and divergent views of what it means to respect human rights. This ecosystem includes parts that we control, and parts that we can only influence. We employ 172,000 people in our operations but many millions play a role in our value chain.

That's why we are striving to define leadership on business and human rights. We want to go beyond respecting human rights to actively promoting them. While the agenda is led from the top, it needs to be deeply rooted in the challenges we have around the world and in the teams working in the field. Our ambition is to embed the promotion of human rights into every function, every role and every corner of the organisation.

To achieve it, we are working with multiple functions across Unilever. For example, Legal and its new Business Integrity team are addressing corruption as a critical impediment to the eradication of poverty and is strengthening our corporate Code Policies and the language used in our contracts to underline our commitment to responsible sourcing. Human Resources is making great progress in creating a diverse and inclusive workforce.

Our procurement team has the huge responsibility to see that the fundamental principles of our Responsible Sourcing Policy are put into action by working in partnership with our suppliers. Our investor relations teams are leading this dialogue with our responsible investors, a critical community that we regularly engage with on human rights, particularly in high-risk countries, while our finance team is looking at the wider issues of, for example, our responsible approach to taxes. Our brands with purpose are focusing on their social missions, from increasing self-esteem to promoting gender equity or facilitating access to education. We are asking all the people across our business to ensure that respecting human rights is part of their day-to-day behaviour.

We will know we have been successful when 172,000 people around the world understand what this agenda means in their job, and are empowered to translate it into action; when they are including human rights in every decision that they make; and when we have evolved beyond 'do no harm' to 'do good'.



PHOTO: SHIFT AND MAZARS

Human rights are the foundation for healthy, sustainable and equitable business and for effective relationships with all those on whom we depend. We have a long way to go and we cannot do this alone. Only when business achieves a critical mass of consensus, and is working together to promote human rights, will the lives of people around the world improve. Together, we must rethink business.

Universal human rights are everyone's business.

**Marcela Manubens**  
Global Vice President  
Social Impact, Unilever

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**OUR  
COMMITMENT:  
RESPECTING  
HUMAN RIGHTS  
ACROSS OUR  
BUSINESS**

## ABOUT THIS REPORT

This is Unilever's inaugural report on human rights. It is also the first report to use the UN Guiding Principles Reporting Framework comprehensively (see page 14).

To help elevate the authenticity of our work in respecting human rights and to engage the communities we serve, in April 2014 we committed to report on our implementation of the UN Guiding Principles on Business and Human Rights – publicly disclosing our efforts and challenges.

This report represents our commitment to document the foundational steps we have taken. Our objectives in sharing this report are:

- to highlight our efforts in embedding the respect and promotion of human rights into the fabric of our business;
- to outline the salient issues we face (see page 26);
- to report on our progress publicly and share our challenges candidly;

**“Human rights are the bedrock of our Sustainable Living Plan. The business case is really strong. Not only is it the right thing to do but in an increasingly transparent world, where there is no place to hide, you simply won't get a licence to operate if you are not respecting and living human rights.”**

**DOUG BAILLIE**

CHIEF HUMAN RESOURCES OFFICER, UNILEVER

- to outline our priorities for the future; and
- to seek feedback and guidance from our stakeholders.

We share these in the spirit of continuous improvement, in the knowledge that the remaining challenges are considerable and in the hope that other businesses may benefit from the lessons we've learned so far.

**THIS IS UNILEVER'S INAUGURAL REPORT ON HUMAN RIGHTS. IT IS ALSO THE FIRST REPORT TO USE THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK COMPREHENSIVELY.**



## ELEVATING OUR AMBITION

While human rights is not new as an issue of concern to business, recent years have provided additional clarity on the role of companies, especially since the adoption of the UN Guiding Principles on Business and Human Rights in 2011.

Human rights are universal and inalienable, but reports from civil society and others continue to show that human rights violations and abuses exist within corporate value chains, including Unilever's. Global social, political and economic forces are conspiring to create the conditions for such problems to thrive. By one estimate, 34 nations now present an 'extreme' risk of human rights violations – a 70% increase since 2009<sup>1</sup>. As a truly global business, we operate in many of these countries directly and through our extended supply chain, underlining the importance of our efforts.

At Unilever, our business has been guided by the Unilever Sustainable Living Plan (USLP), which serves as our blueprint for sustainable growth. Our ambition is to make sustainable living commonplace and we've been focused on developing a new way of doing business

where sustainability drives everything we do. Respecting human rights is a foundational principle of our USLP.

We began to formally organise corporate leadership on the topic of human rights by appointing a Global Vice President for Social Impact to lead the integration of our work in respecting and promoting human rights across Unilever. We then undertook a comprehensive assessment of how best to implement the UN Guiding Principles on Business and Human Rights (UNGPR). This included issuing our Human Rights Policy Statement, reviewing our Code Policies and ensuring alignment with the USLP.

Our assessment was also informed by a two-year research project conducted by Oxfam that used our Vietnamese operations as its main case study. The report led to various recommendations by Oxfam and commitments by Unilever, which included supporting workers' livelihoods, limiting the use of contract labour, providing human rights training within the organisation, implementing more ways in which workers can raise areas of concern, and working closely with suppliers and partners to ensure international standards are met. We have been

working to address these recommendations since 2013 and continue to make progress. An update to this report will be published by Oxfam later in 2015.

In 2014, we formalised our commitment to human rights by creating a new Fairness in the Workplace pillar under the Enhancing Livelihoods ambition of the USLP and committing to a goal to advance human rights across our operations and extended supply chain by 2020. This is part of a five-year strategy with three overlapping phases, indicative of the continuous improvement inherent in the human rights field. The interdependence and overlap of the three phases were deliberate, a recognition of the evolving nature of human rights issues and challenges in our business and the need for comprehensive responses. Such responses are only possible with the participation and help of those both inside and outside our company.

Details of our strategy follow.

<sup>1</sup> Source: The Human Rights Risk Atlas 2014, Maplecroft.



## FAIRNESS IN THE WORKPLACE

By 2020, we will advance human rights across our operations and extended supply chain.




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Implement UN Guiding Principles on Business and Human Rights

---

Source 100% of procurement spend in line with our Responsible Sourcing Policy

---

Create framework for fair compensation

---

Improve employee health, nutrition and well-being

---

Reduce workplace injuries and accidents

---

## OUR STRATEGY

- **Phase I – Setting our Social Sustainability Ambition:** We assessed our framework, including creating a new pillar – Fairness in the Workplace – for our USLP and strengthened Unilever’s Human Rights policy framework across functions and geographies to include new policies aimed at guiding our relationships with Unilever employees, suppliers and partners. This phase is largely complete.
- **Phase II – Building Capacity and Public Reporting:** Our focus is on creating awareness, engagement, training and effective implementation of the expanded policy framework, and delivering on our commitments, including public reporting on human rights across functions and geographies. This is in progress.
- **Phase III – Moving from Do No Harm to Do Good:** Once the foundational human rights work is well established, our focus shifts to leading and driving best practices across industries with target areas that we believe are critical but in no way exhaustive. This is in progress.

**THESE PHASES ARE BUILDING BLOCKS TO EMBED RESPECT FOR HUMAN RIGHTS THROUGHOUT OUR VALUE CHAIN**

“Respect for human rights is critical for Unilever on many levels – it is fundamental for the way we do business, for our own operations, our value chain and the communities where we operate. For example, some of our categories and brands address access to clean drinking water, sanitation and hygiene. Only when we look at our entire footprint, are we able to set the standards that Unilever can be proud of.”

**KEITH WEED**  
CHIEF MARKETING AND COMMUNICATIONS OFFICER,  
UNILEVER

# OUR FIVE FOCUS AREAS

Five focus areas inform our work on human rights.

These focus areas inform everything we do and are central to our approach to embedding human rights across our business.

1

## TRANSPARENCY

**Transparency:** Transparency should be a given in dealings between business and society and is critical in allowing us openly and effectively to discuss the root causes of human rights concerns and abuses, so we can develop effective solutions. We aim to increase the amount of information and insights available as we get better at tracking and measuring our impact.

2

## STAKEHOLDER CONSULTATION, DIALOGUE AND ACTION

**Stakeholder consultation, dialogue and action:** A frank and open dialogue with all our stakeholders about progress, challenges and solutions, leading to combined action, has been a critical part of this process and delivers enormous value, enabling us to go farther and faster than we could alone. We outline our external advisors and stakeholder relationships in the report.

“An unwavering commitment to human rights across our value chain is essential to building a more sustainable, purposeful business. There simply is no sustainable development without putting people, and their rights, at the centre. I am proud that we are stepping up, but know we have much more to do to embed human rights at the core of our business model.”

**JEFF SEABRIGHT**  
CHIEF SUSTAINABILITY OFFICER, UNILEVER

3

## COLLECTIVE RESPONSIBILITY MODELS

### **Collective responsibility models:**

We are committed to the right to freedom of association and collective bargaining and to the development of collective responsibility models (instead of more traditional auditing models), which are critical to bringing proactive and pre-emptive solutions to endemic problems, for example to address the issues of safety, fair wages, sexual harassment or human trafficking.

4

## COLLABORATION AND INCLUSION IN PUBLIC-PRIVATE PARTNERSHIPS

### **Collaboration and inclusion in public-private partnerships:**

We know we can scale up our efforts to create positive social impact by syncing them with other public and private sector partners. Through our partnerships with governments and development agencies, such as the UK Department for International Development, USAID, the Dutch Ministry of Foreign Affairs, the International Fund for Agricultural Development, the Sustainable Trade Initiative (IDH), Acumen and the Clinton Foundation, we promote universal human rights principles and can search for solutions that build on local knowledge, empower stakeholders toward action and create a system of change that can sustain and scale.

5

## NEW BUSINESS MODELS, CAPACITY BUILDING AND EFFECTIVE REMEDY

### **New business models, capacity building and effective remedy:**

In line with our belief that business is a critical enabler of inclusive economic growth and recognising that we must remain competitive to succeed on this journey, we are working to identify more inclusive ways of conducting business – as demonstrated by our work with Solidaridad on issues such as gender equity and improving labour practices in our extended supply chain. Capacity building is a key element of our efforts and, in most cases, this requires addressing the root causes of the issues faced by our employees and supply chain workers across markets and functions. This involves applying strategies specific to countries and/or industries and, where appropriate, working with civil society and international organisations. In order to achieve this, we need to strengthen our grievance mechanisms so that we can engage rights-holders, whether they are factory workers or farmers, and ensure we have effective paths to remediation in place that they can trust.

## ABOUT THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

In September 2014, we publicly announced our decision to pilot the UN Guiding Principles Reporting Framework (UNGP Reporting Framework) to guide us in reporting on human rights. The UNGP Reporting Framework was developed through the Human Rights Reporting and Assurance Frameworks Initiative (RAFI), a process led jointly by non-profit Shift, the leading centre of expertise on the UN Guiding Principles, and Mazars, a global audit, accountancy and consultancy group. The process involved extensive consultations with various stakeholder groups across multiple countries.

The UN Guiding Principles Reporting Framework was launched in February 2015 as the first comprehensive guidance for companies to report on how they respect human rights in line with the UN Guiding Principles on Business and Human Rights, the global standard pioneered by former UN Special Representative on Business and Human Rights John Ruggie. The UNGP Reporting Framework has extensive support from investors worldwide. This inaugural report delivers our commitment to publish a Unilever-wide report and is an important step forward in our effort to disclose our non-financial performance metrics.

### The process of writing this report

The exercise of engaging with different functions across our business to produce this report has been challenging but constructive and illuminating. We identified that we are making good progress on some issues and in some regions, but we also found that we have significant work ahead such as in non-renewables, specifically in health and safety.

The process also taught us several important lessons, including:

- Reaffirming the necessity and importance of continual dialogue and engagement across sectors and groups.
- Reiterating the focus on capacity building, training and the sharing of best practices.
- Identifying a need to view existing policies as living documents, which should evolve as expectations and best practices evolve.
- Identifying the need to strengthen these to address specific issues such as sexual harassment and land rights.
- Addressing the complexities of working across civil society, governments and the private sector to create a level playing field and galvanise transformational change.

“This report is a crucial step in holding up the mirror and holding ourselves to account. Two of our company values are integrity and respect, and raising our game on human rights through the extended supply chain is a big part of living these values. Part of the reason I love working for Unilever is this rigorous and values-based approach to how it operates.”

#### SUE GARRARD

SENIOR VICE PRESIDENT, SUSTAINABLE BUSINESS AND COMMUNICATIONS, UNILEVER

But our overarching learning was that this work is among the toughest challenges we face. Despite the efforts undertaken over the past several years and the gains we're making, human rights issues remain too prevalent across our value chain.

So, we are partnering with the right stakeholders and moving rapidly to generate awareness, conduct training, build capacity and ensure compliance to align our organisation's behaviour with our ambition.

Transparency and accountability are at the heart of this work and this report. We welcome your insight and feedback on its contents. We are committed to solving this challenge, together.



## OUR POLICY FRAMEWORK

In line with the UNGPs, we aligned our commitment to addressing human rights with international standards, including the International Bill of Human Rights (in addition to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We support the OECD Guidelines for Multinational Enterprises.

We believe a strong policy framework is an essential precursor to embedding human rights into our business. It helps us set clear and consistent expectations and allows us to enforce compliance, so at heart they are about driving positive behaviour aligned with our values. They also enable our employees to work with partners, governments, community leaders and other stakeholders to push standards and boundaries where needed. They enable us to operationalise the UN Guiding Principles on Business and Human Rights (UNGP) and embed them into our business.

In 2014, we launched a stand-alone [Human Rights Policy Statement](#)<sup>1</sup> to articulate how we approach our responsibility to respect human rights across our value chain and help guide how we address impacts, including remediation and governance. Created as a living document, adaptable as realities shift and translated into 12 languages, the Statement was finalised after consultations with key external stakeholders, colleagues in our legal, human resources, advocacy

and communications teams, and approved by members of the Unilever Leadership Executive.

The goal: a set of principles that are relevant to all our employees and business partners with special attention to individuals or groups at greater risk due to their vulnerability or marginalisation.

Additionally, our long-standing [Code of Business Principles](#)<sup>2</sup> describes the standards Unilever follows and provides overall direction on all our activities. The Respect, Dignity and Fair Treatment Code Policy sets out our expectations from employees and what they can expect from Unilever and each Unilever employee: an environment that promotes diversity and where there is mutual trust, respect for human rights and equal opportunity and no unlawful discrimination or victimisation.

Our human rights related policies and how they work together as a cohesive framework are shown on pages 16 to 19.

One point of particular note: in 2014 we deliberately incorporated our Sourcing Policy and revised Supplier Code into one document, the [Responsible Sourcing Policy](#)<sup>3</sup> (RSP). Our intent was to align our purchasing standards and commitment to respecting human rights, and to serve as a guide for our supply chain stakeholders to begin shifting their practices from doing no harm to doing good. The RSP is based on 12 fundamental principles grounded in internationally recognised standards on respecting workers' rights and

associated issues, and was finalised after consultation with NGO partners and other experts. Importantly, it also calls out the complementary importance of overall business integrity.

We began the RSP roll-out in 2014 and most of our strategic suppliers now meet the mandatory requirements (beyond legal requirements). Next, we're working on the deployment of a Responsible Business Partner Policy for our other business partners, including distributors and agents, which also outlines our requirement for them to ensure human rights are respected while conducting business on our behalf. In May 2015, we launched an update to our Sustainable Agriculture Code to align with our Responsible Sourcing Policy and introduced additional elements on human rights including labour rights, gender issues, land use change and land rights. This builds on five years of learning – including feedback from our suppliers and civil society – from the code's simplification and implementation.

With these steps, we are confident the right policy framework is now in place.

The following pages set out how our policies guide our work across our business, organised by their scope and targeted rights-holders. Our Code of Business Principles is our overarching Code policy that sets out the way that we operate as a business.

