

Brands at the forefront of social change



Spreading hygiene
awareness



Empowering
rural women



Saving water
for tomorrow

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**BRANDS AT THE FOREFRONT
OF SOCIAL CHANGE**

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BRANDS AT THE FOREFRONT OF SOCIAL CHANGE

Introduction

One million people in India lose their lives to diarrhoeal disease every year due to contaminated water. Many more-220 million-suffer from malnutrition, more than a quarter of all such cases around the world. Calorie and nutrient consumption in India are well below the recommended intake, causing anaemia, cataract, night blindness and several other diseases particularly among the rural population. Water sources are steadily depleting. Experts predict hotter summers and erratic rainfall due to climate change. Sanitation, malnutrition, water scarcity and lack of health education are just some of the challenges that plague Developing & Emerging (D&E) markets like India.

Why is Hindustan Lever, a company that sells soaps and soups, talking about these issues? Because we believe that the brands consumers will prefer in future will be those with a positive social, economic and environmental impact on the communities in which they operate. We believe that business success will be materially impacted by how well its brands integrate a socioeconomic agenda into its innovation and development strategies and into its relationships with consumers.

Over 100 years ago, William Hesketh Lever launched the world's first branded and packaged laundry soap, Sunlight. In doing so, he created not just one of the world's first

consumer brands, but also a company with strong social values and a mission to be an agent of social change. He also set out a vision for this new company: *to make cleanliness commonplace, to lessen work for women, to foster health and contribute to personal attractiveness so that life may be more enjoyable and rewarding for the people who use our products.* And all this from a bar of soap! Let's not forget, back in 19th century Britain much of the population was poor with limited access to proper sanitation. The arrival of a bar of good quality soap greatly improved the quality of health and hygiene across Britain - as it does in other parts of the world today.

Over the years, the world and Unilever have changed dramatically. But what has not changed are Unilever's values and commitment to corporate responsibility and social change. Vitality remains at the heart of all we are doing. Unilever's mission today is grounded in the concept of vitality: to add vitality to life by meeting everyday needs of nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

THE CSR IMPERATIVE

The case for corporates as agents of social change has been articulated well by business leaders over the last 100 years. At the beginning of the last century, William Hesketh Lever 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, that is governed without honesty and without brotherhood.” In the same spirit, J R D Tata once said: “In a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence.”

We believe that what is good for the environment and the community is also good for our business. We cannot have a successful company in a failing society. For these reasons incorporating social responsibility is no longer an option but a central part of business strategy and practice.

Investors and analysts have taken note of this phenomenon. Socially Responsible Investment (SRI) is now the lead criterion for several global investors. In 2005, SRI criteria influenced investments by equity funds with over \$ 2 trillion in assets or approximately 1 in 10 dollars invested in US companies.

Global research over 30 years has found a positive correlation between corporate social responsibility (CSR) and financial performance. The Domini Social 400 Index (that rates socially and environmentally-responsible companies) has out-performed the S&P 500 for more than a decade.

In India too, CRISIL has developed an India-specific index of companies pursuing sustainability. ABN AMRO has come out with the Sustainable Development Fund – an

emerging portfolio for developing countries such as India, with plans to invest in 340 companies committed to sustainable development.

**WHY BRANDS NEED TO BE AT
THE FOREFRONT OF SOCIAL CHANGE**

Few would argue against the need for corporates to embrace social responsibility, a subject discussed at length over the last several years. Why raise it again? Because, for the most part, CSR has not been integrated into doing business - these are usually two separate activities. In this context, I want to share with you Hindustan Lever's core belief: We believe that bringing social responsibility to the heart of our business requires putting brands at the forefront of this effort. Why? It is because brands are at the heart of our business. It is through our brands that we engage with and build relationships with our consumers and communities.

Further, we will retain consumers' trust by understanding not only their needs but also their concerns as citizens. People are becoming more concerned about what goes into the products they buy, where they are made, and what the working conditions are of the people who make them. Research by Globe Scan in 23 countries shows that 60 per cent of consumers take social and environmental facts into account when choosing a brand. In some countries, as many as 80 per cent or more of consumers do

so. Increasingly, consumers will choose a brand that resonates with their hopes and concerns as citizens, as well as their desires and needs as consumers.

