



Hindustan Unilever Limited

**BUSINESS RESPONSIBILITY
REPORT 2013-14**

MAKING SUSTAINABLE LIVING COMMONPLACE



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MAKING SUSTAINABLE LIVING COMMONPLACE

Hindustan Unilever Limited (HUL) is committed to operating and growing its business in a socially responsible way. Your Company is convinced that businesses that address both the direct concerns of citizens and the needs of the environment will prosper over the long term.

This belief is at the core of your Company's vision to grow its business, whilst reducing its environmental footprint and increasing its positive social impact. Your Company has embraced Unilever Sustainable Living Plan (USLP) which contributes to activities listed in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' notified by the Ministry of Corporate Affairs, Government of India as well as activities listed in Schedule VII of Section

135 of the Companies Act, 2013. The USLP has three big goals namely: help more than a billion people take action to improve their health and wellbeing, reduce the environmental footprint of the making and use of our products and enhance the livelihoods of people as we grow our business. This report provides an overview of the activities carried out by the Company under each of the nine principles as outlined in the NVG.



Business Responsibility Report 2013-14



Introduction to Business Responsibility Report

UNILEVER SUSTAINABLE LIVING PLAN

In an uncertain and volatile world, we have to find new ways to operate that do not negatively impact society and the environment. Launched in 2010, the Unilever Sustainable Living Plan is our blueprint for sustainable growth.

IMPROVING HEALTH AND WELL-BEING



By 2020, we will help more than a billion people take action to improve their health and well-being. So far, Unilever has helped 303 million people globally.

REDUCING ENVIRONMENTAL IMPACT



By 2020, our goal is to halve the environmental footprint of the making and use of our products as we grow our business. Globally, our waste impact per consumer use has reduced since 2010.

1 HEALTH AND HYGIENE



By 2020, Unilever will help more than a billion people globally to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.

- IN INDIA, 58 MILLION PEOPLE REACHED THROUGH LIFEBOUY HANDWASHING PROGRAMME SINCE 2010.
- 57.5 MILLION PEOPLE GAINED ACCESS TO SAFE DRINKING WATER FROM PUREIT GLOBALLY BY END OF 2013.

2 NUTRITION



Unilever will continually work to improve the taste and nutritional quality of all its products. The majority of our products meet, or are better than, benchmarks based on nutritional recommendations. This will help hundreds of millions of people to achieve a healthier diet.

- IN INDIA, NEARLY 92% OF OUR CHILDREN'S ICE CREAMS PORTFOLIO CONTAINS 110 KILOCALORIES OR FEWER PER PORTION.
- IN 2013, 70% OF OUR FOODS PORTFOLIO (BY VOLUME) WAS COMPLIANT TO 5 GMS SALT PER DAY TARGET.
- CURRENTLY ALL OUR KISSAN KETCHUP VARIANTS AND SOUPS MEET THE INTERIM TARGET OF 6 GMS SALT PER DAY.

3 GREENHOUSE GASES



OUR PRODUCTS' LIFECYCLE

Halve the greenhouse gas impact of Unilever products across the lifecycle by 2020.*

OUR MANUFACTURING

By 2020 CO₂ emissions from energy from Unilever factories will be at or below 2008 levels despite significantly higher volumes.

- IN INDIA, CO₂ EMISSION PER TONNE OF PRODUCTION HAS REDUCED BY 27% IN 2013 COMPARED TO THE 2008 BASELINE.
- SHARE OF RENEWABLE ENERGY IN OUR TOTAL ENERGY CONSUMPTION IN OUR MANUFACTURING ACTIVITIES IS 21%.

4 WATER



OUR PRODUCTS IN USE

Halve the water associated with the consumer use of Unilever products by 2020.*

OUR MANUFACTURING

By 2020, water abstraction by Unilever's global factory network will be at or below 2008 levels, despite significantly higher volumes.

- IN INDIA, WATER USAGE PER TONNE IN MANUFACTURING OPERATIONS REDUCED BY 37% COMPARED TO OUR 2008 BASELINE.
- SIX MORE SITES IMPLEMENTED RAINWATER HARVESTING TAKING THE TOTAL TO 28 SITES.



Our Plan sets out three big goals. Underpinning these goals are nine commitments supported by targets spanning our social, environmental and economic performance.

EVOLUTION OF OUR PLAN

We have learnt a great deal since we launched the Plan three years ago. In 2013 we undertook an in-depth review with every product category and business function. We identified actions that will help us drive sustainable growth faster and remove barriers to progress.

As a result we have broadened our Plan with a more substantive and far-reaching Enhancing Livelihoods programme. Alongside our new Livelihoods commitments, we have also revised some targets to ensure we can achieve our long-term ambitions, which remain undiminished.

ENHANCING LIVELIHOODS

By 2020, we will enhance the livelihoods of millions of people as we grow our business. We have provided help and training to 570,000 smallholder farmers globally.



5 WASTE



OUR PRODUCTS

Halve the waste associated with the disposal of Unilever products globally by 2020.*

OUR MANUFACTURING

By 2020 total waste sent for disposal globally, will be at or below 2008 levels despite significantly higher volumes.

- IN INDIA, WE ACHIEVED A REDUCTION OF MORE THAN 84% IN TOTAL WASTE PER TONNE FROM OUR MANUFACTURING, OVER 2008 BASELINE.
- A TOTAL OF 35 OUT OF 38 SITES BECAME ZERO NON-HAZARDOUS WASTE TO LANDFILLS.

6 SUSTAINABLE SOURCING



By 2020 Unilever will source 100% of agricultural raw materials sustainably.

- IN INDIA, ALL OF OUR PALM OIL IS FROM SUSTAINABLE SOURCES AND 100% OF PALM OIL VOLUMES OF INDIA ARE COVERED BY 'GREEN PALM' CERTIFICATES.
- A TOTAL OF 86 TEA ESTATES, FROM WHERE THE COMPANY SOURCE TEA, HAVE BEEN CERTIFIED 'SUSTAINABLE ESTATES' BY THE RAINFOREST ALLIANCE™ IN 2013.
- NEARLY 80% OF TOMATOES USED IN KISSAN KETCHUP ARE FROM SUSTAINABLE SOURCES IN INDIA.

7 FAIRNESS IN THE WORKPLACE



By 2020, Unilever will advance human rights across all operations and extended supply chain.

- IMPLEMENT UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS.
- SOURCE 100% OF PROCUREMENT IN LINE WITH RESPONSIBLE SOURCING POLICY
- CREATE FRAMEWORK FOR FAIR COMPENSATION.
- IMPROVE EMPLOYEE HEALTH, NUTRITION AND WELL-BEING.
- REDUCE WORKPLACE INJURIES AND ACCIDENTS.

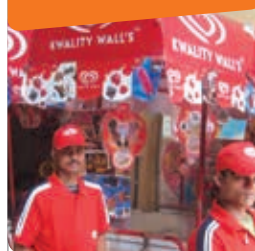
8 OPPORTUNITIES FOR WOMEN



By 2020, Unilever will empower 5 million women globally.

- BUILD A GENDER-BALANCED ORGANISATION WITH A FOCUS ON MANAGEMENT.
- PROMOTE SAFETY FOR WOMEN IN COMMUNITIES WHERE WE OPERATE.
- ENHANCE ACCESS TO TRAINING AND SKILLS.
- EXPAND OPPORTUNITIES IN OUR VALUE CHAIN.