<sup>1</sup> [www.unilever.com/Images/unilever-human-rights-policy-statement\\_tcm244-422954\\_1.pdf](http://www.unilever.com/Images/unilever-human-rights-policy-statement_tcm244-422954_1.pdf)

<sup>2</sup> [www.unilever.com/Images/Code-of-Business-Principles-UPDATED-12-June-2015\\_tcm244-409220.pdf](http://www.unilever.com/Images/Code-of-Business-Principles-UPDATED-12-June-2015_tcm244-409220.pdf)

<sup>3</sup> [www.unilever.com/Images/slp-Unilever-Responsible-Sourcing-Policy-2014\\_tcm244-409819.pdf](http://www.unilever.com/Images/slp-Unilever-Responsible-Sourcing-Policy-2014_tcm244-409819.pdf)

# OUR POLICIES



**WE HAVE TRANSLATED  
THE STATEMENT INTO  
12 LANGUAGES**

## OBJECTIVE

Launched in November 2014, this statement consolidates our existing commitments and brings increased clarity on our processes and procedures. Its principles are implemented across our operations and value chain.

## HOW WE IMPLEMENT IT

It is on our global external website. We have translated the statement into 12 languages. Awareness by all employees is part of our overall governance learning programme and specifically on Human Rights Day, for example in 2014 where we highlighted in our internal global news centre and on our #brightfuture internal website.

## ISSUES ADDRESSED

- Health and safety
- Harassment
- Discrimination
- Working hours
- Forced, child and trafficked labour
- Freedom of association
- Land rights
- Grievance mechanisms
- Women's rights
- Compliance, monitoring and reporting



**WE CONDUCT OUR OPERATIONS WITH HONESTY, INTEGRITY AND OPENNESS**



Employees

## CODE OF BUSINESS PRINCIPLES

### OBJECTIVE

Updated in January 2015 and in existence since 1995, our Code of Business Principles sets out how we operate as a business and states that we “conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees and that we shall similarly respect the legitimate interests of those with whom we have relationships”.

### HOW WE IMPLEMENT IT

Assurance and compliance with the COBP are obtained annually from Unilever management, along with all our Code Policies, via a formal code declaration. We run training and communication campaigns.

### ISSUES ADDRESSED

- Ethics and integrity
- Health and safety
- Harassment
- Discrimination
- Child, forced and trafficked labour
- Fair wages
- Freedom of association
- Responsibility to communities
- Environment
- Compliance, monitoring and reporting



**WE USE BOTH ELECTRONIC AND FACE-TO-FACE TRAINING**

Employees

Contractors

## RESPECT, DIGNITY, AND FAIR TREATMENT CODE POLICY

### OBJECTIVE

Updated in January 2015, this policy guides employees’ and contractors’ behaviour in terms of mutual trust, respect for human rights and equal opportunity, and no discrimination or victimisation. It sets out what our employees and contractors must observe and do to maintain such an environment.

### HOW WE IMPLEMENT IT

We use both electronic and face-to-face training and simple images to bring these issues to life. The 2015 mandatory all-employee compliance training focused on this policy, followed by the annual code declaration.

Contractors must read and understand our *Winning with Integrity* booklet that covers all Code Policies, then submit a declaration stating that they will abide by the code and Code Policies.

### ISSUES ADDRESSED

- Discrimination
- Employment terms
- Fair wages
- Forced, child and trafficked labour
- Harassment
- Working hours
- Freedom of association



**WE ONLY WORK  
WITH SUPPLIERS  
WHO IMPLEMENT  
OUR POLICY**



Suppliers

## RESPONSIBLE SOURCING POLICY (RSP)

### OBJECTIVE

Launched in April 2014 to replace our old Supplier Code, this policy states: "We work with suppliers who are committed to implement our Responsible Sourcing Policy, including ensuring transparency, remedy of shortcomings and driving continuous improvement."

### HOW WE IMPLEMENT IT

We give guidance to our suppliers on how to implement each of the Fundamental Principles of the RSP. Our Self-Assessment Questionnaire gap analysis tool and audit checklist help suppliers map themselves against our requirements for working with us.

### ISSUES ADDRESSED

- Business conducted lawfully and with integrity
- Freely agreed and documented terms of employment
- Treated equally with respect and dignity
- Work conducted on voluntary basis
- Appropriate age
- Fair wage
- Reasonable working hours
- Free to exercise right to form a trade union
- Health and safety protected at work
- Access to fair procedures and remedies
- Protected land rights
- Sustainable business conduct

Non-supplier  
business  
partners  
eg distributors

## RESPONSIBLE BUSINESS PARTNER POLICY

### OBJECTIVE

This policy aligns with the RSP and requires business partners to meet mandatory requirements to do business with Unilever.

### HOW WE IMPLEMENT IT

We are piloting it in some of our high-risk countries (India, Indonesia, Russia, Mexico, Nigeria and Myanmar).

### ISSUES ADDRESSED

- Business conducted lawfully and with integrity
- Freely agreed and documented terms of employment
- Treated equally with respect and dignity
- Work conducted on voluntary basis
- Appropriate age
- Fair wage
- Reasonable working hours
- Free to exercise right to form a trade union
- Health and safety protected at work
- Access to fair procedures and remedies
- Protected land rights
- Sustainable business conduct



**CONTINUOUSLY IMPROVING  
HEALTH AND SAFETY  
PERFORMANCE**



**OCCUPATIONAL  
HEALTH AND  
SAFETY POLICY**

**OBJECTIVE**

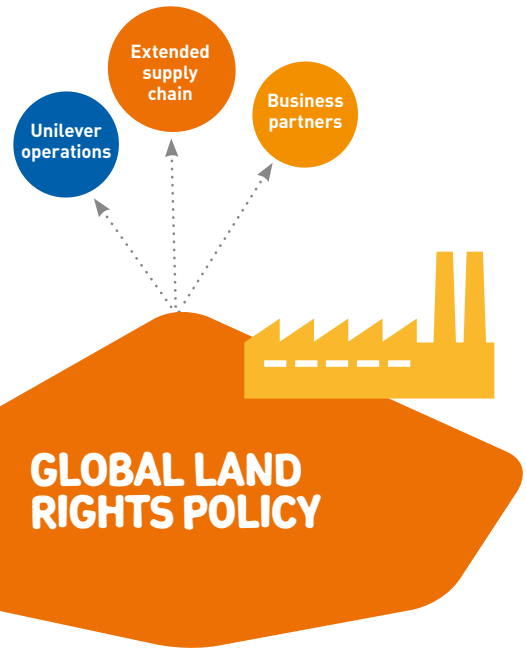
It ensures healthy and safe working conditions by outlining individual and shared responsibilities and by continuously improving health and safety performance.

**HOW WE IMPLEMENT IT**

Managers are responsible for the occupational health and safety of their reports and third parties in their control. We also have ongoing awareness-raising and training. All employees, contractors and visitors to Unilever sites must work and behave safely.

**ISSUES ADDRESSED**

- Health and safety



**GLOBAL LAND  
RIGHTS POLICY**

**OBJECTIVE**

This policy is currently in development. It will include principles and due diligence applicable to all our operations, suppliers and business partners.

**HOW WE IMPLEMENT IT**

Following the creation of the policy, we will create a Standard Operating Procedure and training materials.



**ISSUES ADDRESSED**

- Land rights

## OUR GOVERNANCE – AN INCLUSIVE APPROACH

If the respect and promotion of human rights are to be embedded into business, it is vital that policies are more than words on a page. Leadership needs to embrace and advance the agenda, and clear governance processes are required to ensure implementation and accountability.

Our commitment is led from the top. Our work in human rights is overseen by Unilever's Chief Executive Officer and supported by the Unilever Leadership Executive – including the Chief Supply Chain Officer, Chief Human Resources Officer, Chief Marketing and Communications Officer, Chief Legal Officer – as well as the Chief Sustainability Officer and the Global Vice President for Social Impact. Additional Board-level oversight is provided by the Corporate Responsibility Committee.

The Unilever Leadership Executive regularly discusses human rights as part of the overall Unilever Sustainable Living Plan (USLP) strategy, reviewing specific issues when the severity of an actual or potential impact is high, where a business-critical decision needs to be taken, or where substantial financial investment may be needed to address the impact.



PHOTO: BENOÎT DELAMARE

Our employees and partners play a critical role in informing our strategy and implementation. While our regional organisations and human resources and supply chain teams are accountable for ensuring human rights are respected within our operations, our efforts in Unilever's extended supply chain are led by Procurement. The Business Integrity team in Legal is responsible for the Prevent – Detect – Respond framework to implement the Code of Business Principles and related Code Policies across all Unilever operations. The Global Vice President for Social Impact, appointed in 2013, leads the human rights strategy and best practices globally.

One of our employees featured in a video series that we organised to celebrate Human Rights Day in 2014. Daniela Pontecorvo, Global Director for Desserts, talked about how in Madagascar – the 11th poorest country in the world – her team was working with one of our vanilla suppliers to help enhance the livelihoods of smallholder farmers. Besides conducting training and skills development, they looked at the entire social structure of the farmers for gaps that, if addressed, could help boost their overall efforts. This led to Unilever offering health insurance to farmers and communities, as well as helping to improve access to primary education, both of which are key drivers in enhancing livelihoods.

In March 2015, our Chief Legal Officer hosted an all-employee human rights meeting in Durban, when South Africa celebrated its Human Rights Day.

“With our global footprint, touching people and communities around the world, we must make sure that our operations remain ethical and that we respect and promote the fundamental rights of every individual.”

RITVA SOTAMAA  
CHIEF LEGAL OFFICER

## EXTERNAL ADVISORS AND THE VITAL ROLE OF SCRUTINY

Human rights issues can be challenging to identify, address and resolve. Owing to the localised and culturally-specific nature of many of the issues we face, we often cannot solve them alone. Much of our work over the past 18 months has been to understand better the challenges across our value chain. Our external stakeholders bring the insight and expertise we need to ensure we have better visibility and that our approaches are both comprehensive and locally relevant.

We have several layers of external stakeholder consultation embedded throughout our operations and across our functions and regions. They are represented by external advisory boards such as our Unilever Sustainable Living Plan Council and Sustainable Sourcing Advisory Board which include cross-sector advisors including representatives from civil society. The Unilever Sustainable Living Plan Council also includes regional advisory boards.

Additionally, we have created a network of external experts. We regularly engage with expert organisations such as Shift and the Institute for Human Rights and Business, and with trade unions and civil society organisations, such as Oxfam, on labour rights. We support the Children's Rights and Business Principles developed by UNICEF, Save the Children and the UN Global Compact. We are members of industry organisations such as the Consumer Goods Forum and the World Business Council for Sustainable Development, where we use our membership to work with other businesses to scale up solutions to human rights issues. We have signed a partnership agreement

“We greatly welcome the leadership Unilever has shown in being the first company to report on its implementation of the UN Guiding Principles on Business and Human Rights using the recommended Reporting Framework. We commend the company’s position that business is here to serve, not take from, society. It’s clear that Unilever has made a great start in building understanding of human rights issues across the business, and in strengthening the policies and capacity needed to address them.

As Unilever continues this journey, Oxfam looks forward to seeing the company develop new and more robust ways of tackling the root causes of issues, from poverty wages to gender-based violence. Existing tools such as certification and compliance will need to evolve and business practices become better aligned. We also look forward to clearer measures of the positive impact on society to which Unilever aspires.”

**MARK GOLDRING** CHIEF EXECUTIVE OFFICER, OXFAM GB

with non-profit organisation Solidaridad to work with our suppliers on issues such as gender equity and improving labour practices. We have worked with expert organisations to develop best practice guidelines on issues including contract and child labour. We maintain a specific section ([What matters to you](#)<sup>1</sup>) on our global website, which highlights some of the current and historical issues our external stakeholders have raised and details our efforts to address them.

We are committed to transparency but acknowledging its results can be uncomfortable at times. We know many challenges remain which must be resolved. For example, in the Salient Issues section we discuss the complexities present in our Kericho tea plantation in Kenya. In Turkey, we identified excessive working hours in our tea supply chain. In India, we found incidents

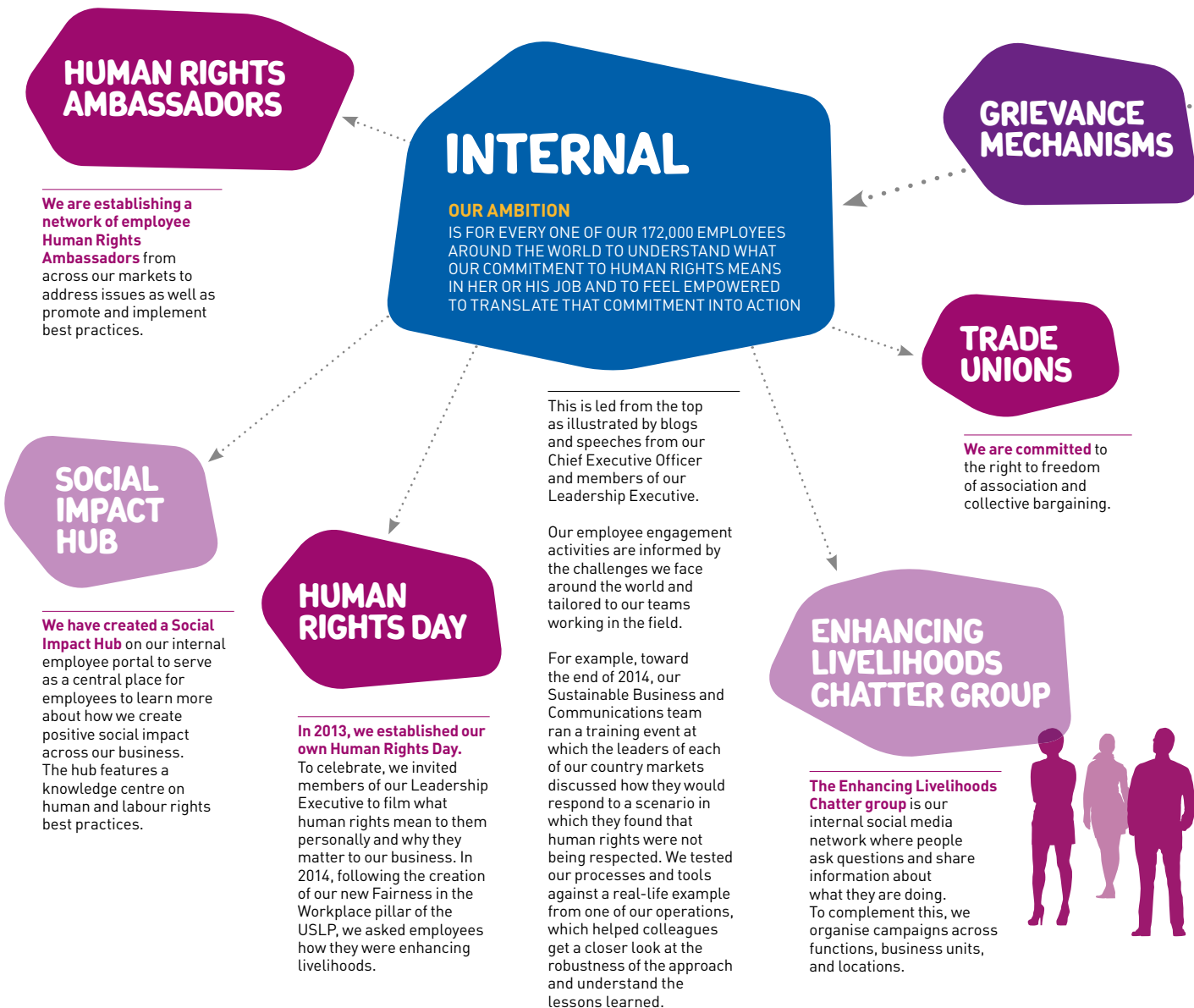
of poor health and safety practices and a lack of proper process of wage payment at a salt pan. Many of these issues are difficult to remedy. But it is our responsibility to address them.

