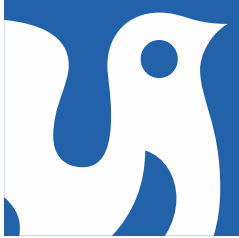




Hindustan Unilever Limited



Transforming to win in the
NEW INDIA
Nitin Paranjpe - 2023



TRANSFORMING TO WIN IN THE NEW INDIA

was the subject of the speech, delivered by
Nitin Paranjpe, Chairman,
Hindustan Unilever Limited, at the
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TRANSFORMING TO WIN IN THE NEW INDIA

INTRODUCTION

Albert Einstein had said, “in the midst of every crisis, lies opportunity” – an opportunity to change, an opportunity to grow, an opportunity to become stronger. Often times in history, progress and change have been born out of crises. The cholera pandemic in the early 19th century resulted in a focus on sanitation and hygiene. Similarly, the Spanish Flu that coincided with the First World War resulted in institutionalisation of public healthcare systems across several countries. The world has braved many a crises, and every time, humanity has come out stronger.

Today, we are faced with yet another challenge. According to the World Economic Forum's Global Risks Report 2023, over the long term, the failure to mitigate and adapt to climate change, natural disasters and extreme weather events, biodiversity loss and ecosystem collapse are perceived as being the severest global risks. These long-term risks are likely to be fuelled by an era that is characterised by low growth, low investment and low co-operation, the onset of which, is already being felt by major economies across the world.

Against this challenging backdrop, India, appears to be the silver lining. Earlier this year, World Economic Forum Chief Klaus Schwab had referred to India as a “bright spot in a

fragile world". Lauding India's efforts on several fronts including climate action, contributions to the global healthcare system and focus on digital public infrastructure, Schwab had remarked that India's G20 presidency had come at an opportune time.

INDIA TAKES CENTRE STAGE

Emerging steadily from the shadows of being a 'poor nation', India has been the fastest growing economy in the last decade and is touted to become the world's third largest economy by 2027, surpassing Japan and Germany. The country's ambition of becoming a high-middle income country by 2047, when the nation celebrates 100 years of independence, is a definite possibility.

A few factors will help the India journey:

Favourable demographics: A growing young population can often translate into a growing economy and India, with one of the world's largest populations of youth, can reap the benefits of its demographic dividend in the years to come. About 66% of the country's population today is below 35 years of age, with 40% of the population in the age bracket of 13-35. The country is predicted to become home to one-fifth of the global workforce, making it a go-to destination for employers from across the world. Further, while the population of other developed economies is aging rapidly, India's population is expected to stay young for longer. If all goes well, this could very well be the century when people aspire to live the 'Indian Dream.'

Rising consumption: With a growing young population, India is witnessing a significant rise in consumption. There are three key factors that contribute to this increase.

First, is growing affluence. We already have over 46 million relatively affluent households. In fact, the share of the middle class, with an annual income of ₹ 5-30 lakh doubled to over 30% between 2004-05 to 2021-22 and is projected to double again to over 60% by 2047.

Second, is urbanisation. The famous 'India's soul' that lives in its villages is crossing over to cities, in search of opportunities and a better standard of living. In fact, by 2030, more than 100 cities are expected to have populations over one million. At the same time, we see tremendous growth in tier 2, 3 and 4 towns and in semi-urban India, what we address as 'Bharat ke Shehar', which provide a massive and still untapped opportunity for businesses.

Third, is the rapidly growing nuclear family structure. Studies show that younger decision makers in nuclear families spend 20% to 30% more per capita than older ones in joint families, leading to higher consumption.

Enviably digital public infrastructure: India, having missed out on the first and the second industrial revolutions and having been too young a nation to capitalise on the third, is today well-poised to lead the fourth industrial revolution. This revolution leverages technology in conjunction with physical, digital and biological worlds, and is transforming several sectors across the world. The IndiaStack, a one-of-its-kind digital public infrastructure, based on identity, payments

and consent-based data sharing that India has built over the last decade, is a case in point. For instance, the number of digital financial transactions in India have more than quadrupled since 2017-18 and according to a Boston Consulting Group report, the value of digital payments is expected to more than triple from USD 3 trillion to USD 10 trillion by 2026. In the years to come, applications based on this digital infrastructure, such as ONDC for digital commerce, ULIP for logistics, Ayushman Bharat for electronic health records among others, will spur innovations and new growth. India is already the world's largest and fastest growing market for digital consumers with over 750 million internet users that is expected to increase to 900 million by 2025. While in several other, more developed nations, digitisation is a privilege, in India digitisation has been democratised to reach even the grassroots levels, with initiatives such as the Aadhar, Jan Dhan Yojana and Unified Payment Interface.