HOW ARE UNILEVER BRANDS DRIVING SOCIAL CHANGE ?

To help drive social change, we need to incorporate a social and environmental agenda into our innovation and development strategies. The social and environmental mission adopted must fit with the brand proposition and heritage.

In Unilever, we are implementing a new process called 'Brand Imprint', which will help brands identify and measure their social, economic, and environmental impact, and assess the market and regulatory forces driving sustainability. Such an exercise will help brands identify a social issue or 'cause' that fits naturally with its proposition. The brand then operates in a space that is truly 'win-win'. It has a positive impact on society while being good for the business. This sharply defined space is the source of sustainable competitive advantage.

Globally, our environmental scan and brand imprint process has enabled us to identify four social issues we would like to address: nutrition, health and hygiene, women's empowerment and sustainability.

1. ADDRESSING NUTRITION THROUGH OUR VITALITY MISSION

Across the world we see a dichotomy. On the one hand, a large number suffer from conditions such as obesity, heart disease and blood pressure largely due to poor food habits and lifestyles. On the other hand, 800 million, mostly in the developing world, suffer from acute malnutrition. As a large foods business we have a role to play in addressing both kinds of issues.

Annapurna Salt's role in reducing iodine deficiency

740 million people suffer from iodine deficiency. This deficiency causes goitre, lower IQ, brain damage, still births, miscarriages and congenital abnormalities. UNICEF believes that adding iodine to salt used for cooking is the best way to tackle this problem.

This is not as easy as it sounds. The challenge is not just adding iodine to salt but also preventing the loss of iodine during storage and cooking. In India, we developed such a patented technology. This led to the introduction of low cost iodised Annapurna salt, the first brand to be endorsed by the International Council for the Control of Iodine Deficiency Disorders.

Iodine deficiency is also a major problem in several countries. For example, in Ghana numerous iodine-promotion campaigns have met with limited success largely because iodised salt costs twice as much as raw salt.

The only way to persuade people to switch over from raw salt was to sell Annapurna at close to the same price. We were successful in doing just that by re-engineering the entire supply chain and marketing. Annapurna was packaged in sachets as small as 100 grams and at prices as low as three rupees. That put it within reach of some of Ghana's poorest families. Within two years of introducing Annapurna, nearly half the population was using iodised salt.

Flora's role in heart health

Cardio Vascular Disease (CVD) causes over 17 million deaths every year and the mortality rates are expected to increase. Overeating and an imbalanced diet are significant contributors to CVD. Flora pro-activ, Unilever's margarine brand is specially formulated to contain naturally occurring cholesterol lowering ingredients. Daily use of Flora pro-activ has been clinically proven to reduce LDL cholesterol by around 10% and starts working within two weeks. Since 2003 the brand has partnered with the World Health Foundation (WHF) to educate consumers about heart problems and promote a balanced diet and physical activity. Our Healthy Heart campaign has been rolled out in key markets around the world to inspire and empower consumers to make the right choices.

Fight against child hunger

Unilever is committed to providing nutritional expertise

and financial support to poor families in the developing world. We have announced a global partnership with the United Nations World Food Programme (WFP), “Together for Child Vitality”, to help fight child hunger. Indonesia, Ghana, Kenya and Columbia have been selected as the first beneficiary countries. The three-year partnership supports United Nations Millennium Development Goals to eradicate extreme poverty and hunger and to achieve universal primary education. With WFP, we will initially focus on helping to eliminate child hunger and promoting primary education through school meals, by raising funds through cause-related marketing. This initiative is being led by Unilever's Blue Band and Rama brands of margarine and spreads. In addition to financial support, highly qualified staff will provide hands-on assistance to WFP in nutrition, marketing, communication, and supply chain.

Unilever's global 'Choices' programme

As part of a global programme to help consumers make healthier choices, Unilever is adding a front-of-pack 'Choices' logo to packaged food and beverages. The new Choices logo indicates foods with limited amounts of trans fat, saturated fats, sodium and sugar, consistent with international dietary guidelines. During 2007 these products will be rolled out to over 30 of our key markets. Unilever has also developed a Nutrition Enhancement Programme (NEP), which sets out nutritional benchmarks for products to earn the logo.

