

SERVING INDIA

TODAY AND TOMORROW

Nitin Paranjpe - 2022



Hindustan Unilever Limited



SERVING INDIA, TODAY AND TOMORROW

was the subject of the speech, delivered by

Mr Nitin Paranjpe, Chairman,

Hindustan Unilever Limited, at the

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SERVING INDIA, TODAY AND TOMORROW

Circa 1987. It was a momentous year for me as I joined the erstwhile Hindustan Lever Limited, now Hindustan Unilever Limited, as a management trainee. Today, I have the honour and privilege to Chair the Board of this very institution and I feel the same excitement and pride, that I felt when I started four decades earlier.

Over the decades, the business has continuously evolved to remain relevant to changing times. However, what has remained constant are the values that form the bedrock of the Company. It is here that I have learnt that business must always have a purpose beyond profits and that “doing well by doing good” is the only way to sustainable progress – today and tomorrow.

This brings me to the topic of my first AGM speech as the Chairman – ‘Serving India, Today and Tomorrow’.

Introduction

We live in a world full of paradoxes. On the one hand, the clarion call for fighting climate change and addressing bio-diversity loss is growing louder, while on the other the

green cover of our world continues to recede at a rapid rate with over 400 million hectares lost since 1990.

On the one hand, the recent pandemic highlighted the urgency for collaboration between nations, while on the other, we saw a trend away from globalisation with countries becoming more parochial.

According to an Oxfam report, quarter of a billion people will be pushed into poverty this year, even as the world's 10 richest individuals more than doubled their collective fortunes since March 2020.

The paradox exists in India as well. According to the World Inequality Report, India is among the most unequal countries in the world with the top 10% owning 63.4% of the country's total wealth while the bottom 50% owning only 5.9%.

Despite being one of the top three producers of food crops, according to the latest Global Food Policy Report, India runs the risk of having nearly 74 million of its people hungry, even by 2030.

India – On the Fast Track to Growth

Notwithstanding the many challenges, the India growth journey, which began prior to the pandemic, continues to

be strong. According to the latest IMF Annual Review, India's swift and substantial policy responses to the pandemic underpin a rebound in growth that's touted to be one of the fastest among all major economies. India has also recently gained the second spot in the world, as a preferred manufacturing hub.

The Atmanirbhar Bharat vision articulated by Prime Minister Narendra Modi and boosted by a corresponding fiscal stimulus through a special economic package equivalent to 10% of the country's GDP, has spelt out India's growth ambitions loud and clear. Add to this the fact that India is the second-most populous country in the world with a large population of youth, an expanding and prosperous middle class, and a high rate of technology adoption – what we have is definitely the right recipe to transition from a low-income nation to a middle-income country.

To address inequality and tackle the scourge of poverty, India needs growth that is not just transformative, but also equitable and inclusive - growth that is both productivity and employment led.

CAPITALISING ON THE INDIA OPPORTUNITY

The India growth story needs to be built on robust foundations that will withstand the challenges of an increasingly volatile world. At the same time, we will need to ensure that accelerated growth does not come at the cost of nature.

Transform rural India: One of the biggest drivers will be the transformation of rural India. Today, nearly 60% of the country's population depends on agriculture and yet, agriculture and allied sectors only contribute about 19% to the country's GDP. This needs to change. We need to drive productivity-led growth, so that the sector is able to contribute significantly by improving output. Hypothetically, we need to aim for 30% of those engaged in agriculture to produce what 60% or more do today.

At the same time, we will need to transition people out of agriculture. We will need to ensure that there are enough employment opportunities in other sectors such as manufacturing and services.

Accelerate growth of Micro, Small and Medium Enterprises (MSMEs): The MSME segment has emerged as a vibrant and dynamic sector of India's economy with over 6.3 crore entities that employ around 12 crore people and contribute around 40% of overall exports from India. MSMEs have to play a big part in the India growth story by not only supplementing the country's

GDP, but by also providing for one of the highest employment to turnover ratios.