Our efforts to bring sustainable solutions to these issues are work in progress, but we believe sharing information now is the right decision for our business as we learn to exercise transparency in action and engage in open dialogue as essential aspects of finding solutions.

We expect the level of the detail of this report to yield some questions and potential criticism. That’s part of the process. To solve these thorny issues, business needs to step outside its comfort zone. Stakeholder demands for transparency will continue to rise and our stakeholders expect more than a signature of allegiance from our business. They expect leadership.

<sup>1</sup> [www.unilever.com/sustainable-living/what-matters-to-you/](http://www.unilever.com/sustainable-living/what-matters-to-you/)

# RIGHTS-HOLDER AND STAKEHOLDER ENGAGEMENT





# EXTERNAL

## OUR AMBITION

RAPIDLY SHIFTING SOCIAL, CULTURAL AND POLITICAL CONTEXTS REQUIRE ENGAGEMENT THAT IS CONTINUAL, DIVERSE AND LOCALISED. WE MUST PAY CLOSE ATTENTION TO THE PEOPLE WHO ARE MOST VULNERABLE TO NEGATIVE HUMAN RIGHTS IMPACTS.

GLOBAL

ISSUES  
ADDRESSED  
ON GLOBAL  
WEBSITE

LOCAL

EXTERNAL  
ADVISORY  
BOARDS

ONGOING  
ENGAGEMENT

IS CRITICAL TO HELPING  
IDENTIFY AND MITIGATE RISKS

Intergovernmental  
organisations

Governments

Civil  
society

Business

Identify  
risks

Remediate  
gaps in  
policies and  
practices

DIALOGUE WITH  
SUPPLIERS

**Advisory boards** such as our Unilever Sustainable Living Plan Council, which includes regional advisory bodies, and our Sustainable Sourcing Advisory board pre-emptively address issues and help initiate, align and embed our policies.

**Our Advocacy team plays a key role in working with our external stakeholders** including governments, intergovernmental organisations, and civil society representatives. This engagement is supported locally by the External Affairs teams in our markets. Organisations such as the World Business Council for Sustainable Development, Consumer Goods Forum, United Nations Global Compact, the World Economic Forum and the B-Team are vital to realising our shared ambition of reaching a critical mass of leaders who can bring about systemic change.

**Stakeholder engagement needs to be a two-way conversation.** Our dialogue with suppliers and business partners is critical, where our suppliers feel able actively to raise issues so that we can work together to share best practices and

respond to challenges as they emerge. To keep the lines of communication open, our procurement managers work directly with suppliers to help identify risks and remediate gaps in policies and practices.

**EMBEDDING  
HUMAN RIGHTS:  
A FOCUS ON  
SALIENT  
ISSUES**

**DISCRIMINATION**

Page 28

**FAIR WAGES**

Page 30

**WORKING HOURS**

Page 44

**FORCED LABOUR**

Page 32

**IN THIS SECTION,  
WE EXAMINE  
EACH OF THESE  
SALIENT HUMAN  
RIGHTS ISSUES  
IN MORE DETAIL**

**LAND RIGHTS**

Page 43

**FREEDOM OF  
ASSOCIATION**

Page 33

**HEALTH AND  
SAFETY**

Page 38

**HARASSMENT**

Page 34

## OUR SALIENT HUMAN RIGHTS ISSUES

The [UN Guiding Principles Reporting Framework](#)<sup>1</sup> is unique in its focus on saliency rather than the materiality of a business's issues. This is how the difference is explained in the Framework:

**“Definitions of materiality can centre on valuation-based decisions by shareholders, on broader interests of shareholders, or on the perspectives of a wider set of stakeholders combined with assessments of the company's positive and negative impacts on society. Some practices look first and foremost at risk to the business, whereas the company's responsibility to respect human rights under the Guiding Principles focuses specifically on risks to human rights.**

**“Companies' frequent belief that human rights are not material for purposes of public disclosure is often based on flawed thinking or assumptions. By contrast, the process to identify salient human rights issues provides an effective and consistent means for a company to identify the human rights issues on which it should report, in line with the Guiding Principles' focus on the severity of negative impacts on human rights.”**

In line with the UNGP Framework, we have focused this report on our salient human rights issues. These are human rights that are at risk of the most severe negative impacts through a company's activities or business relationships.



The first step was to identify them. This process began with an internal, cross-functional workshop facilitated by Shift. Following the UN Guiding Principles approach, we looked at a range of potential human rights impacts resulting from the types of activities we are involved in, and prioritised those likely to be the most severe were they to occur, based on how grave the impacts to the rights-holder could be, how widespread they are and how difficult it would be to remedy any resulting harm.

We drew on previous conversations with external bodies such as the World Economic Forum Human Rights Global Agenda Council, the Global Social Compliance Programme, AIM-PROGRESS, the UN Global Compact and others at the core of policy

implementation, and held discussions with the Unilever Sustainable Living Plan Council. We identified issues that were coming to the fore in response to the deployment of the Responsible Sourcing Policy. We also considered issues being raised in the Global Code and Policy Committee and our Procurement Code Committee.

The process of identifying our most salient human rights issues was an important element of our reporting exercise. This demanded issue prioritisation, integration of an understanding of the perspectives of affected stakeholders and verification with expert stakeholders of the salient issues identified.

“We touch millions of people in our extended supply chain which brings both opportunity and responsibility as we are determined to be a corporate role model for social well-being. In 2014, we published our Responsible Sourcing Policy, embedding our commitment to conduct business with integrity, openness, and respect for universal human rights and core labour principles. Through the policy, we encourage our suppliers to move from mandatory to best practices in how they embed human rights in their businesses so that we can jointly create lasting positive social impact.”

**PIER-LUIGI SIGISMONDI**  
CHIEF SUPPLY CHAIN OFFICER, UNILEVER



PHOTO: FRANS LEMMENS

For 2014, our consultations identified our most salient human rights issues as:

- Discrimination
- Fair wages
- Forced labour
- Freedom of association
- Harassment
- Health and safety
- Land rights
- Working hours

In the following section, we examine each of these issues in more detail.

Some issues are covered in more depth than others. This is because we've been active on certain issues, such as health and safety, for significantly longer than others, such as land rights, and so have more sophistication in our work and more detail to report. Notably, this is not a reflection of the relative importance of the issues to our business or our stakeholders, nor the strength of our commitment to them, and we plan for this to evolve as we progress with our strategy and reporting.

# DISCRIMINATION



## Discrimination in the workplace can take many forms, including on the basis of race, age, gender, religion, sexual orientation, disability or political views.

According to the International Labour Organization, hundreds of millions of people suffer from discrimination in the world of work.

In addition to affecting employees' emotional well-being, discrimination has the potential to have a negative impact on people's ability to provide for themselves and/or their family; for example, when it results in loss of employment opportunity or promotion. Where discrimination is systemic, it can lead to a cycle of poverty among certain communities or social groups that persists over generations.

For the employer, discrimination has implications too, since employees who feel discriminated against are understandably unable to give their best to the business.

Our 2014 internal reporting revealed that discrimination was our second highest reported salient issue in 2014, with East Africa reporting the highest number of cases. Temporary and contract workers and women are particularly at risk. Code complaints also surfaced issues around ethnic, gender and age discrimination and favouritism. Through the application of its Code of Business Principles compliance framework, Unilever was able to investigate these matters and take disciplinary and corrective action in respect of substantiated claims.

Unilever remains committed to ensuring that all employees work in an environment

that promotes diversity, where there is no discrimination or victimisation. Over the last year, we have taken multiple actions to further address discrimination across our operations and our extended supply chain. Our most concerted efforts have been around discrimination against women. They may lack access to skills and training or face other roadblocks to actively participating in the economy, such as poverty and violence. They can also often lack the protection of basic rights and laws.

## FOCUS ON WOMEN

Women's rights and economic inclusion are priorities for us as reflected in the [Opportunities for Women](#)<sup>1</sup> pillar of the Enhancing Livelihoods ambition of the USLP. Women are integral to our business model and growth ambitions as we seek to manage and grow socially responsible businesses that epitomise gender equality and empowerment. For example, our Sunlight brand has opened water centres in Nigeria to provide affordable, clean and safe water. This initiative reduces the amount of time women take collecting water, allowing them to reinvest it in work, education, their family or their community. Our Shakti Programme provides profitable micro-enterprise opportunities for women in poor rural communities, enabling them to become part of our sales network in India. We want to give women the tools to succeed, empowering them through the tripod of rights, skills and opportunities.

On a global level, we signed the UN Women's Empowerment Principles and the Girl Declaration. We are supporting the HeforShe movement (UN Women) that aligns with our ambition to empower five million women by 2020 by expanding opportunities, providing access to skills and training for women; improving the safety of women and girls in

communities where we operate; and building a gender-balanced organisation with a focus on management. Our approach reflects our ongoing commitment to respect the rights of women (including the right not to be discriminated against) and extends to their merit-based promotion as well as skills development and access to opportunities, both in our own operations and our value chain. We live by the principles of diversity and inclusion and work to embed them firmly into our day-to-day business decisions via our talent management and people processes.

We adopted the following multi-pronged strategy to drive diversity through the organisation:

- **company-wide targets for continuous improvement;**
- **driving inclusive leadership through learning;**
- **recruitment, retention and development of female talent;**
- **engaging internal stakeholders; and**
- **agile and flexible working.**

More information on each of these areas is available on the [Upholding Diversity](#)<sup>2</sup> section of our website.

Women represent 70% of the buyers of our products and control nearly two thirds of consumer spending. A gender-balanced organisation and an engaged workforce help power creativity and innovation, deepen the talent pool and allow us to serve our diverse consumer base better. This is a critical element of our long-term growth strategy. We require new forms of leadership to respond to the world's challenges. Tomorrow's leaders must be able to embrace the need for transformational change and possess the skills and capabilities that will be needed:

- being able to operate in a world of total transparency;
- being authentic and purpose-driven;
- being collaborative; and
- embracing long-term thinking for a more secure future.

To promote women in leadership, our programme *Global Reach with Local Roots: Creating a Gender-Balanced Workforce in Different Cultural Contexts* accelerates the advancement of high-potential women across different regions. It also leverages the company's strong foundation of cultural diversity and multinational expertise to promote a culture of inclusion.

Programmes are adapted locally in response to cultural norms and to meet the specific needs of each region. Localised efforts include social media and digital recruitment programmes in South Asia and Career by Choice in India, which allows women to re-enter the workforce in business consultant roles with the option to become full-time. Other examples include job share opportunities in Germany and 'pick 'n' drop' facilities in North Africa and the Middle East, where women are not traditionally allowed to drive.

## AN INCLUSIVE CULTURE

Lack of adequate childcare is often a barrier to women in the workforce. Unilever Ghana opened a Day Care Centre at the Unilever facility in Tema. Other examples include our Indian and Sri Lankan operations, where we offer an in-house crèche to care for our employees' children in a safe, hygienic and secure environment. The facility is equipped with video monitoring and amenities. We offer a similar facility in our Saudi Arabia operations. Our Turkey office has nursing rooms on site. We also have a paternity support programme. While many of these

were set up in reaction to employee needs in various offices and factories, we're committed to offering flexible work arrangements across our operations.

Our Responsible Sourcing Policy requires that our suppliers satisfy "specific and measurable targets for achieving equality between men and women" and that "affirmative action is taken to attain them". We are in the process of modifying our supplier database to enable us to track the number of our supplier operations which are owned and/or led by women. This will help us in our efforts to involve more women in our extended supply chain.

Our supplier audit process has also surfaced issues that we were able to address. For example, in August 2014, Unilever found that a supplier in Thailand was not in compliance when it came to a job advertisement. The open position for a daily general staff position was defined as male. The supplier reviewed the job interview process and corrective action was verified by the audit company in December 2014. We also discovered pregnancy testing being conducted in the workplace and worked with the supplier to stop the practice.

For our agricultural community, our sustainable sourcing team has created a Sustainable Livelihoods Assessment Tool, which we are using to track the total number of women farmers in our supply chain. This will help us better understand the role that women play so that we can look at increasing their opportunities and training. Moreover, as part of our assessment, we are looking at the role women farmers have in household decision-making such as spending and education.

<sup>1</sup> [www.unilever.com/sustainable-living/transformational-change/creating-opportunities-for-women/](http://www.unilever.com/sustainable-living/transformational-change/creating-opportunities-for-women/)

<sup>2</sup> [www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/opportunities-for-women/upholding-diversity/index.html](http://www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/opportunities-for-women/upholding-diversity/index.html)

**“Offering our employees easy-to-access childcare eliminates a major distraction for working parents – and as a result builds a great workforce that is focused, productive and committed for the long haul... we see this as a great step toward making sure that we, as an organisation, provide our employees with the services that matter most to them.”**

**MAIDIE ARKUTU**  
MANAGING DIRECTOR,  
UNILEVER GHANA

Much work remains to be done, but we are pleased to see signs of progress. Six of our 13 Board Directors are women. In our own operations, as of December 31, 2014, 43% of our management was female and we have more than doubled our women's representation among senior leaders. Our ambition is for 50% of management positions to be held by women by 2020.

It is important to note that in some of our operating environments, discrimination – beyond gender considerations – appears to be on the increase. Therefore, we must remain vigilant to ensure that our principles of respect, dignity and fair treatment are observed.

# FAIR WAGES



## Having enough money to provide for yourself and your family is a fundamental part of living in dignity and of fair and equitable economic growth.

Today, nearly half of the world's population – more than three billion people – live on less than US\$2.50 a day, according to the World Bank. More than 1.3 billion live in extreme poverty, which means surviving on less than US\$1.25 a day. While these numbers have decreased in measurable ways in recent decades, they remain staggering.

To be an enabler of inclusive economic growth, business must understand and promote fair compensation for workers. This means setting up fair wage mechanisms that build on government or independently established minimum legal wage levels.

The benefits for our business and society at large when workers are compensated fairly are numerous. Increased wages can lead to greater productivity, less absenteeism, and reduced recruitment and retention costs, as well as improved recruitment. Workers who earn more also have the capacity to spend more, which is a natural stimulus to the economy.

We are creating a Framework for Fair Compensation. The first stage of this work is to define fair wages and analyse our compensation models across 180 countries. We engaged the Fair Wage Network to conduct a review of entry-level wages in our

factory sites against a variety of fair wages indicators. In most cases, our wages exceeded the median country fair wages rate, although we identified a small number of immediate concerns which we are addressing.

The next step is to set up independent benchmarks, identify gaps, address these gaps and establish a framework for fair compensation. This framework must then be fully embedded, monitored, reviewed annually and have an accompanying methodology to monitor our employees' rewards against these indicators. As we roll this out, we recognise the critical role that collective bargaining agreements play in setting and promoting fair wages.

It is important to note, however, that fair compensation is about more than wages. It includes full payment of wages, overtime pay, paid legal benefits, equal pay for equal work and clear pay information, as well as compensation models that are both fair and liveable. Daniel Vaughan-Whitehead writes in *Fair Wages – Strengthening Corporate Social Responsibility*: "Because of the disparity in norms and laws around the world, fair wages can be defined around 12 complementary dimensions, including payment of wages, living wage, minimum wage, prevailing wage, payment of working hours, pay systems and real wages and wage share."

In assessing the liveability of wages, we seek to understand and advance the conditions that create opportunities for people to lead better lives. There are varying opinions on the methodology of monetising the in-kind benefits we provide, such as healthcare, housing, on-site meals and

schooling. We believe the value of these benefits should be considered within a comprehensive assessment of fair compensation.

