

LEADING RESPONSIBLE GROWTH

Harish Manwani - 2011

Enhancing Livelihoods

Reducing Environmental Impact

Improving Health and Well-being

Surf excel
Handwash
100% Natural
100% Pure



Hindustan Unilever Limited

Leading Responsible Growth

was the subject of the speech, delivered by Mr. Harish Manwani, Chairman, Hindustan Unilever Limited, at the Annual General Meeting, held on 28 July 2011.

LEADING RESPONSIBLE GROWTH

A New India. A New World

India has changed dramatically in the last decade.

More than 200 million Indians have been pulled out of poverty. Across cities and villages, Indians have better services, better connectivity and better standards of living.

Per capita income in current prices has grown by more than 12% per annum and so has the personal disposable income. In the last 10 years, the number of middle and high income level households combined has increased by more than 50%, and the high income class earning more than Rs.1.8 lakh per annum has grown by a phenomenal threefold. Automobile sales have grown from about 5 million vehicles to 16 million vehicles and mobile phone subscribers from 2 million to over 840 million. The media landscape has changed beyond recognition with more than 500 TV channels reaching an aggregate audience of nearly 600 million.

Clearly, we are in the midst of a consumption boom that is revolutionising the lives of millions of Indians. It's no surprise therefore that the Indian FMCG sales have trebled from about Rs.45,000 crore in 2001 to over Rs.1,40,000 crore in 2010. Faster growth and rising incomes means India is well on track to be one of the leading economic powerhouses of the future.

India's growth is a powerful tale of a nation on the move – but our story is not unique. Developing markets are now recognised as the true engine of global growth. By 2020, these markets will account for over 70% of the world's growth in consumer spending, and India and China alone will contribute around 40% of this growth.

But Growth has a Price

These are remarkable numbers, signifying a tectonic shift in the composition of growth. This growth brings with it new opportunities – but it will not be without challenges.

On the one hand, people at the bottom of the pyramid will have access to healthier lifestyles and improved livelihoods. On the other, increased wealth and consumption will have a dramatic impact on the world's environment.

With the global population approaching 7 billion, we are today consuming resources at a rate greater than the earth's ability to replenish them. If the whole world consumed at the rate that UK does, we would need three planets. If we consumed at the rate of the US, we would need five!

Across the globe, the negative impact of growth on the environment has brought a rising tide of concern from governments, the scientific community, NGOs, consumers,

corporates and civil society. Governments clearly have a huge role to play in addressing the social and environmental agenda – but governments can no longer do it on their own.

Therefore, business too, must share this responsibility. Businesses can do a lot – whether in supply chains, the design and manufacturing of products, or in using brands to educate people about sustainable living.

A Right to Consume

We cannot wish away consumption. There is nothing we can or should do to limit the aspirations of a large mass of people who are entering or will enter the consumption cycle.

Billions of people across the world today lack access to basic everyday needs such as clean drinking water, good nutrition and basic hygiene.

We cannot deny them the opportunity to improve the quality of their lives. However, the vision has to be to create a future in which people improve the quality of their lives without increasing their environmental impact.

Both are important and must be achieved simultaneously. This is the real challenge that we face today.

Rising consumption must be met with responsible growth. Responsible growth means growth that respects the social

and economic benefits and also recognises the environmental constraints we face today. Responsible growth must create economic value and deliver a tangible return to society at large. Tackling this with urgency and priority makes not just good common sense but good business sense.

Unilever's Commitment to Responsible Growth

Unilever's commitment to sustainable development is not new. In fact, we have been recognised as leaders in our industry by the Dow Jones Sustainability Index for 12 years running – and we intend to stay there.

We have set a new vision for Unilever. We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

Our ambition is to decouple our growth from our environmental impacts across the lifecycle of our products.

Last year we launched the Unilever Sustainable Living Plan, setting out a more sustainable way of doing business.

We believe that sustainability isn't just about the environment. There is a social and economic dimension. Our products can make a big difference to people's health and well-being and our supply chain supports the livelihoods of millions of people.

The Unilever Sustainable Living Plan has three big goals: To halve the environmental footprint of our products across the value chain, to source 100% of our agricultural raw materials sustainably and to help more than a billion people take action to improve their health and well-being.

Together, these three goals commit us to growing our business in a way which helps improve people's health and well-being, reduces environmental impact and enhances livelihoods.

This plan is unique, it recognises the importance of growth and at the same time it commits the business to a broad social, economic and environmental sustainability agenda.

The challenges are tough and the commitments are deep. But it is only by setting real goals, by putting our 'skin in the game' that we can truly lead responsible growth.

Whilst we believe we are taking a leadership position on this agenda, we are equally cognisant that we cannot do it alone.

Leading with End-to-End Solutions

Companies must take responsibility for their extended value chains, which go beyond their own direct impact of factories, offices and transport.

They must look both upstream and downstream to maximise the opportunities available to reduce their environmental impact across the eco-system of the organisation.