Strengthen infrastructure: Robust infrastructure is vital not only for making the nation more attractive to foreign investors, but also for ensuring inclusive all-round development. The government is already targeting generating up to one trillion USD worth of economic value by ramping up digital infrastructure by 2025. Initiatives such as 'Housing for All', 'Smart Cities Mission'; setting up of the National Bank for Financing Infrastructure and Development and the ₹ 100 lakh crore master plan for multi-modal connectivity are all steps in the right direction.

Create a competitive-edge in manufacturing: Manufacturing plays a pivotal role in creating livelihoods. India's potential as a manufacturing destination is aided by a burgeoning consumer base, a young labour pool, relaxation in FDI norms, a strong technology drive, as well as the Government's PLI Scheme that has been launched with the aim to boost the manufacturing sector and is expected to attract a capex of approximately ₹4 trillion for the next five years.

Drive next generation of reforms: Reforms like the Goods and Services Tax and Insolvency and Bankruptcy Code have been game changers. Policy reforms and interventions by the government can reduce India's

dependence on imports and generate employment, contributing substantially to GDP. For instance, the government's recent push to expand the nation's palm oil production will reduce dependence on imports considerably and also help in rein in domestic oil prices. Backed by a decisive mandate and with a reformist outlook, the government should press the pedal on next generation of reforms in areas of raising international competitiveness, boosting a green economy, strengthening healthcare and education, as well as creating a skilled and competitive labour market.

Ensure women's participation in the workforce: The economic potential of the country will not be achieved unless gender gaps within the society are addressed. A McKinsey study estimates that India has the highest relative potential for additional GDP growth from achieving gender equality – as much as 700 billion USD. However, in the current scenario, according to the International Labour Organisation (ILO), India has one of the highest gender gaps with less than 20% women participation in the labour force. We have a long way to go to meet the global average of over 45%.

Ensure deft management of the environment: While India steers towards unprecedented growth, we will need to ensure that this growth does not come at the cost of the environment. The Indian government has already outlined bold action plans at COP26 to address

this concern. India's ambitious target of raising its non-fossil fuel-based energy capacity to 500 GW by 2030; the National Hydrogen Mission and the Government's far-reaching policy framework to support electric vehicles (EVs) by introducing subsidies and setting targets to transition in a time-bound manner are some of the noteworthy initiatives. India's target to achieve net zero emissions by 2070 will pave the way towards a sustainable future – a path that will require sustained commitment and efforts from all of us.

THE OPPORTUNITY FOR BUSINESSES: PARTNERS IN NATIONAL GROWTH

The opportunities that India presents are not without challenges - we still have the largest number of malnourished children; New Delhi continues to be the most polluted capital city across the world for the fourth consecutive year and, by 2030, India may struggle to meet even half of its water demand. Unemployment in the country has been rising with over 26% youth in urban areas jobless as of Q1 FY 2021. According to the World Economic Forum, the high unemployment rate among college educated has caused 'widespread youth disillusionment' and can be a threat to India's economic stability. The challenges, while daunting, are not insurmountable. As businesses, we need to play a big role.

As I look back on the last decade, the trust in and expectation from businesses have changed drastically. During a convocation ceremony speech at the Mudra Institute of Communication Arts (MICA) almost a decade ago, I had referred to the distinct lack of trust that citizens had in business institutions according to the Edelman Trust Barometer. According to the 2022 Barometer, business is the only institution that has retained trust levels among citizens in comparison with other institutions such as government, NGOs and the media. I see this as a position of great responsibility.

HUL: SERVING INDIA - TODAY AND TOMORROW

HUL has been an integral part of India's growth story over the years and has always believed that what is good for India is good for the Company. To quote Barack Obama, "Focusing your life solely on making a buck shows a certain poverty of ambition. It asks too little of yourself. Because it's only when you hitch your wagon to something larger than yourself that you realise your true potential." At HUL, we have hitched our wagon to something that is definitely a lot larger.