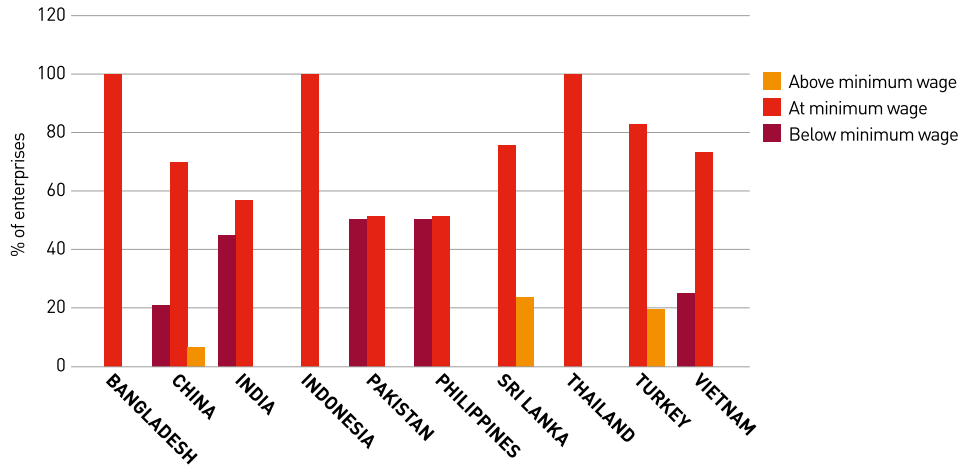
To guide our learning and engagement on this topic, we are collaborating with several global experts, including Oxfam. We are also engaging with trade unions locally through the collective bargaining process.

Our Responsible Sourcing Policy includes a continuous improvement ladder, allowing our suppliers to shift gradually from good practice to achieving and maintaining best practices. While mandatory requirements must be met by all suppliers – wages are paid on time and in full, workers receive a payslip for each pay period clearly indicating the components of their compensation etc – suppliers must then focus on executing the requirements to shift to good practice and ultimately best practice.

In the next three years, we will extend our fair wage analysis to our third party labour suppliers and outsourced service providers and continue working in partnership with others to address wages issues in particular commodities and countries.

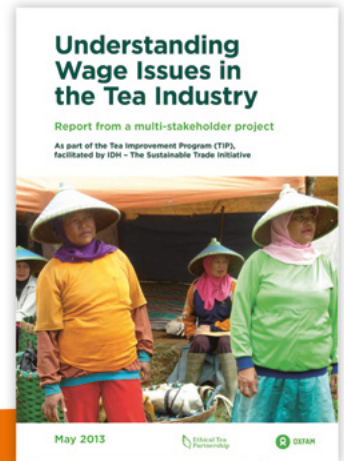


## STARTING WAGE COMPARED WITH MINIMUM WAGE SURVEY



Survey conducted by the Fair Wage Network (Daniel Vaughan-Whitehead), showing garment industry wage gaps between starting wage and minimum wage. (Published in 2013 in Labour Rights in Unilever's Supply Chain, from compliance to good practice, Oxfam.)

Understanding Wages in the Tea Industry, May 2013, Oxfam and Ethical Tea Partnership, ISBN 978-1-78077-320-9.



### COLLABORATION WITH OXFAM, THE ETHICAL TEA PARTNERSHIP AND THE SUSTAINABLE TRADE INITIATIVE (IDH)

The tea industry employs millions of people around the world. Many countries where tea production takes place are poor with low minimum wages. Since 2013, we have been working with Oxfam, the Ethical Tea Partnership, IDH and others to better understand wages in the industry. This work began with an in-depth analysis of pay and benefits in India, Indonesia and Malawi. We now are focusing more extensively on Malawi, where, despite tea estate jobs paying above the legal minimum wage and providing other benefits, standards of living are still extremely low.

The coalition has worked to develop reasonable fair wages benchmarks for Malawi. A Malawi Supply Chain MOU, which Unilever, other tea producers,

buyers and retailers, wage experts, local unions, certification organisations, NGOs and the Malawian Government and others have signed, looks at a number of different drivers of meaningful change, including making more finance available, increasing worker representation within unions, training smallholder farmers in good practices and improving living standards and working conditions.

We are in dialogue with a range of stakeholders including the Malawian Government, industry, international tea buyers and retailers, wage experts, local unions, certification organisations and NGOs to tackle this issue. This cross-sector engagement is what we believe is needed to drive meaningful, sustainable change.

# FORCED LABOUR



## PEOPLE ARE VICTIMS OF FORCED LABOUR ACROSS THE WORLD

SOURCE: ILO

According to the International Labour Organization (ILO), nearly 21 million people are victims of forced labour across the world, trapped in jobs which they were coerced or deceived into and which they cannot leave. In 2014, the ILO adopted a new legally binding protocol designed to strengthen global efforts to eliminate forced labour, also addressing issues such as human trafficking.

Driven by poverty and pressing economic needs, many workers fall prey to abusive employers and human trafficking, with women and children at particular risk of being abducted and sold into slavery. In some instances, forced labour keeps entire families and communities in abject poverty for generations.

Instances of forced labour take many forms. But each time a person is working or providing a service against their freedom

of choice, and cannot leave that work or service without penalty or the threat of penalty, it is forced labour.

We have zero tolerance of forced labour and support the Dhaka Principles for Migration with Dignity, a set of principles based on human rights to enhance respect for the rights of migrant workers from the moment of recruitment, during overseas employment and through to further employment or safe return to home countries. Within our business, we are especially mindful of the risk of forced labour perpetuating abusive conditions for migrant workers around the world. The abusive use of migrant labour is prominent in the agriculture sector – including in palm oil and cocoa plantations, both key commodities for Unilever – but is by no means isolated there. Issues related to migrant workers have included confiscation of identity documents, compulsory overtime and/or deliberate non-payment of wages, and recruitment agents charging workers high transaction fees, often driving them into higher levels of debt.

Working with an external expert organisation, we have developed best practice guidelines on the use of migrant labour. This includes paying particular attention to the recruitment process, including preventing that fees in excess of legally permitted amounts are paid; that any contract terms are clear and legal; that wages or benefits are not falsely promised and that repatriation terms are clear and migrants are free to return home and passports not withheld.

### HUMAN TRAFFICKING

In 2013, due to the above, we identified human trafficking as a high-risk issue for our operations globally. We strengthened our policy framework by incorporating human

trafficking explicitly into our new Human Rights Policy Statement, our Code of Business Principles and our Respect, Dignity and Fair Treatment Code Policy. Awareness and training on our codes and complaints mechanisms are provided to employees globally. We also incorporated human trafficking guidelines into our Responsible Sourcing Policy and Responsible Business Partner Policy.

However, businesses need to evaluate continually the effectiveness of their policy frameworks and operating procedures to confirm compliance with laws, disclose legally mandated and/or voluntary information on due diligence and, most importantly, ensure that preventive mechanisms that are trusted and effective are in place.

We are focused on the following:

- **Conducting** a legal review of the UK Modern Slavery 2015 Act to understand clearly Unilever's obligations. Subject to the findings of the comparative analysis, we will map the requirements against our existing policy framework and due diligence process to identify gaps. Then we will assess the effectiveness of the process we have in place and resources deployed and establish an action plan if necessary.
- **Strengthening** our awareness and training programmes on the prevention of human trafficking for our employees, suppliers and distributors.
- **Establishing** reporting mechanisms to ensure accurate and effective data collection to meet our legal requirements on public disclosure.

# FREEDOM OF ASSOCIATION



**Our position is that if a person is working in a Unilever factory year-round and involved in the production of a Unilever product, that role should be permanent and not relegated to contract status.**

Freedom of association refers to the right of all workers to join or not join a legally recognised trade union or any other body representing their collective interests. Freedom of association is good for workers, good for society and good for business. A strong dialogue between an employer and its employees builds trust and provides opportunities to collaborate on solving shared problems.

Current conditions for global workers make freedom of association more important than ever. Today's workers face increasing instability. Part-time work, contract labour and zero hours contracts are on the rise. Income inequality, too, is soaring. Against this backdrop, a mechanism for protecting employees' rights, to raise issues of concern and to bargain collectively, is essential.

Our codes are clear that people have the right to join or not join unions without threat of intimidation or victimisation and are clear about our support for collective bargaining, effective information and consultation procedures.

Our supply chain team has rolled out 'Human Resources for Factories', a global Human Resources strategy deployed around five core functions – organisation, skills, reward, governance, and health and well-being. With strong components of change management aimed at factory leaders and workers (80% of our factories are unionised), the strategy aims to help our local Human Resources teams enable employee engagement and knowledge development. To be successful, engagement and discussion with trade unions remain vital.

Our relationships with trade unions are multi-layered at both the local and global level. We have established a global forum with the International Union of Food workers (IUF) and IndustriALL on labour rights to identify, discuss and address issues and geographies of concern. We meet twice a year and have specific working groups on Diversity and Sustainable Employment in between.

Implementing freedom of association policies can be difficult. For example, in some countries, including those in which Unilever operates, employees' ability to exercise their right to associate may be restricted. We continue to work within the legal frameworks of the countries where we do business and, wherever possible, apply 'parallel means' to ensure our employees' voices can be heard.

Contract labour, recently described as "the biggest obstacle to the respect of workers' rights" by former UN Special Representative on Business and Human Rights, John Ruggie,

is an issue of tension. Over the past decade, there has been a marked increase in the incidence of contract labour in the global supply chain. Levels of unionisation tend to be lower among these workers who are often in greatest need, with many lacking access to employment protection. They may be working without contracts or without the ability to enforce contracts.

We are committed to mitigating the 'casualisation' of labour within our workforce where possible. Our position is that, if a person is working in a Unilever factory year-round and involved in the production of a Unilever product (as opposed to providing a service such as catering or security), unless the role is temporary due to seasonality or mechanisation, or is only for a defined time, that role should be permanent and not relegated to contract status.

We want to do this as a precondition to creating world-class manufacturing and, to do so, we need to invest and build the capacity of those working with us permanently. We recognise that we will not reach this goal overnight but continue to work on its implementation. We recognise that you cannot subcontract responsibility for the rights of workers.

In our extended supply chain, we ask our suppliers to ensure that their key Human Resources policies on hiring, promotion and termination do not inhibit trade union membership or activity and to ensure the effective implementation of legally binding collective bargaining agreements.

We consider our dialogue with trade unions very important and will continue to engage and learn from best practices. In those countries where the right to freedom of association is restricted, we are committed to fully exploring how we can better implement parallel means.



“I ensure that our estates follow all policies and protect the rights of all. Discrimination and favouritism of any kind have no place in our estates.”

UNILEVER EMPLOYEE



## PREVENTION OF SEXUAL HARASSMENT IN THE WORKPLACE

In 2013, the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act was introduced in India in response to a series of high-profile incidents of violence against women. To address this important issue, Hindustan Unilever (HUL) scaled up local efforts to build a diverse and inclusive workplace that supports gender balance.

HUL developed a context-specific Gender Sensitisation training module. Approximately 30 senior leaders completed a ‘Train the Trainer’ workshop, then conducted workshops across regions covering 95% of managers. We also created a web-based learning module with case scenario videos for further dissemination, as well as several other communication and awareness-building campaigns. Seven committees for the prevention of sexual harassment were formed, led by external stakeholders. These combined efforts helped us build a positive environment at HUL.



“Let us say no to negative demeaning language. Respect does not depend on one’s position.”

UNILEVER EMPLOYEE

# HARASSMENT



## Our efforts would not have had impact if we had not taken a step back to engage with our women workers and the community first.

Harassment can take many forms. It can be verbal or physical, occurring only once or persisting over time. What makes enforcement of harassment difficult is the differing levels of acceptable behaviour across cultures, genders and individuals. A verbal comment in one culture or with one individual may be considered a compliment, whereas in another it can be considered offensive. Empowering people to understand what harassment is and build workplaces where it is not tolerated requires training along with a great deal of sensitivity and respect at every level.

We know that a culture of sexual harassment is endemic in agriculture in many parts of the world and therefore that the likelihood of this existing in our own locations and our extended supply chain is high. In 2014, harassment was our highest internally reported salient issue with a high number of recorded code breaches coming from East Africa and Brazil with substantially more women reporting harassment than men. While we share more detail about our work addressing harassment in Kericho, Kenya in the following pages, it is important to note that an increase in the number of grievances was an essential indicator of our progress, demonstrating growing trust in the effectiveness of the grievance mechanism.

Our aim is to create an environment where everyone feels respected at work. Harassment is a form of discrimination and we are clear in our Code of Business Principles and other Code Policies that the workplaces where

we operate have zero tolerance for it. We continue to revise and evolve our codes in order to address specific forms of harassment, including locally issued policies covering Sexual Harassment, Child Protection, and Violence Prevention and Management. Mechanisms such as toll-free ethics hotlines manned by local language speakers are valuable in encouraging employees to report incidents of harassment.

We prohibit sexual harassment in the workplace and any concerns that are reported and found accurate will result in disciplinary and corrective action. To date, we have focused the majority of our efforts on promoting gender sensitivity. To create a productive and safe environment, we have engaged our employees in developing a deeper understanding of the issue.

We engaged our employees by asking them to submit messaging that would simplify and define our codes on preventing and addressing sexual harassment into succinct and relatable phrases. The goal was to create a list of simple and relevant phrases to convey our commitment to reducing the number of sexual harassment incidents, engaging our employees in the communications process. After reviewing hundreds of messages sent through a variety of channels including email, SMS and letters, a panel from across all company units selected a series to be distributed throughout the operations. This enabled our employees to participate in spreading awareness on an important issue.

Addressing human rights across our value chain requires a deep understanding of cultural, social and economic realities – and for that we must always listen, engage, evaluate and only then create targeted solutions. At one of our suppliers in Malaysia, the staff were conducting pat down searches to prevent workers from bringing their

mobile devices to the production area. After we notified the supplier that this practice was a breach of our Responsible Sourcing Policy, the searches were halted immediately. We helped the supplier conduct training for managers to help them understand why this practice was unacceptable.

One of the issues that emerged in our engagement and dialogue with the International Union of Food workers (IUF)/ IndustriALL was sexual harassment in the workplace, leading to the creation of a joint Unilever/IUF/IndustriALL commitment to prevent sexual harassment, which we will publish later in 2015. We will roll this out to our unionised operations jointly with the IUF and IndustriALL. We will accompany it with a joint programme of training and awareness-raising activities.

Our safety for women and girls programme – with the involvement of men and boys – will have an impact beyond our tea plantations to the communities where we operate.

While remedial processes, stakeholder consultation and grievance mechanisms may inform due diligence at any given location, it is vital for us to recognise that systemic human rights issues must always be factored into such due diligence. For example, if sexual harassment is endemic in a given location or sector, we must proactively set preventive mechanisms, conduct due diligence and remediate if needed. While remedial processes can inform due diligence, they should never lead them.



**Part of the supply chain for our consumer products.** Our long-term efforts to understand and tackle issues of sexual harassment in the supply chain.

**Various locally developed policies implemented:** Violence Prevention and Management policy, Sexual Harassment policy, Child Protection policy.

**Women workers were asked what it would take to make them feel safe.**



**OVER 12,000**  
permanent employees

**OVER 4,000**  
seasonal workers



# A SPOTLIGHT ON KERICHO, KENYA

**ZERO TOLERANCE**

**NEEDS ASSESSMENT SURVEY**

**RESULTS**

**73%**

of respondents working and/or living in Unilever Tea Kenya were aware of the policies and mechanisms put in place to prevent sexual harassment.

**SAFETY PROGRAMME**

**3 KEY INITIATIVES LAUNCHED**

Strengthening DEC

Engagement

Training exercises

Friday Safety Talks

Human Rights Ambassadors

to engage their peers every Tuesday

## A SPOTLIGHT ON KERICHO, KENYA

Our estate in Kericho, Kenya has over 12,000 permanent employees and over 4,000 seasonal workers with up to 50,000 people living in company villages on the estate. In Kericho, Unilever provides workers with pay and working conditions significantly above the agricultural workers' norm and also offers housing, annual leave pay, transport allowances, paternity and maternity leave and free health care, nursery and primary school education, clean potable drinking water and free meals during working hours.

However, as with any society where work and private lives are tightly intertwined, there continue to be particular challenges that we are working hard to address. We also recognise that more broadly, Kericho County is in an area with high levels of unemployment, poverty and income inequality, affected by different forms of crime and violence. We respect this complex surrounding environment and recognise that this raises a range of sensitivities in the local community.