According to Bain and Co, India, already with a booming online shopper base, is all set to overtake the United States in the next couple of years. This means that India has both the infrastructure and the audience to ride the digitisation wave.

Favoured investment destination: During the pandemic, the manufacturing industry witnessed multiple challenges like shrinking margins, inflation in raw material costs and supply chain disruptions coupled with geopolitical tensions. Resilient supply chains were the need of the hour, and this provided an opportunity for India. India's skilled and semi-skilled workforce is a valuable human resource. Add to this,

several policy decisions by the Government including banking reforms, Production Linked Incentive (PLI) schemes, Foreign Direct Investment (FDI) policy, and implementation of the Goods and Services Tax (GST) and initiatives such as Skill India and Digital India, provide a fertile ground for investors.

Culture of innovation and enterprise: It is innovation that drives productivity and growth for a nation. In fact, we have been steadily rising up the rankings on the Global Innovation Index (GII) going from the 81st spot in 2015 to the 40th rank in 2022. One of the biggest facilitators for innovation is a rapidly expanding startup ecosystem in the country. From 450 startups in 2016, the number has gone up to a whopping 90,000 in 2023.

The challenges we need to address...

India is well placed to leapfrog into the future, but we must be cognisant of the challenges that if unaddressed, may turn this opportunity into an obstacle.

1. Boosting employment and employability: The demographic dividend the country presents, needs nurturing to ensure it does not become a demographic burden. If India is going to be home to one fifth of the global workforce, these individuals will also need to be provided with relevant opportunities to be productive and contribute to the economy. India's labour force participation rate in 2021, at 46%, was amongst the lowest in Asia. Our growth in recent years, has primarily been productivity-led, while the employment has only increased marginally in the last

ten years. It is thus clear, that as a nation, we need to ensure a significant increase in both formal employment and enhanced livelihood opportunities to ensure the productive deployment of our young workforce.

This will require an enormous focus on building relevant skills. Reports suggest that only half of India's youth is truly employable. If we have to harness the potential of one of the world's youngest populations, we need to raise employability quotient of our population significantly.

2. Agriculture and allied sectors: Currently, nearly 60% of the country's population is agriculture dependent, but it contributes to about one-fifth of GDP. On the one hand, there is a need to increase agricultural productivity and on the other, we need to move people out of agriculture-dependent livelihoods.

Today, Indian farmers produce 2.4 tonnes of rice per hectare of land, which is far lower than its actual potential, while Brazil and China produce 3.6 and 4.7 tonnes of rice per hectare respectively. Agritech and access to knowledge have the potential to transform the rural Indian economy.

Also, the future of jobs in agriculture and allied sectors will need to be created across the value chain from farm to fork. According to the recent McKinsey report on 'India's century', "A key driver for a sustainable GDP growth of 7.5–8% could be a successful transition from employment in agriculture to other parts of the economy. This transition would require almost doubling the current number of non-

farm jobs by adding 220 million by 2047.”

3. Participation of women in the workforce: It is equally important to mention here that India cannot hope to grow without enhancing the participation of women in the workforce. It is often observed that a working woman spends a sizeable part of her income towards the welfare of the family – on education, health and hygiene, thus boosting the development index of a nation. However, in India, according to recent World Bank statistics, women represented only 24% of the workforce. Even Saudi Arabia, which was a late starter when it comes to enabling employment for women, has 28% of its women in the workforce. In fact, International Monetary Fund (IMF) studies indicate that gender parity will boost India’s GDP by a significant 27%.
4. Creating a healthy society: For a nation to truly prosper, its people need to stay healthy, have a better quality of life and thrive. Our nation needs to make significant progress in this area. A summary of achievements in key human development areas – such as access to education, life expectancy or access to medical support and standard of living, is reflected in a nation’s Human Development Index (HDI). India is ranked 132 among a total of 191 nations on the 2021-22 HDI, lagging behind neighbouring Sri Lanka, Bangladesh, Indonesia and Bhutan.

India will also need to address the widespread inequality. The Gini coefficient, a measure for inequality and income distribution for India, has been showing an upward trend,

indicating a rise in inequality. This trend needs to be reversed. While we want a more prosperous India, this growth needs to be inclusive.