The Company has always believed that businesses need to deliver the 4Gs of growth – consistent, competitive, profitable, and responsible growth. This fourth G recognises that it is the role of business to not just create

economic value but also generate social value, and to do so in a sustainable way.

With more than 9 out of 10 Indian households using one or more of our brands, we realise that we have a power to impact the lives of our consumers. Our brands strive to bring about positive social change and break barriers to help build a more inclusive society through thoughtful marketing campaigns. Through several initiatives, we have been addressing challenges like water scarcity, livelihood opportunities, employability, health and sanitation among others.

Our conviction that purpose-driven brands and business can indeed deliver sustainable growth has been strengthened over the years. Today, we have crossed the ₹ 50,000 crore turnover mark. In the last decade, we have more than doubled our turnover, tripled our EBITDA and quadrupled our market cap. More importantly, we have strived to have a positive impact on the 21,000 individuals we employ across our factories and offices as well as those who are part of our value chain including distributors, suppliers, retailers and our very own 'Shakti Ammas'. We have helped enable better livelihoods for many others through our community development projects including the Hindustan Unilever Foundation and Prabhat - directly or indirectly touching the lives of nearly two crore individuals!

TRANSFORMING TO SERVE THE INDIA OF TOMORROW

To continue to serve the India of tomorrow, it is important to understand the impact of the pandemic on the Indian consumer and the trends that have evolved as a result.

For instance, people are now demanding products that not only deliver functional benefits but are also good for the planet and for people. Forecasters are predicting a new 'green awakening' and increased 'climate literacy' among consumers especially after the fragility of the planet was exposed during the pandemic. Health awareness among consumers continues to evolve post the pandemic and has now extended to cover mental and holistic wellbeing. Adoption of technology too has been at an accelerated pace among Indian consumers. It wouldn't be an overstatement to say that India is witnessing a digital revolution.

In fact, with an increased adoption of digital, the shopper journey has now become phygital. A consumer may engage with a brand on social media, experience the product in a physical store, get prompted to make a purchase through advertisements on their social media feeds and finally make the purchase through e-commerce platforms. As a result, brands need to be present everywhere and communicate consistently to stay top of mind. But that's not all. In a nation of paradoxes, critical to

unlocking value is de-averaging – we will need to win in rural as well as urban, in mass as well as premium, in traditional as well as digital.

At HUL, we are embedding sustainability across the value chain and beyond through what we call the 'Compass'; our strategy to make sustainable living commonplace. We believe that the Compass will help us deliver superior performance and drive sustainable and responsible growth. We are building technology muscle to serve our customers and consumers even better. We are determined to showcase that there can never be a trade-off between purpose and performance.

Building an Intelligent Enterprise: We embarked on a journey to 'Reimagine HUL' by addressing the surging digital ecosystem and bringing data and technology centre-stage in our business. This was seven years ago.

The vision for 'Reimagine HUL' now is to create a solution that is fit for the complexity of the business and the emerging needs of our consumer. We are building distinctive capabilities to make our core business smarter and more efficient. We are creating new bespoke platforms and ecosystems to address differentiated consumer and customer needs and a value chain that delivers the scale and efficiency of the large and at the same time, builds the nimbleness of the small. Today, we are on a journey to build an Intelligent

Enterprise that is data-led, machine-augmented and is fit for the heterogenous nature of the country.

Let me illustrate this with an example: We are addressing the heightened expectations of our consumers at every juncture of an increasingly complex shopper journey. Our content hubs such as BeBeautiful and Cleanipedia talk to consumers about trends and products; Smartpick allows small pack trials and Direct to Consumer (D2C) channels allow consumers to make the final decisive purchase. When it comes to our customers, Shikhar - our e-Business to Business (e-B2B) app, which helps retailers track and place orders now reaches over 8 lakh outlets.