For these reasons, it has been so important to focus on strengthening community-level redress mechanisms to avert sexual harassment, including in the domestic sphere, and create and promote peer correction mechanisms for men on the need for zero-tolerance for harassment, for example building on the Million Fathers Movement.

In 2014, we conducted a survey that uncovered large support for our work by our employees and powerful advocates, including male workers.

We asked female workers what would make them feel safe. Their answers included a need for further understanding, more information on what constitutes sexual harassment, and the creation of opportunities for girls to engage in social activities and mentorship. It further revealed that there is a role to play with peer-to-peer, community leaders, external partners and company awareness-building activities.

The survey reached out to community members, managers, factory and plantation workers, security guards, medical personnel, school officials, police and provincial administration chiefs, male community members, members of the Dignity and Enhancement Committee (DEC), village elders and boys and girls.

### Findings:

- 73.2% of respondents working and/or living in Unilever Tea Kenya were aware of the local policies and mechanisms put in place to prevent sexual harassment.
- Safety and security preventive and redress initiatives contributed to a sense of safety at the workplace.
- 82.4% indicated they had received training; 96% indicated the training was very useful or useful.
- 90% of respondents felt comfortable reporting incidents through available channels.
- A majority of the women preferred reporting harassment to the DEC and village elders.

We have continued to embed zero tolerance through several locally developed policies covering Sexual Harassment, Child Protection and Violence Prevention and Management. Through our programme focused on safety for women and girls, we have implemented measures to enable greater engagement of our workers and the wider community. We strengthened the DEC Charter to cover work and home, and set out an operational framework. The DEC Charter ensures representation of contract workers and promotes the voicing of their concerns at monthly forums.

We launched three key initiatives:

- 1: DEC Tuesdays: About 1,000 community members engage their peers on sexual harassment and related topics which are assigned monthly during musters – gatherings for the allocation of duties and daily tasks. The topics, measures, and responses are shared during monthly DEC meetings.

- 2: Friday Safety Talks: We particularly dedicate conversations on the last Friday of every month to sexual harassment and related topics. Managers lead these employee talks, supported by team leaders.
- 3: Training exercises: Targeted training exercises including DVDs played in village social halls, case studies, and a peer education program on how to integrate learning's into day-to-day business activities.

### Results include:

- Management at our Kericho plantation trained on human rights, basic investigative skills to assist in handling potential Code breaches and the effective handling of grievances through various channels.
- 1,217 employees comprising members of the DEC, village elders, workers' committees and shop stewards trained as ambassadors on human rights.
- 27,000 people trained on sexual harassment and related topics.
- Training to specialised groups, such as medical personnel.

The success of our efforts reflects our proactive engagement with our women workers and the community. We must listen, engage, evaluate and only then create targeted solutions. We must maintain trust in the effectiveness of grievance mechanisms to ensure cases are actively reported.

These issues are not unique to Kericho County. Many other civil society groups and companies face similar challenges. We will continue to have a systematic and inclusive approach, working alongside the communities where we operate. We hope that this will bring lasting change both inside and outside our business.

Our work in Kericho remains a key priority. We will continue to report progress on [unilever.com](http://unilever.com).



Our personal care brand Clear supporting the 'Helmets for Heads' initiative.

## ROAD SAFETY

Regrettably, between 2007 and 2014, there were 48 road traffic-related fatalities involving Unilever employees on company business and members of the public, as well as more than 250 injuries and 5,000 accidents.

An area of priority for us is reducing road traffic accidents. Much of our business growth comes from developing markets where our sales people are at increased risk from travel because of poor local road infrastructure. Our Safe Travel programme, developed collaboratively with Cranfield University in the UK, helped achieve a considerable reduction in driving-related fatalities in 2013 compared with 2012. The programme is led by a senior manager in each country where we operate who coordinates

a Safe Travel committee to identify local risk and then develop and implement safe driving standards. Drivers are provided with training and technology based on the local risk assessment.

In 2012, our personal care brand Clear began supporting a global initiative called 'Helmets for Heads', aimed at promoting road safety by raising funds for the purchase and distribution of helmets in lower income communities. This initiative marks a long-term investment for us and is run in partnership with the UN Decade of Action for Road Safety 2011-2020.

We will be mandating a global ban on the use of mobile phones, including hands-free, when driving on company business from 1 July 2015.





# HEALTH AND SAFETY



**It is critically important that people have a safe and healthy work environment.**



Testimonials from two of our employees who escaped serious injury by following our safety culture by wearing helmets.

The ILO has estimated that, every single day, 6,400 people die from an occupational accident or disease, amounting to 2.3 million deaths each year.

Additionally, the ILO reports that as much as 4% of global gross domestic product, equivalent to an astounding US\$2.8 trillion, is drained annually by costs related to lost working time, interruptions in production, treatment of occupational injuries and diseases, rehabilitation and compensation.

Poor occupational health and safety (OHS) performance has business as well as personal ramifications. It has a direct negative impact on labour costs through lower productivity and can affect reputation, have an impact on staff morale or increase operating costs through fines and other liabilities.

We are among the leaders in our industry on safety. In 2013, we achieved our target of halving the number of accidents in our factories and offices compared with 2008. We measure this using our Total Recordable Frequency Rate (TRFR), which counts all workplace injuries except those requiring only simple first aid treatment. In 2014, our TRFR rate increased slightly to 1.05 per million hours worked, due to a spike in injury rates at the beginning of the year. We renewed our focus on our safety programmes to bring our injury rates back down.

That said, health and safety was the third most internally reported salient human rights issue within our own operations in 2014 with Brazil reporting the highest number of cases.

It is our duty as an employer to ensure that we provide our employees with a safe and healthy place to work. Safety is integral to everything Unilever does. It is non-negotiable and we are relentless in our focus on improving safety through visible leadership, positive behaviour, safe systems and procedures as well as the design of our plants, facilities and products.

Our commitment to health and safety is led by the most senior executives in our organisation, with ultimate responsibility for our safety performance resting with our Chief Executive Officer, Paul Polman. The senior leader responsible for health and safety is our Chief Supply Chain Officer, who is also a member of the Unilever Leadership Executive. To reinforce our safety governance, in 2013 we established a Global Safety and Health Executive Committee (GSHEC), which is chaired by our Chief Executive Officer and consists of our Cluster Operations Performance team. The GSHEC has four sub-committees focusing on behaviour-based safety, process safety, safe travel and medical and occupational health, each led by one of the senior leaders with membership from across the organisation. The GSHEC reviews performance and programmes.

Our senior health and safety professionals meet regularly as the Unilever Group Safety and Health Leadership Team, chaired by our Vice President for Safety and Security, who reports to our Chief Supply Chain Officer. The team reviews progress against targets, follows up on serious incidents, recommends specific remedial actions, and ensures dissemination and adoption of lessons learned.

Line management and individuals share responsibility for safety. Safety committees at every site carry out engagement and consultation with employees at all levels. Every manager is responsible for safety and is expected to lead by example. We have developed tools and training to guide our employees in adopting safe behaviours, drawing on best practices from inside and outside Unilever. These are designed to encourage employees to identify unsafe behaviours and make the consequences of such behaviour more immediate and personal.

Our global responsibility for occupational health covers access to primary healthcare, protecting health in the workplace, ensuring medical fitness for the job and actively promoting health and well-being. However, there is perhaps no health issue with more direct bearing on human rights than HIV/AIDS. It disproportionately affects women, children and those living in poverty, especially in developing countries.



## HIV EDUCATION AND PREVENTION

With no cure for AIDS, a comprehensive strategy including awareness, information and education with prevention (our road map as a management tool, voluntary testing, early diagnosis, condom distribution for males and females, male circumcision) is critical to halt the spread of the disease and be the main line of defence against it. These must also be supported by counselling and sustainable programmes to care for those already infected. We are committed to deploying effective programmes on health education (using our skills in communication) and to securing access to appropriate treatment for our employees at all stages of HIV/AIDS.

Countries differ greatly in the quality of clinical infrastructure, in national health priorities and in the cultural

sensitivities which surround HIV/AIDS. The role of the private sector varies accordingly – where public health systems prevail, for example, our contribution will concentrate on education and prevention schemes. Elsewhere, direct involvement in treatment and care may be necessary. Our policies respond to these differences and adapt to fit local needs. In each country, health professionals are responsible for determining the mix of provision for employees in line with local cultural, social and operating requirements.

Our policies have been most developed in Sub-Saharan Africa, where our programmes have been established over many years and are shared widely both with other companies and in society.

Given the scale of the challenge, our approach is to work in partnership with others and to share expertise and learning. Unilever was one of the founding members of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria, which aims to mobilise the networks and resources of multinationals to combat and raise awareness of these diseases. We also support a range of international, regional and national organisations and coalitions helping to coordinate a private sector response to combat the epidemic. In our extended supply chain, health and safety continues to be an area where improvement is often needed.

We will continue to train vigorously on health and safety requirements in our own operations and to work with our suppliers and other business partners to drive further improvements.

## OUR APPROACH TO HIV/AIDS IN SUB-SAHARAN AFRICA

In Sub-Saharan Africa, our companies have developed a comprehensive framework to manage the HIV/AIDS programme, which addresses the needs of individuals at key stages of prevention and treatment. These are:

- Awareness (through educational programmes for all employees).
- Prevention (including prevention and treatment of occupational exposures, and distribution of condoms).
- Acceptance of status (encouraging HIV-positive individuals to seek treatment).

- Treatment and care (including access to anti-retroviral therapy). For pregnant women, we help with treatment to prevent mother-to-child transmission. These policies are aligned with the key principles of the International Labour Organization Code of Practice on HIV/AIDS.

Across our sites in Sub-Saharan countries, we offer free HIV testing, as well as education programmes to raise awareness, teach safe practices and prevent discrimination. We support the destigmatisation of HIV/AIDS through voluntary confidential testing by healthcare providers.

## RESPONSIBLE EXTRACTION OF MINERALS

The extraction of minerals can cause negative human rights impacts, particularly in the areas of health and safety and labour rights. In 2013, we rolled out a pilot programme to assess the elements of responsible mineral extraction.

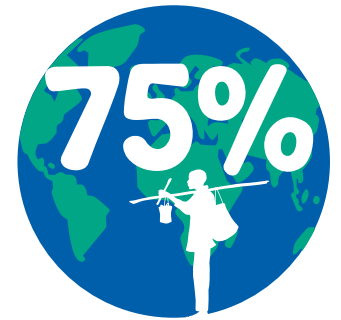
Focusing initially on our salt suppliers in India and China, the programme tracked transparency in our supply chain back to extraction sites. The programme also assessed raising standards, where necessary, and encouraged continuous improvement. In 2014 and 2015, we held supplier workshops in India and China with participation from key stakeholders, including NGOs, to help set expectations and discuss the need for an industry-wide approach.

Toward the end of 2014, we conducted an independent assessment of a salt pan operation in India with a Tier 2 supplier. Several issues emerged including incidents of excessive working hours, poor health and safety practices, and lack of a proper process for the payment of wages. It was clear from this assessment that suppliers lacked knowledge about setting up effective worker committees and associations. We have since started collaborating with our direct supplier on a remediation plan for the Tier 2 supplier.

To bring about broader change, we have partnered with the international civil society organisation Solidaridad in its creation of the Responsible Minerals Extraction Code (RMEC), which we will begin implementing with our suppliers in 2015. The aim of the RMEC is to raise social and environmental standards within the industrial minerals sector, beginning in high-risk geographies. We recognise that more work needs to be done. Some elements of this industry, for example the salt industry in India, are less formalised in governance and structure, which makes this more challenging. We will therefore work closely with our suppliers, other businesses, and industry associations on this important initiative.



PHOTO: © KALCUTTA



## OF THE WORLD'S POOR

live in rural areas where land is a fundamental asset and a primary source of income, security, opportunity and status.

SOURCE: FAO

# LAND RIGHTS



## We recognise that respecting land rights is critical for inclusive development and are committed to the principle of free, prior and informed consent.

According to the Food and Agriculture Organization (FAO), 75% of the world's poor live in rural areas where land is a fundamental asset and a primary source of income, security, opportunity and status. Yet, more than half of these families lack either access to land or a secure stake in the land they till. When it comes to the percentage of land owned by women, the numbers fall even further. Available information, as reported by the FAO, suggests that less than one quarter of agricultural land holdings in developing countries are operated by women. A study by the International Food Policy and Research Institute found that, across eight African countries, women were generally less likely to be landholders but the range was large: in Mali, women represented about 3%, in Ethiopia, about 18% and in Cape Verde, 50%.

Legal or customary rights to land improve the resilience of families so they can climb out of poverty. Tangible land rights also lay the foundation for other development investments to take root – such as education programmes, financial services, and healthcare. Ignoring the impact on land tenure when responding to concerns of environmental sustainability, social conflicts

and food security can lead to unanticipated outcomes such as displacement and inequitable development.

We recognise that respecting land rights is critical for inclusive development and are committed to the principle of free, prior and informed consent, which is included in the UN Declaration on the Rights of Indigenous Peoples and the UN Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the context of National Food Security. An equally important element of respecting land rights is the right of women to land ownership and access to land, a right that has traditionally been favourable to men in many countries. With women increasingly becoming primary caretakers of their families, land ownership helps empower them, offers stability and can enable women to lead secure and sustainable lifestyles.

Our Palm Oil Sourcing Policy, launched in November 2013, includes requirements for suppliers to respect the rights, including land tenure rights, of indigenous peoples and local communities regarding activities on their customary lands where plantations are developed.

As we began engaging suppliers and other stakeholders on our Responsible Sourcing Policy, land rights emerged as one of the issues for which our suppliers requested more information and guidance, especially in urban settings.

But issues related to land rights aren't restricted to our extended supply chain. They remain a core focus area for us across our own operations, for example in the building of new factories or other assets.

We are, therefore, creating a new Global Land Rights Policy, which will include principles and due diligence applicable to all our operations, suppliers and business partners, and information on consultation, consent and transparency as well as environmental considerations. We will finalise the policy in 2015 and shortly thereafter issue a Standard Operating Procedure and training materials for dissemination throughout our value chain.

However, addressing the issue of land rights, as with any other human rights issue, requires a collaborative and multi-stakeholder approach because of the multitude of laws and cultural norms at play across our value chain. In some countries, poor governance can lead to difficulties in ascertaining land ownership. When publicly available archives are unavailable for a host of reasons, tracing land ownership back becomes difficult. In other countries, rights-holders hesitate to speak up due to many factors including a lack of confidence in the consultation process. To that end, we are working with external, expert organisations to ensure that we can review issues proactively and create additional guidance as needed.

Building our internal capacity and promoting best practices with suppliers and others as well as aligning with industry leaders on these issues will continue to play important roles. We are committed to zero tolerance for land grabbing as well as other coercive methods of force or corruption and recognise that the realisation of land rights is one of the most powerful ways to help people increase and extend their ability to lead a self-sustaining lifestyle. We will continue to build on our work in this area.

# WORKING HOURS



**Excessive working hours can affect rights-holders in all parts of a business – offices, factories and plantations – and can lead to serious negative effects on health, family life, and productivity.**

Studies show that, over time, working long hours can increase risk of depression, heart attack and heart disease. It can also directly affect an employee's ability to work safely, especially in factories and in agriculture supply chains.

To achieve higher standards of performance against Code Policies relating to hours of work, overtime and wages, there is no doubt that the single most effective step to take is the installation of timekeeping equipment or systems. Without accurate timekeeping and records, the risks of over-working and under-paying workers are high. But keeping time is not sufficient and can only work if workers know and understand how many hours they should be working and at what rate and form of payment as per their contract. Further, they must feel empowered to discuss and debate their hours and pay with their employer, and if that discussion is not possible or fruitful they must feel able to record a grievance.

Many issues related to excessive working hours occur in our agricultural supply chain where harvesting seasons often dictate productivity levels and hours. Our time management system must be flexible enough to respond to the realities of agricultural production, making it essential that we analyse the activity in question and identify periods or activities that pose a risk of non-compliance. Harvest periods are an obvious case but there may be unforeseen events such as severe weather that will require exceptional hours as well.