5. Ensuring Sustainable Growth: Finally, as climate change looms large, destroying lives and livelihoods, and impacting human life, it is imperative that the nation decouples its growth from environmental impact. Unlike developed economies that were on a growth journey decades ago, India will need to chart a new route. We will be growing in a world with depleting natural resources and will need to be cognisant that our growth does not harm the environment. In fact, the Indian Government has already taken steady strides towards sustainable growth through green energy commitments. Prime Minister Narendra Modi, in his Panchamrit pledge at the historic COP26 summit, stated that by 2030, India is targeting to reach 500 GW of non-fossil electricity capacity, reducing emissions by one billion tonnes and generating half of all energy requirements from renewables.

Apart from this, water is an area that we will need to focus on. According to the World Bank, India has 18% of the world's population, but only 4% of its water resources. The demand for potable water is likely to significantly supersede supply by 2030 if adequate measures are not taken.

Clearly, we will need all stakeholders to come together to create the India of the future. The Government is investing a staggering ₹10 lakh crore in capital expenditure. This needs to be supported by private investments that will create a

multiplier effect and propel the nation on an accelerated growth path. At HUL, we are but a small player in a larger ecosystem, but we will continue to contribute towards India's growth journey.

HUL: PARTNERS IN INDIA'S GROWTH

In the 1800s, when William Hesketh Lever founded the enterprise that has become the Unilever of today, he launched the first branded soap, Sunlight, with a vision to foster cleanliness and hygiene in Victorian England. Purpose led. Profits followed. A corporation built along these lines engendered trust and won the societal license to operate.

Hindustan Unilever Limited, since its incorporation 90 years ago, has integrated the needs of society into its business. Its growth has been deeply intertwined with that of the nation's – be it in the form of developing deep rural areas by building factories and catalysing employment opportunities, enhancing livelihoods in communities or ensuring health and hygiene by several social initiatives.

Over the years, the needs of the nation evolved, and so did Hindustan Unilever. We are continuously transforming to keep in step with a fast-changing India – be it through driving innovation to cater to changing needs of our consumers, digitising our value chain to be more agile and responsive and caring for the people and the planet. In fact, there are three key forces that are pivotal to driving the HUL of tomorrow.

1. Building human capital

People are our biggest strength and developing talent and meritocracy has been at the heart of our success. Whether it is scouting exceptional talent from around the country or crafting focused training programmes, we have been obsessed with being a “leadership factory”. And we are honoured to have continually been chosen as the ‘Employer of Choice’.

Creating a gender balanced workforce: To continue being the preferred employer and attract the best talent in the country, it is imperative that we do not overlook half of the talent pool – women. We realised the importance of driving gender parity in our workforce early on. We have been making significant strides in enabling a gender diverse and equitable workforce across all levels. Five years ago, about one-third of our managerial workforce were women. Today, nearly half of our managerial workforce are women, and we are poised to achieve gender parity by 2025. Our perseverance in ensuring a gender-balanced workforce has been recognised, and in 2022 and 2023, we were ranked among the best places to work for women. This required new policies and practices – be it to help a mother balance work and life effectively or having employment models to enable new talent to take up a formal assignment that suits their needs.

More recently, we have taken our learnings over the years to improve gender balance in our sales teams as well as the factory shop floor. The journey hasn’t been easy. In a predominantly male dominated workspace, women can

face multiple challenges – safety, access to hygienic sanitation and travel among others. At HUL, we have taken several steps – from infrastructural development to gender sensitisation workshops, safety training and more. Through Project Ahilya, our focus has been on creating equal opportunities for women to join sales roles, which has traditionally been a male bastion. Today the Ahilya community consists of over 1,000 women and is steadily gaining momentum.

We are also witnessing a steady progress in representation of women on the factory shop floor with the addition of over 850 women across our factories. In fact, our first gender-balanced site is under development in Sumerpur, and we have made significant progress to enhance women representation there to 40% till now. The road has not been easy. We had to engage with the Government and introduce several measures to initiate a third shift for women working at the factory. The look of pride in the eyes of the women makes it worth the effort.

Inclusion beyond gender: While becoming gender balanced is an important first step, to truly benefit from the diversity, we need to create an inclusive culture– a culture that values diversity, a culture that creates a sense of belonging and a culture that allows people to be themselves. We believe that individuals who can be themselves, are able to bring their best selves to work and are free of societal judgement. They are the ones who will drive long-term sustainable growth. We are, therefore, focused on fostering an inclusive and empowering culture that goes

beyond gender to include persons with disabilities (PwD) and talent from the LGBTQIA+ populace.