9 INCLUSIVE BUSINESS



By 2020, Unilever will have a positive impact on the lives of 5.5 million people globally.

- IMPROVE LIVELIHOODS OF SMALLHOLDER FARMERS.
- IMPROVE INCOMES OF SMALL-SCALE RETAILERS.
- INCREASE PARTICIPATION OF YOUNG ENTREPRENEURS IN OUR VALUE CHAIN.

* Our environmental targets are expressed on a 'per consumer use' basis. This means a single use, portion or serving of a product. We have taken a lifecycle approach with a baseline of 2010.

+ In seven water-scarce countries representing around half the world's population.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L15140MH1933PLC002030
2. Name of the Company	Hindustan Unilever Limited
3. Registered address	Unilever House, B D Sawant Marg, Chakala, Andheri East, Mumbai 400099
4. Website	www.hul.co.in
5. E-mail id	Levercare.Shareholder@unilever.com
6. Financial Year reported	1st April 2013 to 31st March 2014
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	• 305 Soaps & Detergents and Personal Products • 213 Tea • 214 Coffee • 218 Packaged Foods (Including Frozen Desserts) • 359.9 Water Purifiers
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	• Soaps & Detergents • Personal Products (including Skin care, Hair care, Oral care, Deodorants and Colour Cosmetics) • Food & Beverages (including Tea, Coffee, Processed Foods, Frozen Desserts and Bakery Products)
9. Total number of locations where business activity is undertaken by the Company	None • Registered Office: Unilever House, B D Sawant Marg, Chakala, Andheri East, Mumbai 400 099 • Research Centre: 64, Main Road, Whitefield P O, Bangalore 560 066 • Regional Office (East) : Brooke House, 9 Shakespere Sarani, Kolkata 700 071 • Regional Office (West) : Uttara, Plot No. 2, Sector No. 11, CBD Belapur, Navi Mumbai 400 614 • Regional Office (North) : Block No. A, Plot No. B, South City I, Delhi - Jaipur Highway, Gurgaon 122 001 • Regional Office (South) : 101, Santhome High Road, Chennai 600 028 <i>(For details of Plant Locations, please refer page no. 166 and 167 of Annual Report 2013-14.)</i>
i. Number of International Locations (Provide details of major 5)	
ii. Number of National Locations	
10. Markets served by the Company	India

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR)	Rs. 216,26,96,292 [Paid up Equity share (face value Re. 1 per share)]
2. Total Turnover (INR)	Rs. 27,40,829 Lakhs (Net sales from Operations (net of excise duty))
3. Total profit after taxes (INR)	Rs. 3,86,749 Lakhs (Net Profit from ordinary activities after tax)
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.0% of Average net profit* of three immediately preceding financial years *Computed as per the provisions of Section 135 of the Companies Act, 2013
5. List of activities in which expenditure in 4 above has been incurred	• Health & Hygiene • Creating capacities to conserve water • Enhancing livelihoods • Ensuring Environmental Sustainability

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?	As on 31st March, 2014, the Company has twelve Subsidiary Companies. Hindustan Unilever Foundation, a not-for-profit Company incorporated to promote and implement the Corporate Social Responsibility agenda and to work in the areas of Social, Economical and Environmental concerns, contributes to the sustainability initiatives of the Company. In addition, Unilever India Exports Limited and Pond's Exports Limited also contribute to the sustainability initiatives of the Company.
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	
3. Do any other entity/entities [e.g. suppliers, distributors etc.] that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	The Code of Business Principles and Business Partner Code are applicable to all the business partners of the Company. The business partners of the Company are required to follow these codes in their business endeavours.

SECTION D: BUSINESS RESPONSIBILITY (BR) INFORMATION

DETAILS OF DIRECTOR/DIRECTORS RESPONSIBLE FOR BR

The Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee comprising Mr. O. P. Bhatt as the Chairman of the Committee, Mr. Aditya Narayan, Dr. Sanjiv Misra, Mr. Sanjiv Mehta and Mr. Sridhar Ramamurthy as Members of the Committee. Mr. Dev Bajpai, Executive Director, Legal & Corporate Affairs and Company Secretary acts as the Secretary to the Committee.

The role of the CSR Committee is as follows:

- formulating and recommending to the Board a Corporate Social Responsibility Policy and the activities to be undertaken by the Company;
- recommending the amount of expenditure to be incurred on the activities undertaken;
- reviewing the performance of the Company in the area of Corporate Social Responsibility;
- providing external and independent oversight and guidance on the environmental and social impact of how the Company conducts its business;
- monitoring the Corporate Social Responsibility Policy of the Company from time to time.

The Committee is responsible for the implementation of the CSR Policy of the Company. The details of the Committee members are as follows:

Name	Designation	DIN
Mr. O. P. Bhatt*	Independent Director	00548091
Mr. Aditya Narayan	Independent Director	00012084
Dr. Sanjiv Misra	Independent Director	03075797
Mr. Sanjiv Mehta	Chief Executive Officer & Managing Director	06699923
Mr. Sridhar Ramamurthy	Executive Director, Finance & IT and Chief Financial Officer	02557168

*Chairman

Principle-wise (as per NVGs) BR Policy / Policies (Reply in Y/N)

The 'Code of Business Principles' (CoBP) are the guiding principles on the basis of which various policies of the Company are formed. CoBP is the Company's statement of values and represents the standard of conduct which all employees and those associated with the Company are expected to observe.

Unilever Sustainable Living Plan is a time bound plan with specific goals and targets that commits us to deliver sustainable growth. The USLP applies right across the value chain, wherein the Company takes responsibility not just for its own operations but also for suppliers, distributors and the way consumers use the Company's brands.

The CoBP and the USLP also imbibe the requirements enunciated in the National Voluntary Guidelines.

The National Voluntary Guidelines provides the following nine principles.

Principle 1: Ethics, Transparency and Accountability [P1]	Principle 6: Environment [P6]
Principle 2: Products Lifecycle Sustainability [P2]	Principle 7: Policy Advocacy [P7]
Principle 3: Employees' Well-being [P3]	Principle 8: Inclusive Growth [P8]
Principle 4: Stakeholder Engagement [P4]	Principle 9: Customer Value [P9]
Principle 5: Human Rights [P5]	

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have policy/policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national /international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The Code of Business Principles of the Company confirms to the United Nations Global Compact (UNGC) guidelines and International Labour Organisation (ILO) principles. The Unilever Sustainable Living Plan Progress Report conforms to Global Reporting Initiative (GRI) indicators.								
4	Has the policy been approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The Code of Business Principles and the USLP are frameworks adopted by Unilever globally and have been adopted by the Company.								
5	Does the Company have a specified Committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
		The CoBP is administered under the overall supervision of the Management Committee of the Company, headed by the Chief Executive Officer and Managing Director. The Audit Committee of the Board reviews the implementation of CoBP. The CSR Committee of the Board reviews the implementation of the USLP besides the scope that has been laid out for this Committee under the Companies Act 2013.								
6	Indicate the link for the policy to be viewed online?	USLP: http://www.hul.co.in/sustainable-living-2014/unilever-sustainable-living-plan/ CoBP: www.hul.co.in/aboutus/purposeandprinciples/ourprinciples/ Supplier Code: www.hul.co.in/aboutus/purposeandprinciples/business_partner_code/								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	-	Y	Y	Y	Y	-	-	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

GOVERNANCE RELATED TO BR

The Management Committee of the Company on a monthly basis reviews complaints, issues and concerns received under the CoBP framework as also the implementation of the CoBP. The Audit Committee of the Company on a quarterly basis reviews the implementation of the CoBP.