In these cases, we set a clear approach to peak periods and exceptional circumstances so that the supplier and the workers know what effort may be required and how it will be compensated. Examples include acknowledging that mandatory overtime may be required but specifying that workers must agree to that at the time of hire and that it must be compensated at a premium rate; and rest days and premium payment rates must be respected etc. Any in-kind forms of compensation must be agreed to by workers in advance and must be calculated at market rates with records of all these exceptions maintained and reviewed throughout the year.

However, this is not limited to agriculture. We have found cases in our extended supply chain, for example in a packaging factory in Thailand where workers had been working for eight consecutive days. The supplier was asked to put in place a remediation plan and three months later, during a second audit, we were able to confirm that workers were receiving at least one day off every seven days.

There are other challenges including very excessive and sometimes mandatory overtime, back-to-back shifts, no breaks during the day, as well as no payment of overtime. This is especially acute in places where there is a piece rate system or a productivity-led wage distribution system, which puts pressure on workers to work overtime to accomplish the quota. Sometimes, the rate per piece is set so low that their wage per hour falls below minimum wage.

For workers in our extended supply chain, our Responsible Sourcing Policy requires that all suppliers ensure that working hours for all workers are reasonable. Following the law is non-negotiable and we require that permission is proactively given by workers when there is a need to work beyond normal working hours if it is legal to do so in that country – and that correct health and safety procedures are being followed.

Our Responsible Sourcing Policy addresses these issues by engaging suppliers on a continuous improvement ladder, which ensures that they are continually reviewing their practices for gaps and shifting from mandatory to good and, ultimately, best practice. For instance, mandatory requirements include implementing “clear policies and procedures defining regular and overtime work, at least 24 consecutive hours of rest in every seven-day period and all overtime work is paid at least to the rate defined by law”.

Advancing to good practice requires that suppliers pay “all overtime work at the appropriate premium rate according to law or to prevailing industry standards, whichever is the higher, and that there is an effective mechanism to monitor hours of work”. Suppliers must also plan peak periods to avoid excessive overtime and “meet the goals and requirements set out in the International Labour Organization Conventions on hours of work and overtime so that the regular working week does not exceed 48 hours, and overtime does not exceed 12 hours”.

The final rung of the improvement ladder – achieving and maintaining best practice – requires suppliers to implement “work-study, costing and scheduling systems that plan production to avoid overtime except in exceptional circumstances and ensure that working time arrangements allow for work-life balance”.

We will continue to monitor and track the issue of working hours while implementing and sharing best practice.



## OUR SALIENT ISSUES: IN CONCLUSION

**It is important to note that, while we identified these human rights issues as our most salient for this reporting period, it does not mean that other issues do not exist across our business or that they are not addressed as needed. We continue to work in partnership with others to tackle their root causes. Because circumstances, such as economic and political trends, also change, creating new risks to rights-holders, the process of identifying salient issues needs to be continual and evolving.**

# COMPLIANCE AND BEYOND



**In this section, we focus on our efforts to build capacity, train managers and employees on human rights codes and policies, track and monitor Code breaches and violations. We also detail the remediation process for individuals within and outside the company to raise and resolve negative human rights impacts.**

**The goal of this work is to help ensure we better understand where issues lie in our value chain, and then to ensure we can move to address them effectively.**

## **TRAINING, TRACKING AND REMEDIATION**

We apply the UN Guiding Principles on Business and Human Rights to underpin our own high standards of corporate behaviour. These principles help us identify and tackle systemic causes of abuse, working collaboratively and openly with others. Engaging across our business functions and geographies, our focus is on creating awareness, engagement, training and the effective implementation of our expanded policy framework. We have strengthened our capacity building and training programmes and share good and best practices both internally and with our suppliers.

However, our commitments are not credible or accountable unless they are part of an active process of compliance, monitoring and reporting. The Unilever Board is responsible for this process, and day-to-day responsibility lies with senior management around the world. Checks are made on this process by Unilever Corporate Audit and by our external auditors.

We have clear controls in place to mitigate against potential breaches of our Code of Business Principles and Code Policies. We regularly communicate internally on related standards of behaviour required from directors, employees, contractors and other individuals who act on behalf of Unilever. We expect and encourage employees to bring any breach in any area of our Code to our attention, including any found in our suppliers. We are clear on the consequences of misconduct.

The Code and Code Policies are at the heart of our risk-based business integrity programme. Since 2015, our Chief Business Integrity Officer reporting to the Chief Legal Officer is responsible for the strategy and execution of an ambitious global business integrity programme, including the tracking of compliance with the Code's provisions. The Chief Business Integrity Officer heads a restructured network of regional and national Code Officers who are also part of the Legal Function: these operate in close collaboration with internal subject matter experts, including the Global Vice President for Social Impact.

Our Global Code and Policy Committee (GCPC) and Procurement Code Committee play a key role in monitoring and reviewing the implementation of the Business Integrity programme, as does the Corporate Responsibility Committee at Board level. The Chief Business Integrity Officer liaises with the multiple stakeholders who form part of Unilever's wider compliance community to devise optimal ways to align controls and effectively mitigate Code compliance risks. Our goal is to further develop a world-class Business Integrity organisation that addresses future trends and challenges and embeds a culture of integrity and compliance across all operations. This also involves active efforts to fight bribery and corruption, and uphold compliance with applicable laws and ethical business standards at all levels.

## A 'PREVENT – DETECT – RESPOND' MODEL

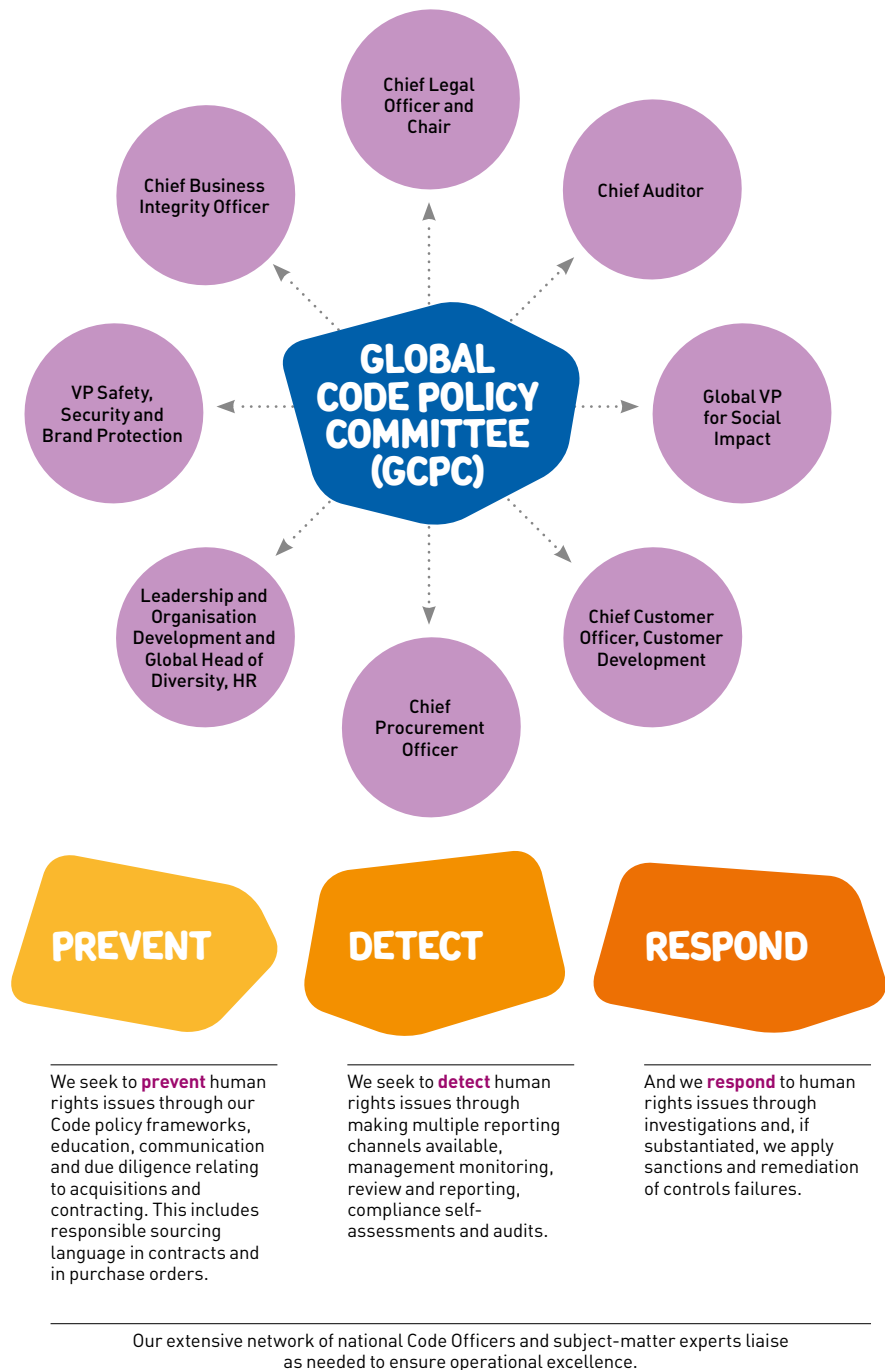
We operate a well-established Prevent – Detect – Respond compliance framework (see below).

Our network of Code Committees reviews and decides on alleged Code breaches and any associated sanctions and follow-up, while the Chief Legal Officer and Chief Business Integrity Officer oversee all investigations concerning senior Unilever executives. The level at which decisions are made (country, regional or global) varies based on the nature of the concern and the roles of individuals involved, to ensure a fair, coherent and impartial approach in all instances.

Code breaches can be raised through our 24/7 anonymous hotline or our online reporting tool, Ethics Point. External parties, including those working with us in our extended supply chain, can also use our global Code Breach process. We provide training and organise global awareness programmes on how concerns can be raised. Disciplinary consequences of substantiated Code breaches range from verbal warnings to termination by dismissal.

We are seeking to improve our analytical capabilities to make sure any internal trends, hot spots and root causes are rapidly identified and remediated through the introduction of appropriate controls.

During 2014, there were a total of 445 cases opened related to Code breaches involving our salient human rights issues. This was up from 238 in 2013. An increase in the number of grievances reported over the year is an important indicator of progress because it



**“We aim to lead the way in developing effective solutions to embed a culture of business integrity and ethical practices across the entire Unilever footprint. By living the Code internally and asking our business partners to meet equally high standards, we have a unique and exciting opportunity to promote responsible growth.”**

**ANNY TUBBS**  
CHIEF BUSINESS INTEGRITY OFFICER,  
UNILEVER

shows that trust in the effectiveness of the grievance mechanism is growing. Overall for 2014, the percentage of breaches relating to our Respect, Dignity and Fair Treatment Code Policy was 19%, ie just under one fifth.

We continue to examine how we can most effectively prevent violations and breaches from happening – and if they are not prevented, remediating swiftly and effectively. Many of the salient human rights issues such as human trafficking and fair wages, however, require systemic changes and need to be addressed collaboratively through engagement with the larger community. In some cases, we are developing issue-specific policies and partnering with external stakeholders to revise existing certifications and frameworks so that change is both systemic and grounded. An example is health and safety

where the government plays a critical part through stronger health and safety legislation and its enforcement mechanisms. Where government efforts are lacking, the private sector is left with the responsibility to go deeper and shift from respecting to protecting human rights.

### **TRACKING OUR OWN FACTORIES**

In our factories, we previously used SEDEX (Supplier Ethical Data Exchange) to monitor and track social and environmental performance. The Self-Assessment Questionnaire (SAQ) looks at four core pillars in the areas of Labour Standards, Health and Safety, Environment and Business Integrity. In 2014, 98% of our factories completed updates to the SEDEX self-assessment questionnaire. No factories were identified as high risk against the elements that SEDEX reviews in the assessment. Some 85% of the factories fell into the medium risk category with the remaining in low risk.

SEDEX determines the risk factor by comparing responses to questions in coordination with the type of products being produced at the site. During 2015, we will independently audit 17 factories identified from the SEDEX self-assessment as the potentially highest risk, ensuring that each of our geographical clusters are represented.

Going forward, our factories will be checked by external auditors using the URSA (Unilever Responsible Sourcing Audit) process. This will ensure that all internal sourcing units are held to the same standard as external suppliers.

### **THE RESPONSIBLE SOURCING POLICY**

The task of managing issues in our owned operations is dwarfed by the complexity of tackling this agenda in our supply chain. As a result, a lot of our work has been focused here. For our extended supply chain, the RSP, launched in 2014, incorporates our Sourcing Policy and Code into one document to align purchasing standards with our commitment to respect human rights. RSP compliance has become one of the key criteria for awarding business to suppliers, raising the bar for positive social impact within Unilever's supply base.

We are also keenly aware that we need to examine our own purchasing practices to ensure they are not contributing to excessive working hours and other poor employment conditions. We will focus our training and awareness-raising across our business to address this issue.

- Awareness and training on aspects of the RSP were provided to suppliers on site in Brazil, China and Vietnam in 2014, with Procurement's compliance team launching the new RSP auditing tool in April 2015. In 2015, events have already been held in Costa Rica and India. Next, we will go to Turkey. In our experience and using external data and indices, five of these six countries are shown to be among the highest-risk countries from a Responsible Sourcing perspective. This is a key reason for the decision to perform on-site training of suppliers and stakeholders. The rest of the relevant supply base has been engaged with online training cascades and Q&A documents.



## TURKEY'S TEA INDUSTRY – MIGRANT WORKERS

In September 2014, we engaged an external organisation to carry out an independent assessment of our tea supply chain in Turkey. Our goal was to understand the working conditions of a large population of migrant workers from neighbouring Georgia who are regularly employed by our suppliers during Turkey's short harvest season. We asked the auditors to use a human rights – including labour rights – lens to review these workers' conditions across our own operations and our extended supply chain.

The assessment found that this income was vital to workers' livelihoods. This was especially the case for migrant workers, who can earn two to three times more through harvesting tea than they can earn in Georgia. These jobs also paid wages on time and allowed the workers to support their families.

However, the assessment found significant and pressing challenges as well – most of them endemic and needing to be understood and resolved at the industry level, including:

- The existing regulatory environment needs improvement relating to the registration of these workers and the protection of labour standards.
- Excessive working hours during the harvest were evident in our tea supply chain.
- Several health and safety non-conformances were found at some supplier sites including inadequate first aid facilities, lack of protective equipment, and inadequate emergency exits.
- The accommodation for migrant workers at some of our supplier sites did not meet required standards.

Our response was:

- We will remediate the issues identified by the assessment at the individual site level and also work with external multi-stakeholder groups to address systemic challenges. An internal cross-functional group will spearhead this work.
- We have started a capacity building initiative in Turkey that focuses on human rights.
- A specific workshop will emphasise a number of the identified issues and foster a discussion on how we can work together collectively to begin to improve practices.
- We are planning an RSP event with local suppliers. We will be focusing on tea and foods suppliers and labour related issues. We will concentrate on educating suppliers on labour rights and best practices and on implementing effective and sustainable solutions.

- We are educating our suppliers on our new URSA audit requirements and regularly communicate with the supply base to share best practices. We do this through supplier events and SupplierNet, a global IT platform, as well as personalised communications from the Supplier Excellence team or Chief Procurement Officer. SupplierNet was set up in 2014 and we have so far on-boarded 1,200 suppliers.

We translated the RSP and its benchmarks into the URSA, which we assess on a quarterly basis.

We designed and deployed a new system and platform to support the extensive requirements of our Responsible Sourcing Policy. It allows us to manage data relating to our suppliers' social performance, resulting in a scorecard. The purpose: to be able to assess the overall performance of the supplier and use the assessment in decision-making processes. We also use the system and database to track the overall progress against our goals and public commitments and have incorporated RSP goals in procurement teams' performance objectives, which link directly with financial bonuses for the teams.