In 2022, through the levers of attraction, accessibility and awareness, we built a base of 70+ PwD talent with the right job mapping. Our ambition is to have PwD professionals make up 5% of our workforce.

Developing talent: While recruiting the best talent is crucial, we also know that today's ever-evolving world demands constant skilling. At HUL, talent development has always been integral to our people practices and we continue to take several actions to ensure that our talent remain future-fit.

We continue to build a culture of continuous learning across levels. For instance, in 2022, we launched SkillUp as our first-ever digital Future-Fit Capability and Talent Development platform for frontline sales employees. We have recently launched an exclusive and aspirational DigiCommerce stream within the Unilever Future Leaders Programme (UFLP).

We have initiated several industry-first practices for the larger corporate ecosystem. For example, Digi Pivot is a one-of-a-kind venture between HUL, Google and Indian School of Business (ISB) that helps upskill individuals in digital marketing. Similarly, through 'AltUni' our partnership with UpGrad and IIT Bombay, we have built a pipeline of experienced professionals in data science.

At the leadership level, we have stepped up efforts to

strengthen our leadership edge through the 'Leading the Unilever Way' programme. Leading the Unilever way encourages leaders to live our Standards of Leadership so that we can create a culture that is Human, Purposeful and Accountable.

2. Embracing change to remain future-fit

The second key aspect that will enable the business to win in the future, is its capacity to adapt and lead change. Years ago, witnessing the fast-changing digital landscape, we realised that to address the surge in the digital ecosystem, we will need to sharpen our competitive edge and strengthen our digital backbone. We thus embarked on Reimagine HUL - an ambitious agenda of deeply embedding technology across the entire value chain. Be it for gathering insights on consumer trends, driving innovation, enhancing manufacturing, improving marketing and communication to be more targeted or even last mile delivery - we looked for ways to make technology integral to everything we do. Over time, this digital backbone became our source of competitive advantage. During the Covid-19 pandemic, when the country faced national and regional lockdowns, thanks to our digitised supply chain, we continued to reach our consumers with essentials like soaps and sanitisers - that were indeed the first line of defence against the virus.

Today, a robust digital public infrastructure, the deployment of 5G and increasing smartphone penetration in the country, can provide a major tailwind to businesses such as ours. It can open up opportunities for our brands to

drive transformational innovations through digital ecosystems. To ensure we lead this change, we are already on a journey to becoming an intelligent enterprise. We believe, it will give an impetus to the agility and resilience we have as a business, while keeping sustainability as the cornerstone of our value-creation approach. We are progressively moving from the traditional linear value chain model to an interconnected web of ecosystems.

Every aspect of our business leverages data to stay relevant and agile in a fast-changing world. Through our People Data Centre, combined with social listening, we are capturing insights and consumer trends faster than ever before, enabling us to develop solutions in line with the evolving needs of Indians. Our 'Agile Innovation Hub', a physical zone developed for collaboration and innovation, is helping us speed up product design, development, and testing, in order to launch innovations faster. We are also leveraging data and technology in our media deployment to ensure that we reach the right audiences with the right messaging, at the right time. Our Direct-to-Consumer (D2C) platforms are directly engaging with digital-native consumers, enabling an end-to-end shopping experience.

To service our consumers even better, we have strengthened the digital backbone of our customer ecosystem as well. We are digitising general trade through our digital Business-to-Business (e-B2B) solution – the Shikhar app where retailers can place their orders with us conveniently

from anywhere. Today, a million plus retailers have been onboarded on Shikhar and orders received through it contribute handsomely to the company revenue.

We are also digitally transforming our supply chain to enable greater agility, flexibility, and efficiency across the value chain. We are setting up nano factories that enable us to produce in small batches of kilograms rather than tonnes. Our advanced centres such as Samadhan are supporting our customers by enabling faster dispatches and demand fulfilment.

3. Embedding purpose into our business strategy

Underscoring our future-fit capabilities is the belief that in order to prosper, businesses need to look beyond creating just shareholder value, and create value for every stakeholder across the value chain. In 2010 we were among the few organisations to announce time-bound commitments to decouple our business growth from our environmental footprint and to positively impact society. Ten years down the line, we took a step further and embedded our purpose into the business strategy itself. We called it the Unilever Compass. At the heart of the Compass is our purpose: to make sustainable living commonplace. The Compass chalks out strategic choices and actions that we believe will help us achieve this purpose while growing our business. We are determined to end the debate on whether there is a trade-off between purpose and performance. Case in point: in the last decade alone, HUL has added nearly ₹33,000 crores as

incremental turnover and over ₹9,500 crores as incremental EBITDA, strengthening our belief that sustainable growth is the only way to grow in the future.