The Corporate Social Responsibility (CSR) Committee of the Company comprising a majority of Independent Directors is responsible for formulating and implementing the CSR Policy of the Company. The Committee meets at least twice a year to review progress on various sustainability initiatives, including progress under the USLP.

The Company publishes an update on progress in India under Unilever Sustainable Living Plan, every year. The USLP India Progress Report 2013 can be accessed at http://www.hul.co.in/Images/USLP-India2013ProgressReport_tcm114-241468.pdf

PRINCIPLE 1: ETHICS, TRANSPARENCY AND ACCOUNTABILITY

BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

More than 100 years ago William Hesketh Lever, our visionary founder, captured the essence of what it means to be driven by ethics and transparency when he said: "I believe that nothing can be greater than a business, however small it may be, that is governed by conscience; and that nothing can be meaner or more petty than a business, however large, governed without honesty and without brotherhood".

This belief continues to define how your Company conducts its business today. We are proud inheritors of a legacy of good governance that dates back to our visionary founders and more proud of the fact that the subsequent leaders have built on this tradition over the years, giving us the high reputation we enjoy today.

Responsible corporate conduct is integral to the way we do business. Your Company's actions are governed by its values and principles, which are reinforced at all levels within the Company. Your Company is committed to doing things the right way, which means acting in a way that is ethical and in compliance with the applicable legislation. The Code of Business Principles (CoBP/ Code) is an extension of the Company's values and reflects its commitment to ethical business practices across our operations. The Code inspires us to set standards which not only meet the requirements of applicable legislations but go beyond in many areas of our functioning.

CODE OF BUSINESS PRINCIPLES

The Code of Business Principles is the Company's statement of values and represents the standard of conduct which all employees and partners are expected to observe. It forms the benchmark against which the world at large is invited to judge the Company's activities. The Code reflects the Company's commitment

to principles of integrity, transparency and fairness. The Code along with its associated Code Policies provides for mandatory requirements covering, but not limited to, the following areas: accurate records, reporting and accounting; anti-bribery; anti-competition; avoiding conflicts of interest; gifts and entertainment; preventing insider trading; political activities and political donations; contact with government, regulators and non-governmental organisations; respect, dignity and fair treatment; and external communications (the media, investors and analysts). The copy of the Code of Business Principles is available on the website of the Company www.hul.co.in/aboutus/purposeandprinciples/ourprinciples/

The Code is applicable to everyone with whom the Company is associated. The Code of Business Principles and associated Code Policies govern the behaviour of employees, suppliers, distributors and other third parties who work with us.

The Chief Executive Officer (CEO) through the Management Committee and Business / Unit Heads is responsible for ensuring that the Code is understood and implemented throughout the Company. The Company periodically cascades the principles embodied under CoBP across the organisation. Complaints, issues and concerns received under the CoBP framework are duly investigated and reviewed by the CoBP Committee(s). Appropriate actions are taken after

completion of investigation. The processes of identifying and resolving complaints, issues and concerns received under the CoBP framework are clearly defined and regularly communicated throughout the Company. During the financial year 2013-14, a total of 112 complaints and issues from employees and business partners were reported under the CoBP framework and the same were duly investigated and dealt with in accordance with the CoBP protocols of the Company.

The Company has also adopted a Whistle Blower Policy to provide appropriate avenues to the employees to bring to the attention of the management any issue which is perceived to be in violation of or in conflict with the fundamental business principles of the Company. The Company has provided dedicated e-mail addresses whistleblowing.hul@unilever.com and cobp.hul@unilever.com for reporting such complaints. Alternatively, employees can also send written communication to the Company. Employees are encouraged to raise any concerns by way of whistle blowing.

The Company Secretary is the designated officer for effective implementation of the policy and dealing with the complaints registered under the policy. All cases registered under the Code of Business Principles and the Whistle Blower Policy of the Company are reported to the Committee of Executive Directors and are subject to review by the Audit Committee.

PRINCIPLE 2: PRODUCTS LIFECYCLE SUSTAINABILITY

BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

The products of your Company aim to make a difference in the lives of the consumers. Your Company's products and innovations are designed in a way that they become relevant to the consumers and have minimum impact on the environment. Societal good, environmental impact and economic value are integral to the development process of our products.

Your Company's brands are central to the Compass strategy and the Unilever Sustainable Living Plan. The brands help us complete the linkages between driving profitable growth while making a difference in the lives of people.

CRAFTING BRANDS FOR LIFE

Our brands have always been at the forefront of driving change to enhance lives of millions of people. The Lifebuoy brand, which is known for promoting health & hygiene, conducts hygiene awareness programmes across the country to drive behavioural change and encourage people to wash hands at five critical times of the day. Your Company has reached out to 58 million people through the Lifebuoy handwashing programmes since 2010 in India.

Pureit, the water purifier brand of your Company, addresses one of the biggest technological challenges of the century – making safe drinking water accessible and affordable for millions without the need of electricity or a continuous tap water supply. Nearly, 57.5 million lives were protected by Pureit globally by the end of 2013.

In 2013, your Company launched the Domex Toilet Academy (DTA) to eradicate open defecation through a two-pronged approach focused on education about sanitation and supply of toilets. The academy launched a pilot project in Junapani, a village in Wardha district, Maharashtra and was successful in making it an open defecation free village.

The programme is expanded to cover 300 villages in Odisha and 40 more villages in Maharashtra.

Your Company entered into a public private partnership with the Government of Maharashtra for sustainable sourcing of tomatoes locally. Over 1,600 farmers registered for this project to grow tomatoes on over 2,000 acres of land. Nearly 80% of the tomatoes used in Kissan Ketchup are from sustainable sources in India.

Many other brands significantly contribute in areas like enhancing nutrition, providing livelihoods, reducing greenhouse gases etc. You can read more on this in the section 'Brands In Action' on the website - www.hul.co.in/brands-in-action/.

PRODUCT LIFECYCLE ANALYSIS

Understanding lifecycle impacts of the Company's products is crucial to deliver the target of reducing overall environmental impact across the value chain while growing our business. For this purpose, Unilever globally has adopted the process of Lifecycle Assessment (LCA) for all product innovations. Your Company leverages and benefits from various innovations and technological advancements made by Unilever globally.

Lifecycle Assessment (LCA) is one of the techniques to understand environmental impacts of products. This is done in three ways:

- Product innovation: When designing new products, LCAs are used to compare new and existing products and to measure the differences in their respective environmental profiles. This information is used to help guide product developers to support the launch of new products and to inform consumers of the environmental performance of products.

- Product category analysis: LCAs on product categories or portfolios are conducted to help raise environmental awareness and to identify improvement opportunities.
- Strategic studies: A number of strategic studies are carried out by Unilever using LCAs to understand the environmental impact. Some of the publications include quantifying global greenhouse gas emissions from land use change and another on the development of a new method to estimate the global warming potential of worldwide crop production.

PRODUCT SAFETY – A TOP PRIORITY

Your Company believes in delivering products that are of good quality and safe for consumers. The Code of Business Principles of the Company sets out the commitment to provide products and services which are safe for their intended use and to innovate on the basis of sound science and applying rigorous standards of product safety.

Unilever has a Safety & Environmental Assurance Centre (SEAC) which assures the safety and environmental sustainability of the products as well as the processes used to manufacture them. Your Company works closely on all safety and environmental assurance issues with SEAC. The Company has stringent guidelines on product quality and rigorous systems and processes in place to monitor and control quality of raw materials and products before finished goods are released to the market for consumer use.