We expect identified suppliers – starting with our strategic 1,200 suppliers – to begin immediately analysing their operations for gaps and improving any non-conformity before moving on to the level of good practice. This would cover 80% of Unilever's raw and packaging materials spend. In the first phase, we are focused on our 'Partner to Win' suppliers (approximately 200 large companies covering up to 40% of our total spend including service providers) who

needed to meet the policy's mandatory requirements (beyond legal requirements) by the end of March 2015.

'Non-conformances' found during the URSA audit require the supplier to create a time-bound remediation plan addressing root causes. If all corrective actions are implemented and verified by the audit company within the specified time frame, the non-conformance is described as 'closed' and positions a supplier to move to compliance and meet the requirements of good practice. Depending on the country risk matrix, the supplier needs to be audited regularly to maintain its compliant status. The risk matrix has been developed in conjunction with a global risk management consultancy which selects parameters based on our RSP, such as child labour, forced or involuntary labour and health and safety. The countries are then given scores depending on the risk (both systemic and operating) of these issues existing in the country. The overall score, based on all parameters, determines the risk of the country. All audits happen at a supplier site level, rather than at parent company level. This adds to the challenge in terms of the scope and volume of audits and follow-up needed. The frequency of re-auditing depends on the initial audit score and can be from yearly to every third year.

A unique component of the process is 'key incidents'. When auditors find one of a defined set of non-conformances, they are instructed to contact Unilever, even before the audit is over. This is deemed a key incident. These non-conformances include those that might result in death or serious injury to a worker or extreme harm

to the reputation of Unilever. Upon notification, we escalate to the relevant Procurement Manager who has a given timeframe to mitigate the risk. These are tracked for action.

The Procurement Code Committee evaluates and makes recommendations where suppliers are not willing to comply or move up our continuous improvement ladder, and it reviews all key incidents raised. Continual non-conformances with no remediation plans result in an escalation to the Global Procurement Code Committee for a decision on terminating the business relationship. To address systemic issues within extended supply chains, we also work with organisations such as AIM-Progress and the Global Social Compliance Programme to work collaboratively with our peer companies in the industry.

# BECOMING A UNILEVER SUPPLIER

## IDENTIFY

### SUITABLE SUPPLIERS IDENTIFIED

We have approximately 76,000 suppliers around the world.

We employ 172,000 people in our operations but many millions play a role in our value chain.

## DUE DILIGENCE

### DUE DILIGENCE CHECK

Unilever evaluates suppliers using a country-based risk matrix to determine the need for an audit of self-evaluation. Unilever has a three-pronged approach to determining a company's suitability to supply.

#### 1: INITIAL DUE DILIGENCE

Initial due diligence is done for our highest-risk suppliers using tools that check against sanctions lists and look for adverse media. Procurement also carries out routine due diligence on its suppliers during the contract period.

#### 2: RESPONSIBLE SOURCING POLICY

Suppliers are then required to acknowledge alignment with our Responsible Sourcing Policy either through contractual language or completion of a self-assessment questionnaire. Satisfactorily completing the questionnaire, depending on risk, may allow them to supply to Unilever or they may be required to undergo an URSA audit.

#### 3: UNDERSTANDING RESPONSIBLE SOURCING AUDIT (URSA)

The URSA was designed to evaluate suppliers' process alignment with the requirements of the RSP good practice. Suppliers are primarily audited at site level to give a true picture of a supplier's ability to put policies into practice. Once an audit is finished, the supplier completes the process through risk mitigation and the development and implementation of its corrective action plan.

A supplier must close all of its non-conformances in full before it can be considered compliant and able to supply Unilever.

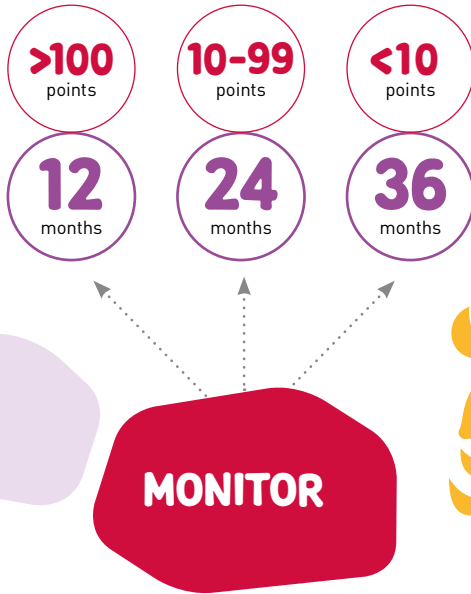
Our Procurement team manages the relationships and works to ensure suppliers take the necessary steps to meet requirements and are willing to make the changes to continuously improve.

#### SUPPLIERS UNABLE TO COMPLETE THE PROCESS

Suppliers who are unwilling or unable to comply or progress with Responsible Sourcing requirements are reviewed by the Procurement Code Committee for further work or eventual delisting.



The scoring system for non-conformances observed during an audit determines the frequency of re-audit:



#### RE-AUDIT

The frequency of re-audit is determined by suppliers' score in the initial audit (see above). We use a points system to identify score thresholds and to ensure that we are regularly auditing our suppliers for non-conformances.

It gives us the opportunity to benchmark performance, non-conformances and other infrastructural gaps while ensuring that gaps are addressed through active capacity building and partnerships.

“Since our first RSP audit, we have performed various physical improvements in the company and managed to create a new mindset throughout our workforce that the company is not only concerned with customer service but also the working conditions and structure offered to our employees.”

A UNILEVER SUPPLIER



#### GLOBAL SUPPLIER CAPACITY BUILDING EVENTS

Unilever has sponsored five events in Brazil, China, Vietnam, Costa Rica and India. Over 750 supplier personnel have attended. The events are designed to promote responsible sourcing practices throughout the supply chain, with particular focus on increasing supplier capability and to provide information, resources and tools to ensure suppliers understand and embrace responsible sourcing standards.

## SEEKING CONTINUAL IMPROVEMENT

Audits are important tools in our impact assessment. They bring credibility by providing a verification point. They also help us understand the overall direction of improvement across our partners. However, they are not an end in themselves, providing only a snapshot in time, and work best as part of a broader approach to collaboration, engagement and continuous improvement. Monitoring and establishing effective grievance mechanisms are critical to address salient human rights issues, robust and comprehensive tracking is essential to evaluate the effectiveness of our policies. Unilever has engaged and trained five audit houses which our suppliers can engage in URSA audits. The audit results are then uploaded to our database (USQS – Unilever Supplier Qualification System) to track progress and compliance.

In a continual effort to engage important stakeholders, we asked many of our suppliers for feedback on the robustness of the Responsible Sourcing Policy as well as our renewed efforts at addressing human rights issues and monitoring progress. What we heard was insightful. At one supplier, for example, the first audit in 2012 revealed three non-conformances including issues around health and safety. The supplier made the necessary improvements following which a fire occurred with 70 people at work in the factory. Fire management reported that everyone was safely evacuated, thanks to the improvements, even though the entire factory was gutted, demonstrating the power of the policy, audits and linking the improvements to our commercial relationship with suppliers as an incentive for improvement.

The first chart on page 55 shows the number of non-conformances recorded in 2013 and 2014 for our salient issues. However, it is important to note that a number of non-conformances may be resolved while others remain outstanding. The second chart shows non-conformances closed out (corrected) per country in 2014.

By deploying a points system and using these results, we have been able to identify score thresholds and subsequent re-audit frequencies that push our suppliers to make the changes needed in a realistic timeframe and enable them to make incremental shifts from good to better practices. For example, the graphic on page 53 shows the re-audit frequencies that audit houses work toward when auditing suppliers on our behalf.

This points system ensures that we are regularly auditing our suppliers for non-conformances while the overall process helps to identify the level of compliance and the meeting of requirements to do business with Unilever. It gives us the opportunity to benchmark performance, non-conformances and other infrastructural gaps while ensuring that gaps are addressed through active capacity building and partnerships. A supplier with closed

non-conformances has demonstrated a commitment to work to identify and close out observed issues and to meet our requirements as part of its business model. We expect suppliers generally to improve their non-conformance scores.

We find that most supplier non-conformances are found within health and safety with fire safety being the most prevalent. Concerns around wages and working hours are also found, particularly around part-time or temporary workers not being paid the same rate as full time employees or overtime not being paid at a higher rate. Another non-conformance is the absence of time cards, which means there is no ability to see if workers are being paid correctly, or a lack of other proper management systems or record keeping.

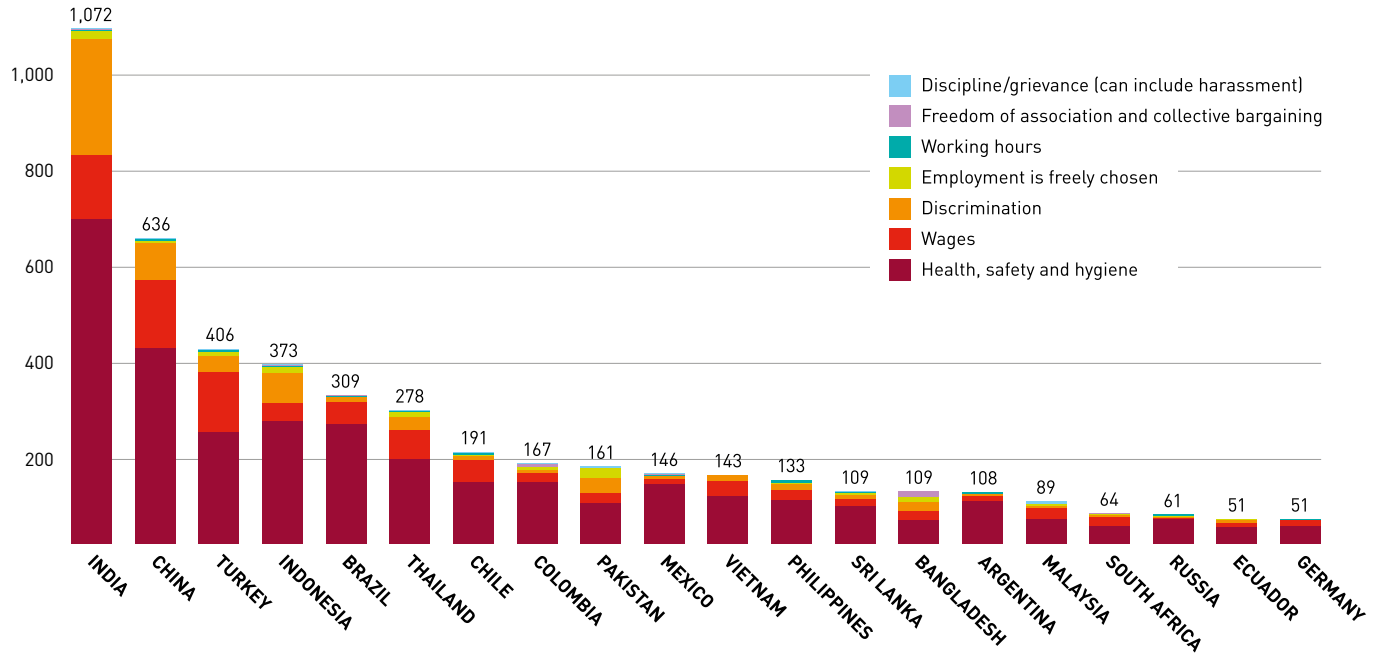
If the supplier is willing to make changes and improvements, including looking at the root causes of these issues, we continue to support and encourage progress as the best way to improve conditions for workers. This is a reality in some markets where operating conditions are at such a basic level that compliance and improvement require a slow process to make progress. This is where multi-stakeholder collaboration is



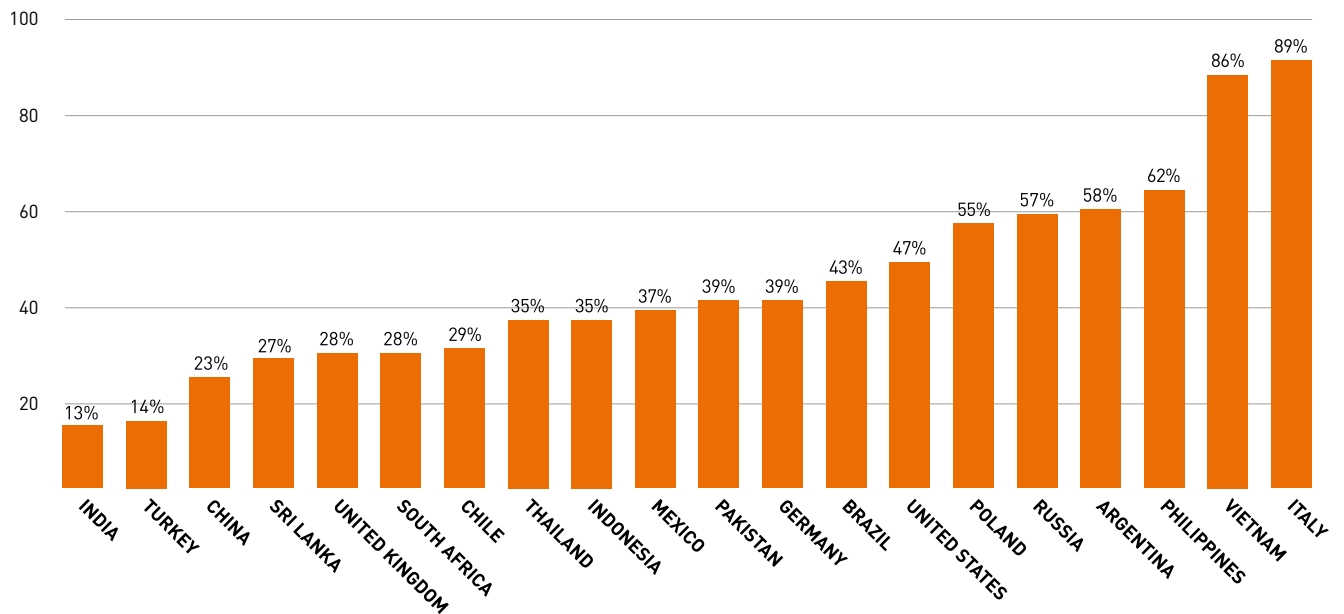
PHOTO: FRANS LEMMENS



## NON-CONFORMANCES PER COUNTRY BY SALIENT ISSUE 2013 AND 2014



## NON-CONFORMANCES CLOSED OUT (CORRECTED) PER COUNTRY 2014 (%)





so important to address existing endemic issues. However, if the supplier shows no sign of wanting to make improvements within a reasonable timeframe (depending on the severity of the discovered issue), we will move to terminate our relationship with that company. The Procurement Code Committee will guide such decisions.

It is important to address issues in ongoing discussions with the suppliers, not just when reviewing audits. Supplier capacity building on social impact is a critical part of the procurement teams' responsibility along with helping suppliers understand not just the parameters of the policy but the purpose of the policy on the journey from mandatory to good.

There was a 60% decrease in the number of non-conformances found in 2013 to 2014 for those suppliers who had an initial audit and then a full re-audit 12 months later. A number of things could have contributed to this, including more engagement with suppliers through our key incident process, which creates early engagement and helps to close off critical issues.

.....

# 60%

**DECREASE IN  
NON-CONFORMANCES**

between 2013 and 2014 for those suppliers who went through a re-audit cycle.

Analysing this compliance data helps us identify key areas to work with and support our suppliers and where additional capacity building may be needed.

These audit results mark the first year of identifying, auditing and tracking our salient human rights issues within our extended supply chain. This provides important indicators of areas to focus our work with our suppliers such as during training events. It's important to note that, while this data offers valuable indicators of focus areas, they do not provide the whole picture of the issues our stakeholders face on the ground. We are keenly aware that a lack of reported breaches does not mean that violations are not occurring, and we are extremely mindful of this when creating mechanisms that are trusted and effective. While these audits present us with a snapshot in time, they do not communicate the full story.