Of course, sustainability begins at home. Over the past 15 years, Unilever's global network of 250 factories across the world have reduced greenhouse emissions by almost half, reduced water usage by two thirds and cut waste by three quarters. It is a good start but it is not enough to put our own house in order.

Unilever conducted a full lifecycle analysis of over 1,600 products across 14 countries covering 70% of our sales. This analysis showed that our own direct impacts remain small.

Our research shows that 68% of the environmental impact of our products is generated during consumer use. So we embarked on an end-to-end programme committed to minimising our environmental impact across the value chain from the sourcing of raw materials all the way through to the energy and water needed by people to cook, clean and wash with our brands.

Unilever depends on agriculture and forestry for a large part of our raw materials, and buys 7.5 million tonnes of agricultural raw materials every year – 350 varieties from palm oil and tea to purple carrots.

Unilever currently sources 10% of the agricultural raw materials from sustainable sources. Unilever Sustainable Living Plan commits us to source 100% of these raw materials sustainably by 2020 – a tenfold increase.

Some target dates are even closer. We have committed to purchase all palm oil from certified sustainable sources by 2015.

In manufacturing and distribution, we aim to double the use of renewable energy to 40% of our total requirement and look at ways of reducing truck mileage as well as using lower emission vehicles in our distribution network.

Leading responsible growth also means broadening access and participation in our supply chain. It means looking at all our suppliers, big and small. Our goal is to link smallholder farmers into our supply network. We will help to improve their agricultural practices and thus enable them to supply to global markets at competitive prices. By doing so, we will improve the quality of their livelihoods as well as diversify the reach of our supply chain. By 2020, we commit to linking in more than 500,000 smallholder farmers and small scale distributors in our supply chain.

But the challenge is not just to source, manufacture and distribute our products sustainably; it is as important, if not more, to motivate consumers around the world to be a part of this agenda.

We Must Motivate Consumers to Take Part

On any given day, two billion people use Unilever products across the world. Two-thirds of all Indians use Unilever products every day. We will only succeed if we motivate these billions of consumers to take the small achievable actions that add up to collectively make a big difference and enable us all to live more sustainably.

This means we have to design products which allow consumers to get the results they want with less energy and water. For example, in water scarce countries nearly 40% of the domestic water footprint comes from washing clothes. In many of these markets, people do the laundry by hand.

Across South East Asia we have launched Comfort One Rinse fabric conditioner which needs only one bucket of water for rinsing instead of three. This saves 30 litres of water per wash for the average household. If we could convert all our laundry product users in Asia and South Africa to Comfort One Rinse, we would save more than 500 billion litres of water a year: small action – big difference.

Making a Difference in India

Hindustan Unilever has operated in India for 78 years. We provide millions of Indians with a wide variety of affordable, quality products which help improve their health and well-

being and enhance livelihoods. We have fully embraced the key goals of the Unilever Sustainable Living Plan. This further reinforces our commitment to our consumers and the country at large.

Health and Well-being – Hygiene

In the areas of health and well-being we have made significant strides in helping communities, villages and cities stay healthier, longer. Studies show that washing hands with soap is one of the most effective and inexpensive ways of preventing diseases.

Lifebuoy leads our handwashing campaign in India. This campaign is the single largest private rural health and hygiene campaign undertaken in India to educate people about basic hygiene habits. Since 2002, the project has reached over 135 million people in India. By 2015, our Lifebuoy brand aims to change the hygiene behaviour of one billion consumers across Asia, Africa and Latin America by promoting the benefits of handwashing with soap.

In oral care, we know that brushing twice a day with fluoride toothpaste can reduce tooth decay by up to 50% in children compared to only brushing once. In 2009 alone, our oral care brand, Pepsodent, went to 180 schools across the country to educate more than 150,000 children about the 'right-brushing, night-brushing' practices.

Health and Well-being – Nutrition

Through our products and partnerships in India, we aim to make a difference to the quality of people's diets. We are committed to reducing the quantity of saturated fats, transfat, salt and sugar across our Foods portfolio. At the same time, we are investing in ways to supplement diets for millions of consumers including those at the bottom of pyramid.

In 2010, we launched Brooke Bond Sehatmand, a tea with vitamins, to address the nutrition needs of low-income consumers. Three cups of Sehatmand tea provides 50% of the recommended daily allowance of key B vitamins – B2, B6, B9 and B12.

Brooke Bond Sehatmand guarantees vitamins in each cup that would help combat micro-nutrient deficiency and in turn provide an affordable option to better health for low-income families.

Reducing Environmental Impact – Water

In our commitments to reducing our environmental impact, we have pledged to halve the water associated with the use of our products by 2020.

Nearly 16% of the world's population lives in India but India has only 4% of world's water resources. According to a

United Nations report, people need a minimum of 50 litres of water a day for drinking and other basic needs, while in India more than 50% of the population lives on less than 10 litres of water a day. Estimates tell us that by 2030, the supply of water in India will be half of the demand for it.