The 'Levercare' initiative of the Company allows consumers to register complaints and obtain information regarding the Company's products e.g. selection of products among the range of offerings, product benefit, direction for use and safety of ingredients used in the products.

SUSTAINABLE SOURCING

An important part of the raw materials used by your Company comes from either farms or forests. Given the scale of our footprint, sustainable agricultural sourcing is a strategic priority for our business and brands. By sourcing sustainably we can reduce risk in our raw material supply chains.

Under the USLP, your Company has committed to source 100% of its agricultural raw materials sustainably. All of the palm oil was from sustainable sources as 100% of palm oil volumes of India were covered by 'Green Palm' certificates in 2013. During the year, 80% of tomatoes used in Kissan Ketchup in India were from sustainable sources. Your Company aims to source 100% of tomatoes from sustainable sources by 2015.

Your Company also partnered with Sustainable Trade Initiative (IDH), Netherlands, Solidaridad and Rainforest Alliance™ to launch a cross industry initiative to stress on the need of sustainable production, while also keeping in mind responsible and ethical sourcing of tea. The initiative championed by the Tea Board of India resulted into a sustainable tea code – 'Trustea'. The code encompasses all aspects of tea production and seeks to embrace sustainability principles to boost productivity and maintain safety standards to improve quality compliance and inclusion of small tea growers in the mainstream. A total of 86 tea estates in Assam, Darjeeling and Tamil Nadu have been certified 'Sustainable Estates' by the Rainforest Alliance™.

WASTE MANAGEMENT – LESS WASTE, LESS RISK

Your Company pursues a three pronged approach to waste management: Reduce, Reuse and Recycle.

Reduce waste

In 2013, reduction in total waste per tonne from our manufacturing sites was 84% against the 2008 baseline. A total 35 sites out of 38 sites became zero non-hazardous waste to landfills; an addition of five more sites compared to last year. Emphasis on recycling led to more than 99% of total waste being recycled in environment-friendly ways.

In 2013, there has been a significant reduction in our packaging materials. A number of projects with focus on design and material optimisation implemented across categories, resulted in reduction of around 1,700 tonnes of plastic and over 2,500 tonnes of paper.

Reuse and recycle waste

Sachets and pouches create less waste by weight per millilitre of product sold and are therefore considered more efficient for packaging than bottles. However, it has been challenging to find an economically viable way of collecting and recovering sachet waste due to its low weight. This requires working in partnership with other users of flexible plastic as well as municipal authorities and NGOs. Your Company has evaluated different Pyrolysis technologies to recycle sachet waste. Pyrolysis offers a closed loop system which involves catalytic de-polymerisation of plastics into fuel. The fuel can be used in factories as furnace oil or can be used for similar industrial applications. The initial technical assessment has been completed and further commercial evaluation and safety assessment is in progress.



PRINCIPLE 3: EMPLOYEES' WELL-BEING

BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Sustainable, profitable growth can be achieved with the right people working in an organisation that has a culture where performance is aligned with values. Your Company is an agile and diverse organisation, with people motivated by doing good while doing well. Your Company is building capability and leadership among the employees and attracting some of the best talent in the marketplace.

LEADERS BUILD LEADERS

Your Company is well known for nurturing talent and building leaders. This has been possible through the 'leaders build leaders' philosophy. This mindset ensures that leadership gets ingrained across the Company, rather than placing it as the responsibility of a function or a few individuals.

Your Company's talent and leadership practices have been recognised as the Company emerged the 'No. 1 Employer of Choice' in the Nielsen survey for the third year in a row. B-School students selected HUL as their Dream Employer for the fifth consecutive year.

TRAINING AND MENTORING

Your Company follows a holistic 70:20:10 capability building approach across functions, under which 70% of all capability is built on the job, 20% through coaching and short term projects and 10% through classroom learning. Your

Company's learning practices are best-in-class with over 28,000 man-days invested in classroom training and 38,000 e-learning courses completed in 2013.

Your Company has undertaken a host of programmes in the space of capability building on the shopfloor. The Shopfloor Skill Upgradation programme, 'Sparkle', a centrally hosted intranet based tool, supports skill mapping, skill assessment, performance assessment and gap analysis for the shopfloor employees. 'Stepping into One' (SIO), a capability intervention, supports building the talent pipeline for all shopfloor employees into potential executives.

UPHOLDING BRAND IMAGE DIGITALLY

Your Company's digital presence is a vital factor in maintaining its brand image. Your Company continues to enjoy a strong presence on Facebook. While the official Hindustan Unilever Facebook has over 2.4 million fans, the 'Unilever Diaries India' Facebook page, which is for the student community, currently has nearly 400,000 fans.

On 17th October, 2013, your Company launched 'Leverites Reunite', an Alumni group on Facebook on the occasion of completing 80 years in India. The Closed Group currently consists of 685 members and has seen over 950 engagements since its launch.

To engage with stakeholders and key opinion formers, your Company launched its official Twitter handle @HUL_News in September 2013. The handle has over 20,000 engaged followers at present.

OCCUPATIONAL HEALTH & SAFETY

Occupational Health & Safety is considered one of the prime

responsibilities of the Company. The entire line management is responsible for driving physical, mental and emotional well-being with ample support from a well qualified medical team. The CEO heads the Central Safety, Health & Environment Committee, which reviews the health & safety performance of the Company.

REDUCE WORKPLACE INJURIES AND ACCIDENTS

By the end of 2013, your Company achieved 60% reduction in Total Recordable Frequency Rate (TRFR) for accidents in the factories and offices, compared to 2008. This was achieved through rigorous deployment of global initiatives on safety, implementation of advanced equipment safety standards and adoption of DuPont Behavioural Safety methodology. Employees and their families get involved in home safety and road safety initiatives. All employees undergo mandatory training for safety and compliance procedures.

IMPROVE EMPLOYEE HEALTH AND NUTRITION

For the last few years, the Company has been regularly performing basic preventive health checks for all employees. The medical and occupational health strategy addresses the top three health risks that have been identified — mental health, lifestyle factors and ergonomic factors.

WORK-LIFE BALANCE

There are several initiatives undertaken by the Company to promote work-life balance for both men and women.

Some of these initiatives are:

- Career by Choice programme: A unique career comeback programme that provides a platform for women looking for opportunities to work flexibly and part time after a career break. There are currently 27 women associated with the Company under this programme across functions.

- **Career Break Policy:** The facility of a career break is available to all managers of the Company. Such break can be availed for duration of up to five years in total for many reasons including maternity, higher study, sabbatical, adoption etc.
- **Maternity / Paternity leave:** Paid six month maternity leave and two week paternity leave facility is extended to employees.
- **Gender Balance Network:** A Network comprising of senior leaders across functions who work towards creating an inclusive and diverse organisational culture.
- **Agile Working:** A host of policies and practices which help employees work flexibly, anytime, anywhere. Work from home, flexi-hours and part time / reduced hours (including a job share policy) are some of the initiatives. These policies are supported with technology and office infrastructure by the Company.
- **Workplace facilities:** The Company's Head Office at Mumbai has a day care facility, Unilever shop, cafe, bank, florist, gymnasium, squash court etc. and escorted drop facility for lady employees working late evenings.
- **Work with various organisations** which do pioneering work in the space of diversity and inclusion in order to partner and provide support to them on large initiatives and research.