To ensure that our business operations are in tune with the needs of the planet and society, we have made public commitments to reflect our role in addressing some of the pressing environmental and social challenges of our time.

Being planet positive: We are continuously trying to ensure that the growth of the business does not adversely affect the environment. We have taken several measures to decouple our environmental footprint from our business growth. In fact, we are targeting net zero emissions from all products by 2039 – this includes emissions right from sourcing of materials used to points of sale of products.

As a packaged goods company, we realise the important role that plastic plays in our business. At the same time, we realise the environmental damage it can cause. Hence, we have announced our commitments to reduce the use of virgin plastic, use more recycled plastic, make packaging 100% reusable, recyclable and compostable, and collect more plastic than the business sells by 2025. In fact, in India, we have already reached some of the targets. We have collected more plastic waste than the plastic we use in packaging our finished products consecutively for the last two years.

Yet another key aspect to fighting climate change is securing the future of water. At HUL, we are determined to play our part. Through the Hindustan Unilever

Foundation's 'Water for Public Good' programme, we continue to build water conservation potential and enhance water-dependent livelihoods, along with our partners. Till date, we have been able to create a collective and cumulative water conservation potential of more than 2.6 trillion litres. To put it into perspective, 2.6 trillion litres of water is equivalent to the drinking water needs of the country for nearly two years. At the same time, we have generated over 1.7 million tonnes of additional agricultural and biomass production, and created more than 110 million person-days of employment due to project interventions.

These are some of our interventions that directly tackle environmental challenges. However, there are other areas that deserve our attention as well. For example, as the largest buyer of agricultural raw material, we must play our part and ensure that we source sustainably.

We are committed to source 100% of our key agricultural crops sustainably and have been on a journey to impart knowledge and expertise in sustainable agricultural practices to our farmer partners. Over the years, these practices have not only helped improve soil quality, but also increased crop yield and, in turn, farmer incomes. Clearly, this is as much about the environment as it is about ensuring livelihoods.

We have also made commitments that directly enhance livelihoods of people, for a healthy business can only prosper in a healthy planet and thriving society.

Enhancing livelihoods: We realise that 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. We are committed to paying a living wage, that is significantly higher than the legally mandated minimum wage, in our own business, and also ensure that everyone working across our value chain earns at least a living wage or income by 2030.

At the same time, we strive to build communities and enhance lives across our value chain. In 2013, we launched a comprehensive community development programme around our manufacturing sites - Prabhat. At its core, Prabhat is focused on improving the lives of families living in and around HUL factories. Prabhat's focus areas span health and nutrition - especially for women and children; empowering communities with the knowledge and tools to carry out effective waste and water conservation; climate action and economic empowerment through extensive skilling and upskilling programmes across various fields. Since its inception almost a decade ago, Prabhat has reached over 9 million people. Through Prabhat's Livelihood Centres, we have provided over 1,10,000 skill development certifications, generating employment for more than 65,000 people.

Another example is that of our micro-entrepreneur programme for women, Project Shakti, which was

launched at the dawn of the new millennium with the vision of empowering women in rural areas. This project has been a resounding success. What started as a small pilot with a handful of women in south India, consists of over 1,90,000 Shakti Ammas today. Today, they not only generate income for themselves and their families by becoming micro-entrepreneurs, but also cater to the daily needs for hygiene, nutrition and sanitation essentials in their communities.

CONCLUSION

George Bernard Shaw had said, “Don’t wait for the right opportunity, create it.” And this is India’s time. Armed with a growing young population, a focus on digital public infrastructure, large strides in adoption of green energy, India stands at the focal point for growth globally. It is therefore time for all of us to move forward alongside the nation, together.

The journey will however not be without its share of challenges. As a nation growing in a world with depleting natural resources, we will need to be mindful that this growth is sustainable. At the same time, we will need to ensure that this growth is equitable and leaves no one behind.

Hindustan Unilever has been a part of the nation’s journey over the years and will continue to play its part in realising the dream of new India – through everything that we do; be it through strengthening livelihood opportunities for people across the value chain, driving skill development in

communities, or addressing environmental issues through focused interventions. We hope that in our very little way, we are able to positively impact the planet and people, and partner this great nation in its journey. After all, it has forever been our belief that 'what is good for India, is good for HUL.

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