This is a crisis that has the potential to derail the economic and social development of the country and impact the health and livelihoods of millions of people across the country.

Hindustan Unilever has been working for more than a decade in the area of water conservation in partnership with NGOs and local communities across the country as well as initiating projects in several states that will help conserve more than 50 billion litres of water by 2015.

The India Water Body, launched this year by Hindustan Unilever, takes this commitment beyond standalone interventions to a systematic long-term approach to drive water security for the nation through the public-private partnership model. The India Water Body initiative is aimed at addressing the challenge of water scarcity in India.

And finally on water, our R&D team in Bangalore was empowered to look at opportunities to bring clean water to people and places where it was needed most. They developed our unique in-home water purifier, Pureit. It

provides water as 'safe as boiled' by removing harmful viruses, bacteria, parasites and pesticide impurities.

The fact that it delivers all this without the need for electricity and running water and at an affordable price has already helped provide over 20 million people across India access to safe drinking water.

The Government of India's premier health assessment agency, the National Institute of Epidemiology conducted a year long scientific study and established that homes using Pureit had a 50% lower incidence of diarrhoea.

Pureit is now being introduced to other markets globally where consumers have difficulty in accessing safe drinking water. By 2020, Unilever is committed to bring safe drinking water to 500 million people across the world.

Sustainable Sourcing

We depend on agriculture and forestry for a large part of our raw materials and sustainable sourcing is vital to our business in the long-term. By 2020, 100% of Unilever's tea across the world will be sustainably sourced. As a first big milestone, we remain committed to sourcing all tea in Lipton Yellow Label tea bags from sustainable sources certified by RainforestAlliance, an international certification body.

This includes tea estates in India as well. So far nine tea estates in the Nilgiris and 35 tea estates in Assam have been

certified and certification is being sought for a further 33 tea estates in Assam and Darjeeling.

Hindustan Unilever also sources over 40,000 tonnes a year of fresh tomatoes in India. Working with smallholder farmers in Karnataka and Punjab, we guarantee the purchase of produce and the facility to pick up the produce directly from farms.

By 2015, we intend to source 100% of our tomatoes from sustainable sources from India as well as other origins. Hindustan Unilever has trained the farmers on adoption of good agricultural practices which has resulted in significantly higher yields. By the end of 2012, we expect to double the yield that farmers harvested when we started working with them.

Through the execution of good agricultural practices, farmers have been able to get significant savings in water, labour, pesticide and fertilizer. Less water, less pesticide, less labour and less fertilizer mean a lesser burden on the environment, a better return for the farmer and a sustainable means of producing more to meet rising demand.

Enhancing Livelihoods – Better Livelihoods

We enhance the livelihoods of millions of Indians as we grow our business. From sourcing to distribution – we

engage with a diverse set of business partners and our business creates economic benefits across the value chain.

Project Shakti is a shining example of this. This is a rural initiative that targets small villages populated by less than 5000 individuals. Project Shakti impacts society in two ways – the programme creates livelihood opportunities for underprivileged rural women and it improves the quality of life in rural India by spreading health and hygiene awareness. Through Project Shakti, we have enhanced the livelihoods of 45,000 women entrepreneurs who cover three million households in 100,000 villages in 15 states across India.

Just last year we started the Shaktimaan initiative under which men of the Shakti families were given bicycles to cover surrounding villages to increase distribution and sales. We now have over 23,000 Shaktimaans, extending our reach and providing additional income to families in remote parts of India.

These were just some examples of how we are activating the Unilever Sustainable Living Plan in India. Without looking at our end-to-end impact across the entire value chain, we will not be able to comprehensively tackle our big goals of sustainable growth. By building in the consumer and their actions, whilst accounting for ours, the Sustainable Living Plan enables us to play a role in reducing

our environmental impact as well as in improving the health and well-being of people and in enhancing livelihoods.

This underpins our belief that real responsible growth must positively impact not just the environment, but also the economic and social dimension.

In Conclusion

What I have presented here is a plan that opens a world of opportunity for Unilever globally and for Hindustan Unilever in India. What some might call the problem of increasing consumption becomes an opportunity for a new way of growth.

The Unilever Sustainable Living Plan therefore establishes Unilever as a leader passionate about the brands and services we offer, concerned about the people we serve and working to build our business within the context of the overall good of society.

The Plan excites everyone at Unilever, because we all believe it is the right thing to do for our business and for the planet.

Our work over the last several years has paved the way for setting out clear targets that we are committed to meet. Delivering these commitments won't be easy. To achieve them we will have to work in partnership with governments,

NGOs, suppliers and others to address the big challenges which confronts us all.

Hindustan Unilever, with its long history and tradition, serves the needs of over 700 million consumers across the length and breadth of India. As India has grown, so has our business. From a modest Rs.119 crore turnover in 1970, we now have a nearly Rs.20,000 crore turnover.

We recognise the huge business opportunity, but also understand our responsibilities. Our commitment to sustainable and responsible growth is yet another milestone in our belief that what is good for India is good for Hindustan Unilever.

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