EQUAL OPPORTUNITY OF EMPLOYMENT

For recruitment of management and supervisory staff / officers, clear guidelines exist concerning the identification and authorisation of vacancies to be filled, with appropriate authority levels for these. For recruitment of skilled as well as unskilled labour, the guidelines specify merit-based approach for selection of candidates from lists provided by local employment exchanges where the units are located.

Your Company has a sharp focus on gender diversity. About 30% of the Company managers are women. Due to various gender balance initiatives, the organisation has witnessed a 20% shift in the gender balance ratio at the managerial

level. At the non managerial level, the gender balance ratio has improved by 13%.

We give full and fair consideration to people with disability. The Company has 15 persons with disability being employed across levels and functions.

SECURE WORKPLACE

Your Company has a policy on affirmative action and a policy on prevention of sexual harassment to ensure a harassment free workspace for its employees. Sexual harassment cases are dealt under the Code of Business Principles. All employees of your Company and other subsidiaries are communicated on the various aspects of prevention of sexual harassment at work through e-mailer articles and other means of communication regularly.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 (the Act) and rules made thereunder were made effective from 9th December, 2013. The Act requires the Companies to constitute Internal Complaints Committee (ICC), consisting of at least one external member and one half of women members. As per the requirement of the said Act, your Company has constituted Internal Complaints Committees (ICC). The Company has designated the external independent member as a chairperson for each of the committee. During the period from 9th December, 2013 to 31st March, 2014, 1 (one) complaint with allegation of sexual harassment has been filed with the Company and the same has been investigated as per the provisions of the Act.

More than 40 gender sensitivity workshops were conducted in the last one year covering approximately 2000 employees across the country. The workshop focus on bringing deeper understanding of issues related to gender sensitivity at the workplace and create an inclusive work environment, one which is built on mutual respect.

FREEDOM OF ASSOCIATION, PARTICIPATION AND COLLECTIVE BARGAINING

Your Company follows the principle of freedom of association and right to

negotiate. Promotion from workman and staff to officer has an exclusive and transparent process called 'Stepping Into One'. Each workman eligible under the programme gets ample chance to make it to the next level.

The human rights practices of your Company assure respect for the right of employees to freedom of association and recognition of employees' rights to collective bargaining, where allowable by law. There are 98 employee associations which have been recognised by the management. Nearly 9,500 permanent employees are members of these associations. During the last year, the Company has entered into long term settlements with around 6,500 employees covering 22 factories / branches across India.

FAIR LABOUR PRACTICES

Your Company has an excellent record on industrial relations and since 2008 had maintained a record of near-zero loss of man days due to industrial unrest. The Company currently has around 3,800 employees which are employed on contractual / temporary basis.

GRIEVANCE REDRESSAL

Your Company has clearly spelt out guidelines to prevent use of child labour, forced labour, discriminatory employment and sexual harassment in its own operation as also for its business partners / suppliers.

The CoBP and Whistle Blower Policies provide for reporting of such issues in confidence. The Company has provided a dedicated e-mail address and a 24 hour hotline to which all whistle blower complaints can be sent. The identity of the complainant is always protected. The Company has put in place systems and mechanisms to ensure non-retaliation and non-victimisation of the complainant.

All complaints, including complaints of sexual harassment, received are dealt as per the CoBP protocols. The total number of complaints received have been reported under Principle 1. During the year, there have been no complaints alleging child labour, forced labour, involuntary labour and discriminatory employment.

PRINCIPLE 4: STAKEHOLDER ENGAGEMENT

BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

For your Company, stakeholder management is of vital importance as it helps us to deliver our commitments and succeed as a business. Your company actively engages with stakeholders groups such as consumers, customers, shareholders, investors, employees, media and NGOs. Stakeholder insights help your Company develop new products and improve processes.

Many of the issues that the Unilever Sustainable Living Plan seeks to address require the Company to engage with these stakeholder groups to create an environment that is supportive of meeting the big sustainability challenges the world faces. Your Company believes in partnerships and collaborations with like-minded people that will help your Company achieve Unilever Sustainable Living Plan targets.

CONSUMERS

Your Company's business strategy clearly states that the first responsibility lies towards consumers. When we are consumer centric, our shareholders will be rewarded. This drives the Company to keep the consumer at the centre of all plans and decisions.

The Company has raised the levels of consumer engagement through Levercare, a toll free number where Consumers can reach the Company directly. Levercare is a win-win for both the consumer and the Company. It gives consumers the promise of better service and provides the Company the opportunity to connect with consumers directly and understand their needs, expectations and aspirations. It helps consumers voice their grievances and offer suggestions and ideas. The helpline provides insights about Company brands to the consumers. During the year, more than six lakh consumers contacted your Company through the Levercare helpline.

Your Company engages with consumers through various brand led programmes. For example, Pepsodent reached out to half a million consumers through the "Call the Expert" campaign that encouraged consumers to call trained Pepsodent Experts at a toll free number and get free advice on oral health and hygiene.

CUSTOMERS

Your Company has undertaken some important initiatives during the year to become more customer centric and win in the marketplace. These initiatives include establishing dedicated call centres for distributors as well as retailers to reach out to the Company. The call centres set up for retailers have helped many of our traditional trade customers reach out directly to the Company. Your Company receives more than 3000 calls every month from distributors and retailers. The calls received from retail outlets provide useful insights and help the Company understand issues and opportunities in the marketplace better and address them effectively.

Your Company is now the preferred supplier to the leading Modern Trade customers and is a partner of choice on all new initiatives. Your Company believes in long term win-win partnerships with its business partners. The Company works with Joint Business Planning (JBP) at the core, which captures the business from not just a manufacturer's perspective but also brings in the voice of the shopper and the retailer into the planning horizon.

A testimony to the success of this win-win partnership with the retailer has been through Unilever winning the "Best Supplier" award across Bharti Walmart and TESCO for three years in a row. These awards have been conferred for your Company's consistent approach on building long term sustainable partnerships.

The Company has taken the initiative of appointing an Ombudsman for resolving

Consumer and Customer grievances and disputes. The details of the Ombudsman scheme are provided under Principle 9.

SHAREHOLDERS AND INVESTORS

Your Company believes in creating long term value for the shareholders. The Company regularly interacts with shareholders through multiple channels of communication such as results announcement, annual report, media releases, Company's website and subject specific communications. The Annual General Meeting of shareholders is an important annual event where the shareholders of the Company come in direct communication with the Board of Directors and the management. The Board engages with shareholders and answers their queries on varied subjects.

The Investor Relations team of your Company interacts regularly with investors and analysts, through quarterly results calls, one-on-one and group meetings, participation at investor conferences and the annual investors meet. The Investor Relations philosophy of your Company is focused on delivering quality Investor Relations practices built on a strong foundation of transparency and governance. Your Company was recognised at the Investor Relations Global Rankings (IRGR) 2013 edition. In the global awards that were announced in November 2013, the HUL Investor Relations website was ranked No. 1 in the category of Most Popular Investor Relations websites in the world across participant companies.

GOVERNMENT

All interactions with the Government, legislators and regulators are done by duly authorised and appropriately trained individuals with honesty, integrity, openness and in compliance with local laws and in accordance with the Code of Business Principles and Policy.

NGOS

Non-Government Organisations are important stakeholders that your Company interacts with. Your Company works in partnership with NGOs to deliver on many of the Sustainable Living Plan initiatives.