Similarly, we are digitising our supply chain to enhance agility and flexibility to face an increasingly volatile business environment. Artificial Intelligence & Machine Learning are being leveraged for better forecasting and planning. We are extensively using automation to drive more reliable fulfilment with reduced lead times. To deliver an unbeatable customer experience in terms of delivery reliability and real-time feedback, we have launched 'Samadhan', a tech-enabled customer delivery mechanism. All these will collectively result in improved customer service, better efficiencies, and reduced costs. Recently, our tech-driven Dapada manufacturing unit became the first Fast Moving

Consumer Goods (FMCG) factory in India to join the World Economic Forum's Global Lighthouse Network.

HUL's Intelligent Enterprise of the future is envisaged as a web of intelligent ecosystems – consumer, customer and operations, that speak to each other and use a technology-first, data-led approach. We envision this future-fit plan to power growth for the next decade in the new India.

Embedding Compass: We have long held the belief that being a responsible, sustainable business only makes us stronger and, better. In fact, it's the ONLY way to do business.

We believe that Brands with Purpose Grow, Companies with Purpose Last, and People with Purpose Thrive. Through the Unilever Compass strategy, we aim to demonstrate that financial results and sustainable business are complementary.

The Compass translates into a set of actions and commitments that are designed to improve the health of the planet and society.

Environmental Sustainability: At HUL, we are committed to achieve net zero emissions for all our products from sourcing to point of sale by 2039.

We have already reduced CO₂ emissions per tonne of our production by 94% compared to our 2008 baseline.

We have completely eliminated CO₂ emissions from thermal energy in our operations by replacing coal with greener alternatives such as biomass and biodiesel. By 2030, we will move away from fossil fuel-derived chemicals in our cleaning and laundry products, unlocking new ways of reducing our carbon footprint.

Along with our partners, we are tackling the most visible environmental issue in the consumer goods industry: plastic packaging. We are driving waste management pilots through tie-ups with various organisations including NGOs deploying mass collection, processing and disposal models. We are also creating awareness amongst consumers on waste segregation at source and disposal methods. In 2021 we became plastic neutral, which means, we collected and disposed more plastic waste from the streets of India than the plastic we use in the packaging of our finished products.

Water, a resource that is not only essential for our business, but also supports the lives and livelihoods of people, is yet another area of focus for us. Through the Hindustan Unilever Foundation (HUF), a not-for-profit company that was set up in 2010, we support and amplify scalable solutions that can help address India's water challenges. Till date, the foundation along with its partners, has delivered cumulative water potential of over 1.9 trillion litres – this is more than the drinking water needs of the entire population for a year. We aim

to contribute towards creating three trillion litres of water potential in India through HUF by 2025.

Social Equity: Another key commitment that we have made is to build more resilient and equitable communities by raising living standards, advancing equity, diversity and inclusion and preparing people for the future of work.

As the biggest FMCG company in India, we believe we can help raise standards of living for not only those who work with us across our value chain, but also make an impact on communities where we operate.

Our 'Shakti Ammas' are a classic example. By empowering women micro-entrepreneurs, we've helped over 1.6 lakh Shakti entrepreneurs across 18 states to generate income for themselves and also cater to the needs of their communities. That's not all. Project Shakti, in many ways, has brought about a complete reversal of the social order with the woman of the family commanding respect at her home and in the community for being an entrepreneur and a bread earner.

We are also committed to ensure that everyone who directly provides goods and services to the Company earn at least a living wage or income by 2030. A living wage or living income is one that gives people enough to provide for their family's basic needs for food, water,

clothing, housing, education, transportation and healthcare. It also allows for some discretionary income and includes enough provision to cover unexpected events. In countries like India a living wage is significantly higher than the legally mandated minimum wage.

Ensuring that people earn a living wage or income is a critical step towards building a more equitable and inclusive society. When people earn a living wage or income, there is a direct benefit to the economy, as it stimulates consumer spending, aids job creation, helps small businesses, decreases employee turnover and improves job productivity and quality – overall creating a virtuous cycle of economic growth. Our social commitments include supporting 20 lakh Small and Medium-sized Enterprises to grow their business by 2025, pioneering new models that allow employees with flexible employment options and increasing the proportion of people with disabilities in our workforce, among others.