## BEYOND COMPLIANCE

### Responsible Sourcing Policy – from mandatory to good and best practice

Progression up the ladder to good practice and ultimately best practice, while asking our suppliers to cascade these principles throughout their own supply chains, requires a commitment to a vision of social responsibility. We plan to promote this achievement of a higher level of social performance and will recognise those who do so.

We will work with our Partner to Win suppliers to move from mandatory requirements to good practice by the end of 2016. For the remainder of our strategic partners, our intention is that these suppliers – which cover up to 5,000 sites, 80% of our raw and packaging material spend and 50% of our services and indirect materials spend – move from 'mandatory' by the end of March 2016 to 'good practice' by the end of 2017. As suppliers move from mandatory requirements to good practice, an audit must be carried out, regardless of the country where the supplier is based. We acknowledge that we need to do more work in the area of creating business incentives for our suppliers to drive the move from 'do no harm' to 'do good', in part to alleviate the tension between commercial and competitive pressures.

We also recognise that the definition of good practice is one that will continue to evolve as we work with our suppliers to elevate practices and shift behaviour. Initially focusing on our key strategic suppliers, our Unilever Sustainable Living Plan commitment is to source 100% of our procurement spend

in line with our Responsible Sourcing Policy, using different engagement and documentation mechanisms depending on the risk and relevance of the suppliers.

## GRIEVANCE MECHANISMS

Grievance mechanisms play a critical role in opening channels for dialogue, problem solving, investigation and, when required, providing remedy. They enable workers and other rights-holders to raise complaints freely and obtain effective and transparent resolutions. Moreover, they help identify country-specific solutions and pre-emptive action needed to avoid recurrence.

Employees can raise grievances through their trade union representative, line manager and/or their Human Resources representative. There are ad hoc means of dialogue such as meetings and open forums that can be effective methods of communication, although these do not replace formal structures. In some of our operations such as our plantations, for example, we have welfare officers who play a key role in supporting employees in raising grievances.

In our factories, we monitor the number and type of formal individual or collective appeals received each year. This allows us to gain a better understanding of which issues are being raised, where they are being raised, how effective our grievance mechanisms are and how issues are being resolved. We use disaggregated data from cases raised through this procedure to help monitor our salient issues, addressing root causes to help prevent the need for further grievances to be raised.

The role of Human Resources in receiving and remediating grievances is key and we recognise that we need to make sure that enough channels are available for issues to be raised. We currently have one global system to raise grievances, which is through our global code policies. We want to make sure we offer one integrated code and grievance channel to our employees to raise issues and concerns in a simple manner. However, we recognise that locally determined grievance mechanisms have value and therefore are examining external and internal best practices to come up with the right solutions. We have more work to do on this.

We currently lack enough data to conduct a representative year-to-year comparison of code breaches and grievances raised. We need to put better systems in place to effectively analyse the grievances and code breaches that we receive. It is not yet easy to interpret and compare this data due to factors including variability of the data collection method, the remediation process in each market and a culture of non-reporting in some areas.

We are working with the company that manages our anonymous hotline to improve the quality of information gained from a reporter by changing the focus of the conversation. For example, the first question currently asks if the caller would like to remain anonymous. While ensuring protection against retaliation, we are trying to move toward encouraging callers to leave as much information as possible, including their name so that we can follow up and update them on progress. A caller's right to anonymity will always be respected.

For our extended supply, our Responsible Sourcing Policy states that workers must have access to fair procedures and remedies that are transparent, confidential and result in swift, unbiased and fair resolution.

We offer both internal and external channels for raising concerns, anonymously if required. We also provide an external channel to third parties and take measures to encourage our suppliers and their employees to contact us if they are concerned about any aspect of our Responsible Sourcing Policy.

## CONTINUAL CAPACITY BUILDING, ASSESSMENT AND PARTNERSHIPS

We have strengthened our capacity building, developed training programmes and materials and share good and best practices both internally and with our suppliers and auditors. We carried out human rights training for our procurement leadership and senior employees at their global annual meeting in 2013 and in East Africa in 2014.

Human rights impact assessments, either conducted independently as mandated under the UNGPs or as part of our operations, are core to our efforts. Examples include our assessment of a salt supplier in India in 2014 as well as impact assessments around women's safety in East Africa and labour standards in the tea industry in Turkey.

In assessing human rights impacts, we include data from other external sources such as governments, international agencies and risk organisations, which help us monitor changes to human rights situations

in the countries where we operate. We can then adapt our due diligence processes and sourcing decisions accordingly.

Our partnerships with organisations such as Solidaridad and our vanilla supplier Symrise in Madagascar are illustrations of how we are building new business models for the future – where we work together to create lasting change.

New business activities such as mergers and acquisitions or country and market expansion can carry additional risks. In mergers and acquisitions, for example, we ensure that our due diligence process looks at issues such as employment contract status of all the workforce (directly employed, contracted etc), union presence and any ongoing disputes or issues. In some circumstances, we address any concerns by commissioning an expert review and investigation.

## CERTIFICATION PROGRAMMES

Another tool is the use of certification schemes that define shared industry standards, for example the Roundtable on Sustainable Palm Oil, Rainforest Alliance, Fairtrade, Bonsucro and the Round Table for Responsible Soy. Certification plays a pivotal role in establishing capacity building in agricultural supply chains and in working to eradicate bad practices. We have played, and continue to play, a key role in supporting certification. At the same time, we

acknowledge that certifications do not in themselves guarantee decent working conditions or always recognise all internationally recognised principles. While certifications have driven commendable progress in the environmental sector, their effectiveness in identifying, preventing and mitigating negative social impacts needs to be improved. To get there, certifiers should be analysing the political, social and economic context in which they are certifying, including the role of government, and checking they can assure human rights. We support the strengthening of certification models such as continually evaluating the training of those carrying out assessments, particularly regarding labour rights and working conditions. We are committed to continuing to work with certifiers on these improvements as they make progress and welcome new guidance such as the [Sustainable Agriculture Network's](#)<sup>1</sup> work on social auditing methods for high-risk regions.

The importance of effective grievance mechanisms in any certification programme cannot be underestimated as they provide a channel for workers to address and seek remedy to non-conformance issues that may also initially go undetected or develop over time. This is an area of focus for us.

<sup>1</sup> [san.ag/web/wp-content/uploads/2014/09/SAN-high-risk-social-auditing-methods-August-2014.pdf](http://san.ag/web/wp-content/uploads/2014/09/SAN-high-risk-social-auditing-methods-August-2014.pdf)

# LOOKING AHEAD: FROM RESPECTING TO PROMOTING HUMAN RIGHTS

# THE ROAD AHEAD

As we said at the outset, human rights are universal and inalienable and their respect – and promotion – form the foundation of enhancing livelihoods. This report represents a commitment to document the foundational steps we have taken to ensure our business embodies principles, behaviours and practices consistent with that belief.

This has been a learning process and, as we said in our opening pages, both inspiring and immensely humbling. While we have made progress, there is still much to be done. Our commitment to address systemic challenges requires the involvement of multiple participants. We will not succeed alone.

These challenges and many more remain ahead as we continue our work to evolve beyond simply decoupling our growth from our environmental impact to actively coupling positive social impact with our growth. The two must align to succeed in making sustainable living, with the respect of human rights as a core principle, commonplace.

Our vision is clear. The work ahead is significant but not insurmountable. We hope that this report offers you not just insights but contributes to a healthy conversation and engagement to bring about sustainable solutions. We see this not as a one-off report but the start of an important dialogue which we will explore new ways of increasing.

Your views are important and we welcome your comments. Please send them to [humanrights.report@unilever.com](mailto:humanrights.report@unilever.com)

## THE NEED TO REMAIN VIGILANT

Four pieces of context in particular increase the need for Unilever, and businesses like ours, to remain vigilant and proactive in the years ahead. They will inform our work.

### EVOLUTION OF CORPORATE VALUE CHAINS

In the past decade, the geographic footprint and complexity of corporate value chains have increased rapidly. This has amplified the range of cultural, social and economic issues they encompass, enhancing the potential for human rights violations to occur and making violations harder to identify and address effectively when they arise. Such issues are more likely to be prevalent in – but not limited to – developing markets, where many businesses are seeing the majority of their growth. The situation is often most pronounced in the agricultural supply chain owing to multiple factors including high levels of seasonal migrant workers and low incomes. Moving beyond Tier 1 to Tier 2 and 3 suppliers; that is, suppliers that are part of our extended supply chain but with which we do not have direct contracts and consequently less leverage, reduces the company's ability to detect and address risks – but not its responsibility to do so.

### CHANGING GEO-POLITICAL CONTEXT

Our work cannot be separated from the rapidly changing economic and political conditions in the markets where we operate and their consequences for the rights-holders who live and work there. Many of the world's economies continue to struggle to deliver growth and, in many regions, the gap between rich and poor is widening. Human rights violations are often intimately bound up with poverty, wage inequality and other social issues and cannot be viewed in isolation. They must be understood and addressed as part of the overall system, often requiring collaborative and/or localised approaches.

### CHANGING WORKFORCE

Workers in many parts of the world are facing decreasing implementation of good labour standards and deteriorating health and safety conditions. An increasingly mobile global workforce can leave migrant workers vulnerable to risks including human trafficking and forced labour. The rise in contract labour and zero hours contracts makes workers more vulnerable to exploitation. Negative

human rights impacts often accompany the reduction in employment that comes with advanced manufacturing techniques and newer technologies. For example, increasing automation in agriculture often requires farmers to employ fewer workers.

### RULE OF LAW

The UN Guiding Principles are clear that the role of government is to protect human rights and that of business is to respect human rights. In some countries, however, governments are failing in their responsibility to protect human rights through the absence of effective laws and/or their enforcement. In such situations, business is often expected both to protect and respect human rights. This can lead to the accusation of the 'privatisation of human rights'. While we will champion and advocate for rule of law, its implementation is in the hands of States. Our advocacy with host governments to create enabling environments for positive social impact is key and we wish to have such conversations in a manner that is constructive and tied to broader objectives than those of our own.

## PROCESS

## PRIORITIES

## REPORTING

### LOOKING AHEAD AT OUR PRIORITIES OVER THE NEXT THREE YEARS

#### EMBEDDING

We will continue the work we've begun to embed respect for, and promotion of, human rights across our business via effective implementation of our Human Rights Policy Statement, Code of Business Principles and other Code Policies including our Responsible Sourcing Policy and Responsible Business Partner Policy.

#### BUILDING FRAMEWORKS FOR BETTER DATA COLLECTION, VERIFICATION AND ANALYSIS

We will strengthen our systems, tools and processes in place to enable the effective embedding of our policy framework. Data management must move beyond tracking issues to include tracking our effectiveness of dealing with those issues.

#### ADDRESSING SALIENT ISSUES

We will continue to channel our resources to address the salient issues we've identified while recognising that just because an issue is not salient does not mean it is not being addressed.

#### COLLECTIVE ACTION

We will continue to collaborate with other companies, NGOs and trade associations as well as governments and other stakeholders who are already addressing human rights impacts around the world so that we are addressing issues by root cause and influencing systemic change. This is especially true for water, sugar and cocoa and will include going beyond Tier 1 suppliers to the more challenging Tiers 2 and 3.

#### COMMODITY AND GEOGRAPHICAL FOCUS

Our efforts remain focused on addressing human rights impacts across our own and extended supply chain. Our focus will be on key commodities – tea, palm oil, soy and non-renewables. We will continue to focus on key geographical areas, carrying out further Human Rights Impact Assessments including in Myanmar in 2015.

#### WOMEN'S RIGHTS

Safety is a critical area of action. We have written about our holistic approach to understanding, engaging and then addressing issues at our tea plantation in Kericho, Kenya and expanding to other communities where we operate. In the next three years, we will work with partners to scale up our efforts. We must create awareness and mechanisms that women trust to address root causes and promote a culture of safety.

#### QUANTITATIVE METRICS TO INFORM BETTER REPORTING

One of the gaps we constantly came across was the need for better metrics for progress and impacts reporting. Social impact measurement is inherently more complex than environmental. To shift toward best practices on disclosure and transparency, we must work together as a business community, and create consensus around measurement and reporting, sharing lessons and challenges along the way. More attention needs to be given to measuring social profit and loss. While the UN Guiding Principles Reporting Framework and other initiatives such as the Corporate Human Rights Benchmark offer hope that progress is under way, we must increase our speed to match intent with action.

# APPENDIX 1: FAIRNESS IN THE WORKPLACE

As part of our Unilever Sustainable Living Plan progress update on 5 May 2015 – Scaling for Impact – we held an external roundtable with expert stakeholders to ask what they felt a credible Human Rights Report would look like.

Here are their responses.

## WHAT WE ALL HEARD:

- **Role of government** – Businesses are dealing with human rights often because of the failure of public governance, so we need to ensure that government plays its proper role enforcing laws consistent with international principles.
- **Think in systems** – Account for systemic issues, particularly issues such as gender-based violence. The reality is that we know these issues exist – so what are we doing to mitigate them?
- **Engage all stakeholders** – Promote positive change and a constructive collaboration with other industry leaders and governments. Use the Human Rights Report to engage with all stakeholders to bring them on board with the issues, while looking at sustainable solutions and partnerships to bring systemic transformation.
- **Enhance livelihoods** – It's not just about the absence of violations of human rights, but also the link to livelihoods, for example in the case of wages.
- **Support trade unions** – Through freedom of association and collective bargaining, trade unions give workers a right and a voice.
- **Advocate for the SDGs** – Unilever should advocate for and promote the Sustainable Development Goals, as they are critical to fundamental human rights. Make links with how Unilever is promoting those goals and specifically the ones that fit the business interests and create a clearer narrative.
- **Consider unintended consequences** – Take into account the flipside of technology; it can create economic opportunity, but may also create collateral damage, eg by reducing employment.
- **Greater transparency** – Worker empowerment and transparency are vital. Workers, particularly in factories, need to be able to report issues through better grievance mechanisms and whistleblowing platforms.
- **Take responsibility** – More and more companies are looking at outsourcing models for employment; however, it's important to remember that you can't subcontract responsibility for the rights of workers.
- **Link to business case** – Business needs integrated thinking – not just reporting. Unilever must link fairness in the workplace to the business interest.



## HUMAN RIGHTS REPORTING CHALLENGES AND OPPORTUNITIES:

- **Accessibility and salience** – Very few human rights reports are read because they are not written in a manner that is simple, easy to understand and meaningful to business and rights-holders. Information is not used for business decision purposes and there are not many incentives for performance and transformational change.
- **Leverage technology** – New forms of reporting should be looked at with changes in technology such as social media, enabling us to create a dialogue to enable the voices of the workers to be heard in the report too.
- **Highlight government role** – Reports should acknowledge the role of governments and where businesses are dealing with situations where governments are not protecting human rights – acknowledging that this can often be difficult for businesses to speak about publicly.
- **Call to action** – Reporting should be the focal point for a call to action and to engage with the business on these issues.

### WHAT CAN WE ALL DO?

- Advocate for governments to play their role in enforcing laws to protect human rights.
- Encourage other businesses to have the courage to look at what they are doing in this area.
- Look for positive, sustainable solutions and partnerships to bring systemic transformation.
- Encourage greater transparency and worker empowerment.

### WHAT CAN UNILEVER DO?

- Create a stronger link between human rights and enhancing livelihoods.
- Look into creating dialogues with the rights-holders.
- Continue being the engaged coach and respectful partner with friendly but firm guidance relating to requirements. Trust suppliers when they come clean and work with them to make those improvements.
- Continue to advocate for human rights and the promotion of the Sustainable Development Goals.
- Continue to be collaborative and challenging when it comes to barriers and encourage others to do the same.
- Focus on women in agriculture and issues such as child labour, discrimination, sexual violence and women's rights.

# APPENDIX 2: THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK INDEX

This index is designed to help you identify the location of answers to questions according to the UN Guiding Principles Reporting Framework.

For full details, please visit [www.ungreporting.org](http://www.ungreporting.org)

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