MEDIA

Your Company regularly interacts with the electronic, print, television and online media through press releases, media events and during the financial results announcements.

EMPLOYEE ENGAGEMENT

We have several communication processes instituted to ensure a two-way communication channel with our employees. These include:

- Global People Survey (GPS): The Company conducts GPS to measure the level of engagement of employees.
- CEO Report back: Quarterly performance update from the CEO to all employees.
- Annual Review: All managers are invited to the Annual Review in four major metros.

- Others: The Company has an in-house magazine, which provides a platform to employees to connect, bond, inspire, express and celebrate their achievements.

OTHER KEY OPINION FORMERS

Every year, your Company organises an event and provides update on the progress of the Unilever Sustainable Living Plan to various Key Opinion Formers (KOFs). In May 2014, KOFs representing various stakeholder groups such as NGOs, IGOs, Government bodies, industry bodies and consumer organisations attended the Sustainable Living Plan event at New Delhi.

PRINCIPLE 5: HUMAN RIGHTS

BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

Our Code of Business Principles upholds the principles of human rights and fair treatment. The Code provides that we conduct our operations with honesty, integrity and openness and with respect for human rights and interests of employees. The Company seeks to uphold and promote human rights in three ways:

- in its operations, by upholding values and standards
- in relationships with suppliers, and
- by working through external initiatives such as the United Nations Global Compact

The Unilever's Supplier Code reinforces the principles of Human Rights and Labour Rights for all suppliers of the Company. In accordance with the Company policy, all suppliers are expected to respect the principles of the Supplier Code and adopt practices that are consistent with that of the Company. The Unilever Supplier Code is available on our website and can be accessed at www.hul.co.in/aboutus/purposeandprinciples/business_partner_code/.

Unilever globally is a signatory to the United Nations Global Compact Programme and is fully committed to the principles of the UN Global Compact which

cover human rights, labour practices, environment commitment and prevention of corruption in business organisations. The UN Global Compact is a symbol of leadership in a complex business world and provides a forward looking forum in which the United Nations, companies and civil society organisations can come together in an open and transparent dialogue. The Company's CoBP mechanism upholds these principles in all aspects of its business operations.



PRINCIPLE 6: ENVIRONMENT

BUSINESS SHOULD RESPECT, PROTECT AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

In the area of environmental impact, your Company continued to work to further reduce the environmental footprint on four priority areas across the value chain – greenhouse gases, water, waste and sourcing. The largest part of our environmental footprint lies at the consumer end. Your Company therefore has an important role in encouraging people to change their behaviour when using the products. Your Company will be able to achieve this by innovating to develop new products and adapting existing ones.

REDUCING GREENHOUSE GASES

From manufacturing

CO₂ emission per tonne of production reduced by 27% in 2013 compared to the 2008 baseline. This was achieved through several environment friendly initiatives at our manufacturing sites such as replacing fossil fuels with biomass fuel for boilers, solar lights and water heaters, installing hot air generators and thermic fluid heaters at our sites. These projects helped increase the share of renewable energy by 2% over 2012 and 8.5% over 2008. Now the share of renewable energy in our total energy consumption in our manufacturing is 21%.

From transport and travel

CO₂ emission from your Company's logistics network has reduced by 430bps (from 78.4 kg CO₂ per tonne to 74.1 kg CO₂ per tonne) in 2013.

Your Company continued to focus on optimising the distance travelled as well as increase loading ability of our products. In 2013, your Company maximised the direct dispatches of our products in key categories to 70% and improved truck utilisation from 89% to 91% through usage of right truck type. The Company also shifted incremental 3000 tonnes of load from road to rail mode of transport resulting in reduction of carbon footprint

generated through warehousing and transportation.

From refrigeration

Hydrocarbon (HC) refrigerant freezer cabinets continued to contribute in reducing our carbon footprint. Your Company sustained the investment to make ice cream business environment friendly by purchasing more climate friendly freezers. There are currently 33,750 freezers with HC technology in the fleet in India.

REDUCING WATER FOOTPRINT

From manufacturing process

Your Company reduced water usage per tonne in our manufacturing operations by 37% compared to the 2008 baseline.

Various initiatives like recycling treated effluent water for gardening, installing reverse osmosis technology at various utilities, collecting and recycling of rain water, arresting major leakage and loss of water at the manufacturing sites led to this reduction.

In 2013, of total 38 sites, 33 sites became zero-discharge sites, an addition of 3 sites compared to that of last year. During the year, six more sites implemented rainwater harvesting taking the total to 28 sites. The efforts have resulted in creating a potential of 371,000 kilo litres water per annum. Rainwater harvesting and use of RO for recycling effluent water has helped your Company's sites to reduce fresh water abstraction by over 86,000 kilo litres. Your Company's factories at Amla and Doom Dooma adopted the rainwater harvesting and recycling model followed by the factory in Goa where rainwater on the terrace area of the factory is collected and recycled for use in various processes in the factory.

WASTE MANAGEMENT

Your Company is working on various initiatives focusing on reducing, reusing and recycling waste material. Details are listed in the section on waste management under Principle 2.

SUSTAINABLE SOURCING

Under the Unilever Sustainable Living Plan, your Company has committed to source 100% of agricultural raw materials sustainably by 2020. Details are listed in the section on Sustainable Sourcing under Principle 2.

ENVIRONMENT MANAGEMENT SYSTEMS

Your Company monitors progress on sustainability at different levels as mentioned below:

- **Governing Council:** The Sustainability Governing Council is supported by sustainability champions and reports the progress to the Management Committee and CEO on a quarterly basis. The top leadership from respective business verticals and functions constitutes the Governing Council. The Company has a governance mechanism and score card to monitor the progress on USLP commitments.
- **Environment Sub-Committee:** The Environment Sub-Committee is led by the Executive Director, Supply Chain, and has members from various departments like brands, packaging, R&D, legal and factories. The team engages every two months to review environment performance and define the implementation strategy.

RISK ASSESSMENT

All manufacturing sites have implemented Unilever's Environment Care Framework Standards, which require all Unilever operations to establish a formal environmental management system. The framework is modeled on ISO-14001 and OHSAS-18001 and is externally verified every three years. It encompasses identification and evaluation of environmental aspects of its products, operations, activities or services.

All the emissions / waste generated by your Company are within the permissible limits given by CPCB (Central Pollution Control Board) / SPCB (State Pollution Control Board).

Your Company continues to deal with a matter that is currently sub judice and relates to allegations of breach of environmental operating guidelines at the Company's erstwhile thermometer factory at Kodaikanal in Tamil Nadu state. Your Company has acted in an absolutely transparent and responsible manner since the issue was first brought to our notice in March 2001 by local NGOs. Your Company immediately closed the factory on its own and launched an investigation. There were no adverse impacts on the health of employees or the environment. This has been confirmed by many independent studies. There was limited impact on the soil at some spots within the factory premises which required remediation. Over the years your Company has taken

several actions for ensuring appropriate remediation. Only soil remediation work is remaining. Your Company will commence soil remediation work at the factory site once the decision on the clean-up standard has been taken and consent given by the Tamil Nadu Pollution Control Board.

Your Company will continue to present facts to the authorities and the public as we have always done in this case. Your Company has made available all details on this matter on its website at: http://www.hul.co.in/Images/Update_on_Erstwhile_Kodaikanal_Factory_tcm114-195572.pdf Your Company remains committed to conducting all operations with honesty, integrity and openness.