Through Project Prabhat, Hindustan Unilever's community development initiative around key sites, we have been imparting employable and future-ready skills to women, people with disabilities, transgenders, sex workers, and the youth of India. The training sessions focus on areas that are relevant for building livelihood opportunities locally - such as beauty

and hair care, tailoring, retail sales, electricals, e-commerce, data entry operator/tally, web and graphic designing, laptop and mobile repair, welding and plumbing and more. Furthering the entrepreneurship agenda under the farm-based livelihood interventions at Prabhat, we have undertaken specific agri-value chain interventions that aim to reduce the input costs and increase the quality and quantity of produce. Prabhat has, so far, impacted over 70 lakh lives across 21 states.

HUL is amongst the largest buyers of agri-commodities like tomatoes, cereals, tea, coffee and dairy. We are empowering a new generation of farmers and smallholders to protect and regenerate their environment by adopting sustainable agricultural practices that not only improve crop yield but also positively impact the environment. We are increasing transparency, using technology and introducing leading-edge regenerative farming practices that we believe will help us produce crops with sufficient yield and nutritional quality to meet existing and future needs while keeping resource inputs as low as possible.

Our association with Sahyadri Farms, India's largest Farmer Producer organisation that is 100% owned and operated by farmers is a great example of creating a sustainable agri eco-system. While Sahyadri helps us meet the rising demand for ketchup, HUL lends global

responsible farming acumen that helps in improvement of crop yield, crop quality and reduce losses due to assured market access for the farmers and better overall price realisation.

FUTURE-READY LEADERS: KEY TO DRIVING INDIA'S GROWTH TRAJECTORY

Above all, to be able to decisively steer the business to its true potential and to serve the needs of a nation, we will need the right kind of leadership. We will need leaders who are convinced that sustainable business models will be the only way to do business in the future. We will need leaders who not only have the right skill sets but also are comfortable with chaos and ambiguity. We will need leaders who are driven, not just by results but, equally by a moral compass; a true north.

At HUL, we have been focusing on attracting, developing and retaining meritorious talent from across the country. We have a holistic approach towards honing our talent pipeline and building leadership capabilities in our people. We encourage our people to define their individual purpose and help them realise it through meaningful actions. We groom our young managers with early exposure to varied roles and responsibilities. We are even harnessing technology to prepare our employees for

the world of tomorrow. We encourage a culture of lifelong learning in our people and believe that with the current pace of change, it is indeed important to reskill and upskill ourselves at every turn.

Our talent practices have ensured that we continue to be 'No. 1 Employer of Choice' across industries in India. More than 400 CXOs in India today are from HUL. In fact, we have often been called the CEO factory for building business leaders who have served industries in India as well as globally across Unilever over the years.

We have also been endeavouring to create an inclusive workplace where everyone feels that they belong and are able to thrive. Having identified our equity, diversity and inclusion priorities – gender, people with disabilities and LGBTQI+ communities, we are now building capabilities of our business leaders to support equity advocacy, diversity awareness and psychological safety in their teams. In our gender diversity journey, we now have 44% women at managerial levels and are focusing our attention in bringing on board women in our extended sales ecosystem and also in our factories.

CONCLUSION

As India moves forward, we will face both challenges and opportunities. In order to overcome the challenges and

realise the enormous opportunities that exist, it is imperative to ensure that the next phase of growth for the nation is both sustainable and equitable. Businesses can play a key role in this transformative journey.

At HUL, we will continue to serve our consumers by leveraging technology across the value chain while taking care of people and the planet. We will continue to build leaders who believe that sustainable business is the only way forward, and at the same time create an inclusive work culture that enables everyone to be their best selves. We will continue to keep India first, for we believe that what's good for India, is good for HUL.

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