PRINCIPLE 7: POLICY ADVOCACY

BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

The Code of Business Principles of the Company provides that any contact by the Company or its agents with Government, legislators, regulators or NGOs must be done with honesty, integrity, openness and in compliance with applicable laws. In accordance with the Company policy, only authorised and appropriately trained individuals can make interactions with the bodies mentioned above. Any contact between the Company, its representatives and officials, aimed at influencing regulation or legislation, is required to be done with prior internal approvals.

The Company practices pro-active advocacy with an aim to bring about a positive impact in the business eco-system and communities. Proactive advocacy for us is not just about lobbying the Government for securing certain benefits for industry, but is also about advocating certain best practices for benefit of the society at large.

Your Company seeks to influence public and regulatory policy in a responsible manner and most of such engagements are through industry bodies and associations. Many of our Board and

senior leadership team members are associated with several global bodies like the World Economic Forum (WEF), United Nations Global Compact (UNGC), apart from the leading business Chambers.

The Company represents in many industry and business associations which work in the relevant areas. Important associations include the Confederation of Indian Industry (CII), the Federation of Indian Chamber of Commerce and Industry (FICCI), the Associated Chamber of Commerce and Industry of India (ASSOCHAM), the Bombay Chamber of Commerce and Industry (BCCI) and the Advertising Standards Council of India (ASCI). Your Company participates in multi-stakeholder debates and, when relevant, responds to public consultations.

Some of the key issues on which your Company has engaged with the Governments during the last year include:

- Plastic waste management and recycling;
- Building greater awareness of handwashing practices to reduce diarrhoea and pneumonia incidences;

- Seeking Government support for incentivising more businesses to adopt sustainable procurement, manufacturing and selling practices;
- Retention of small value packs for the economically challenged consumers, when the Government intended to standardise most goods pack sizes;
- Seeking action against counterfeiting and parallel imports of goods in the country;
- Seeking a harmonious codex nomenclature for food products;
- Seeking interventions to lay down pesticide usage guidelines for tea;
- Seeking creation of an equitable and a judicious policy on usage of bio-diversity resources;
- Seeking less time consuming procedures for effecting related party transactions;
- Seeking enforcement and prosecution against violation of our registered trademarks.

PRINCIPLE 8: INCLUSIVE GROWTH

BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Your Company has always believed in 'Doing Well by Doing Good' and strongly feels that what is good for India is good for the Company. The Unilever Sustainable Living Plan supports this philosophy and aims to enhance the livelihoods of hundreds of thousands of people by 2020.

To meet this ambitious goal, the Company has embraced inclusive growth and has taken steps to embed sustainability beyond the factory gates and the Company's immediate operations.

The Company has a vast supplier and distributor network that touches small scale farmers, distributors and retailers. If these small scale businesses prosper, they will be able to invest more in their business and consequently your Company will benefit through better certainty of supply and increased demand.

Hence, we have a wide range of initiatives from sourcing to distribution, focused on improving the livelihoods of small-scale businesses.

HELPING SMALLHOLDER FARMERS

During the year, your Company continued to work with smallholder farmers across India and helped them to implement sustainable agricultural methods while improving their crop yields.

Your Company supports and encourages farmers to adopt advanced technologies for better yields with regular training programmes and field-monitoring. Your Company also helps farmers with good agricultural practices like drip irrigation, nutrient management, pest and disease management. All the farmers registered in Nashik for producing sustainable tomatoes are using drip irrigation which helps them to save water, labour and fertiliser.

SUPPORTING SMALL-SCALE DISTRIBUTORS

Project Shakti

In 2013, your Company significantly increased the Shakti network by adding over 17,000 Shakti Entrepreneurs (Shaktiammas). Project Shakti now has over 65,000 Shakti Entrepreneurs. The Shaktiammas are complemented by over 50,000 Shaktimaans, the male members of the Shaktiamma family, who distribute products on bicycles to nearby villages. Cumulatively, they cover over four million households in over 160,000 villages across India.

Your Company focused on improving and stabilising the mobile based mini ERP (Enterprise Resource Planning) solution that was introduced in the Shakti network last year. This has helped Shaktiammas to take and bill orders, manage inventory and drive better distribution efficiencies.

Through the Shakti programme, the Company has helped in bringing about an entrepreneurial mindset in rural women. The program has contributed in making rural women financially independent and in overall empowerment of rural women.

Kwality Wall's vending operations

Your Company's Kwality Wall's mobile vending operations provide entrepreneurship opportunities to over 6,500 people across India. In most cases, each vendor can make Rs. 4,000-6,500 a month. Some of the vendors have now become distributors themselves, managing Rs. 2-10 crores in the frozen dessert business and earning upwards of Rs. 1,00,000 per month.

COMMUNITY WELL-BEING

Your Company is committed to operate and grow its business in a socially relevant way. We care for the communities we

operate in and strongly feel that what is good for India is good for HUL. Therefore, besides achieving the goals and commitments underpinned by USLP targets, HUL has launched a number of community well-being initiatives.

Hindustan Unilever Foundation

Future demand for water resources will increase significantly as population, economies and consumption rates grow. Estimates tell us that by 2030, the supply of water in India will be half its demand. The impact of climate change on agriculture would further compound the linkages between food, energy and livelihoods in the country.

To understand and partake in meeting this challenge, your Company has set up the Hindustan Unilever Foundation (HUF) in 2010. It is a not-for-profit company that anchors various community development initiatives of Hindustan Unilever Limited. HUF supports national priorities for socio-economic development, through its Water for Public Good programme. Each of the project also complies with the requirements of the National Voluntary Guidelines and the Companies Act, 2013. Acting in partnership with various stakeholders including communities and NGOs, HUF aims to drive a collective approach towards action on water in agriculture and allied livelihoods. This comes from the recognition that the complexity of underlying issues can be addressed only through concerted and collective approaches. HUF's collective action is spread over several villages in the states of Maharashtra, Rajasthan, Madhya Pradesh, Karnataka, Andhra Pradesh, Gujarat and Tamil Nadu. The projects are in partnership with NGOs, government agencies, state governments and members of the local community.

The various water conservation projects that HUF has currently undertaken in partnership with several NGOs across

India are likely to result in a cumulative and collective water conservation potential of a hundred billion litres, by the end of 2015. This is expected to generate more than 0.2 million man days of employment in over more than 180 villages across India. Furthermore, it is expected that the increased water conservation would also see a 10% rise in crop production in some of the project areas.

In Maharashtra, HUF has partnered with MITTRA, an organisation promoted by BAIF Development Research Foundation – Pune, to implement Rural Development programmes. The project started in September 2010, with an emphasis on water harvesting for agricultural use, along with soil and water conservation in high-runoff watershed areas. The project aims to improve production from the landscape and subsequently generate more employment opportunities for the local population.

Another project in Tamil Nadu aims to revive indigenous rainwater harvesting systems. This began in 2010 and is in partnership with the Development of Humane Action (DHAN) Foundation. It involves reviving tank cascades (a traditional method of water storage) in the Gundar Basin, Tamil Nadu. After renovation, the tank cascades will capture and store excess run-off during monsoons. The project area covers 13 tank cascades with 250 tanks, serving a number of people across almost 70 villages in Madurai, Ramanad, Sivagangai and Virudhunagar districts.

Independent third party assurance has been done by a reputed audit firm for the various projects undertaken by HUF so far. The final results from the first assurance cycle ending March 2013, show the following impacts:

- collective and cumulative water potential of more than 24 billion litres created

- more than 95,000 man days of labour created directly due to project works
- agriculture production enhanced by more than 3,500 tons

Prabhat

'Prabhat' (Dawn) is a USLP linked programme which is a part of our Company's long term effort to engage with and contribute to the development of local communities around our manufacturing sites. Over the years, the factories have played a major role in driving and shaping the socio-economic landscape around each of our Company's units. These efforts have evoked a sense of pride in the employees and their families.

Prabhat brings various programmes running at different units under one umbrella to contribute in a more holistic manner and with scale to the local community. The programme currently focuses on health and hygiene, enhancing livelihoods and water conservation initiatives which are fully aligned to the USLP priorities.

Prabhat has been launched in nine of our manufacturing locations across India – Haridwar, Pondicherry, Silvassa, Khamgaon, Goa, Nashik, Orai, Chhindwara and Etah. The Health and Hygiene programme is led by our brands like Lifebuoy, Domex etc. The Water Conservation initiative is executed through Hindustan Unilever Foundation, a wholly owned subsidiary of HUL. The Livelihood programme aims to empower youth by providing them with employable skills, thereby enhancing their livelihoods. HUL is collaborating with NGOs and other partners to implement this project.



PRINCIPLE 9: CUSTOMER VALUE

BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

Your Company constantly strives to reach its customers in the most cost effective manner and delight them. Your Company has a distribution network spread across millions of outlets in the country serviced by over 2500 Re-distribution Stockists. Your Company wants to reach many more by developing innovative products, by adding value at every step in the value chain, by enhancing product quality and customer service, and by rolling out innovations faster across markets.

REACHING CUSTOMERS WITH 1 MILLION STORES

Expansion of distribution reach across urban and rural markets was one of the key thrust areas during the year. This resulted in the addition of one million to your Company's network. A new low cost distribution model is developed to leverage the increasing penetration of mobile phones among the bottom-of-the-pyramid retailers. Taking orders through tele-calling saves time and leads to a significant cut in front end distribution cost. Reduction in servicing cost enabled your Company to reach more shoppers who purchase from those marginal outlets outside the purview of the traditional distribution model.

GENERATING CUSTOMER DELIGHT

Your Company continued to improve customer service. CCFOT (Customer Casefill-on-Time) increased to 94% and On-Shelf-Availability in Modern Trade touched an all time high of 96%. The customers acknowledged this and declared your Company "the best supplier of the year". Your Company continued to strengthen the Sales and Operation Planning process (S&OP) and Innovation Process Management (IPM) in order to

proactively drive competitive growth as well as to respond to market demands with speed and agility. Due to the focus on improving product quality through better product designs and various quality improvement programmes, there has been a significant 50% reduction in consumer complaints over last year.

STRENGTHENING PARTNERSHIPS

Your Company's Partner to Win programme aims at developing a business plan with suppliers and business partners in order to reduce lead time, procurement cost, improve reliability and new innovation delivery. Project Procure To Pay Transformation was launched to move the needle on your Company's services to suppliers from vendor satisfaction to vendor delight. This year, there was standardisation and centralisation of payments process from over 40 locations to one Payment Excellence Centre.

To strengthen the distribution channel and empower the partners, the existing technology backbone was leveraged to provide for a low cost phone based solution that significantly saved costs of selling your Company's products. Analytics-based algorithms that have been fine-tuned for urban distribution were extended to the rural distribution system to improve the effectiveness of sales calls.

Your Company ran various programmes in partnership with Customers to make a difference to the lives of people.

HUL and METRO celebrated the World Environment Day through a tree plantation drive. Saplings were planted through this joint sapling planting activity by METRO and HUL employees. In addition to this, 3000 saplings supplied by HUL were distributed to the traders and customers of METRO over a 15-day period.

As part of the celebration, employees of both the companies also participated together in the 10 km Run in Bangalore for World Environment Day. Collectively more than 240 kilometers were run between employees of the two teams showing their support behind sustainable ways of living.

In another initiative, HUL and Tesco launched 'India's Favorites' initiative in partnership with Smile Foundation in September 2013. 5% of sales from the participating HUL brands like Surf Matic, Lipton Tea bags, Dove Shampoo and conditioner, Vaseline Body lotions and Bru Gold Coffee were donated to charity with an equal contribution from both Tesco and HUL.

RESPONSIBLE MARKETING AND COMMUNICATION

Your Company is committed to responsible marketing and has clearly defined principles which guide marketing communications. Your Company recognises the influence of marketing and advertising on consumers and takes the responsibility seriously. Your Company ensures that all the claims made in advertising are backed by sound scientific substantiation and that all such communication passes the test of being 'legal, decent and honest'.

Your Company also supports the development of self-regulatory codes for all its marketing and advertising activities and applies these codes across the businesses. Your Company is one of the founder members of the Advertising Standards Council of India (ASCI), a self regulatory body which has developed principles and codes in the area of advertising and marketing. During the year, complaints filed with ASCI against advertisements made by your Company were 25, of which two complaints were pending at the end of the year.

OMBUDSMAN

In line with one of the Company's key tenets of Consumer and Customer Centricity, the Company commenced a process of resolving consumer and customer disputes and grievances through an alternative disputes redressal mechanism. The Company appointed four retired Judges of different High Courts, one in each region, to act as Ombudsman to hear the Company's consumers and customers in a bid to resolve long pending disputes. The Ombudsman independently reviews the merits of the complaint and decides on the issue. The Company has taken the view that the decisions arrived at such dispute resolution meetings, while being fully binding on the Company, may not be binding on its consumers and customers and if they choose to continue with litigation, they are free to do so. These meetings were held in all the four regions and achieved reasonable success. The Company believes that such independent dispute resolution mechanism will further reinforce its commitment and credibility with its consumers and also set new benchmarks for the industry.

The Company has been impleaded in certain legal cases, including those relating to consumer / customer disputes. At the end of the year, there were 77 consumer cases pending.

LABELS AND PACK INFORMATION

All Company products comply with the applicable regulations such as the Drugs and Cosmetics Act, Legal Metrology Act, Bureau of Indian Standards Specifications, Trademark Act and Copyright Act, Food Safety and Standards Act, Tea Act, Tea Board Regulations etc for Labels and Pack Information.

The food and beverage products also carry information on energy, protein, sugars, fat and also on saturated fat, fibre and sodium, where relevant.

In addition to national laws and self-regulatory codes in India, your Company also applies Unilever's principles to the marketing and advertising of all the food and beverage products directed at children. These principles require that marketing practices:

- do not convey misleading messages
- do not undermine parental influence. Advertisements always show parents as gatekeepers to the product being consumed

- do not encourage pester power
- do not suggest time or price pressure
- do not encourage unhealthy dietary habits
- do not blur the boundary between promotion and content.

Your Company does not advertise food and beverage products to children under 12 years and does not make communication related to food and beverage products in primary schools, except for products which fulfill specific nutrition criteria that are based on accepted scientific evidence and/or applicable under national and international dietary guidelines.

NOTES

[illegible]



Hindustan Unilever Limited

project**Sunlight**

PROJECT SUNLIGHT: HELPING TO CREATE A BRIGHTER FUTURE

We believe there has never been a better time to create a brighter future for our children. A world where no child goes to bed hungry, where every home has clean drinking water and where preventable diseases become a thing of the past. Project Sunlight brings together the work of our brands to help as many people as possible take small sustainable steps that add up to building a world where everyone lives well and within the natural limits of the planet.

Get involved at:

www.projectsunlight.co.in



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