Our internal approach of a 'vitality passport' for brands encourages our R&D team to make Unilever products healthier. Many of our products have been reformulated and 30,500 tons of trans-fat, 7,100 tons of saturated fats, 3,000 tons of sodium and 17,400 tons of sugars have been eliminated from our brands over the last two years.

Unilever responsible-marketing guidelines

In 2003, Unilever adopted the Global Food and Beverage Marketing Principles to promote responsible marketing of our brands. In line with our vitality mission, these principles respond to growing societal concerns about increasing levels of obesity, particularly among children.

More recently in 2006, we introduced a voluntary restriction not to directly target children below six. Evidence suggests that children below six find it difficult to distinguish between TV programming and advertising.

Further, we will promote to children between the ages of six and eleven years, only those products that fulfill the nutritional benchmarks required to qualify for the 'Choices' logo. This global commitment will be fully implemented by the end of 2008.

2. HEALTH AND HYGIENE

Pure-It: providing safe drinking water

According to UNICEF, 21 per cent of children in developing countries like India are without a safe-water

source within a 15 minute walk of their homes. Government statistics show that every fortnight 19 per cent of all children below the age of three years suffer diarrhoeal diseases, along with several other water-borne illnesses such as jaundice, typhoid and cholera. Existing water-purifying technologies are expensive and need electricity and running water.

In Pure-it, we have found a solution. The product delivers safe drinking water at an affordable price. A team of over 100 Indian and international experts from Hindustan Lever and Unilever Research Centres have devoted over five years to developing this patented technological breakthrough.

Pure-it provides potable water free of viruses, parasites and bacteria without using running water or electricity. It is cheaper than boiling tap water and easy to use. Pure-it also removes any cancer-causing pesticides in drinking water. It meets the germ-kill criteria of the toughest regulatory agency in the USA, the Environmental Protection Agency, for protection against harmful viruses, bacteria and parasites and safe drinking water.

Pure-it was successfully test-marketed in Tamil Nadu and other southern states and is now being extended across the country. Hindustan Lever is also piloting a project with UNICEF to bring the benefits of safe drinking water to thousands of school children of low-income families in Tamil Nadu. Pure-it is yet another example of a great

business opportunity that fulfils a social need.

Lifebuoy Swasthya Chetna and improving hygiene standards

According to the World Health Organization, diarrhoea is the single largest cause of preventable deaths. If people washed their hands with soap regularly during the day, up to half of these deaths could be prevented.

One of our oldest brands, Lifebuoy, is at the forefront of a sustained direct-contact health education programme aiming to raise hygiene standards in Indian rural communities. Lifebuoy is seeking to drive home the message 'life without fear', convincing families to adopt hygienic practices like washing hands with soap before eating and before feeding children, to prevent the spread of infectious diseases such as diarrhoea and upper respiratory infections.

Through Swasthya Chetna, a five-year campaign that aims to educate 200 million people or 20% of India's population, Lifebuoy is challenging the misconception that 'visibly clean' is 'hygienically clean'. We are working with parents and children, health educators, teachers, community leaders and government agencies to spread the word.

As part of the Swasthya Chetna programme, health workers visit villages and use a 'glo-germ' kit to show schoolchildren that germs remain on hands unless washed with soap and water. Lifebuoy teams visit each village

several times; engaging with the community and ensuring local 'self-help groups' sustain the communication.

Lifebuoy Swasthya Chetna has already helped around 80 million rural folk in 30,000 villages become more aware of basic hygiene. To help those with low incomes, we have introduced a 50 gram bar of Lifebuoy, priced at just five rupees.

Swasthya Chetna is an example of social innovation and responsible brand development, making sure that the brand fulfils its business objectives while addressing pressing social challenges. Since Lifebuoy was relaunched in 2002 and the Swasthya Chetna programme was started, sales of Lifebuoy have risen sharply. Other countries such as Bangladesh are now starting to implement similar campaigns. Our vision is to build cleaner, more hygienic and ultimately healthier communities, and this will directly translate into a healthy business.

3. WOMEN'S EMPOWERMENT

Project Shakti and women's empowerment

As Hindustan Lever sought to reach rural markets, we faced two hurdles. The first was size: rural markets were scattered over large areas, and per capita consumption rates were low. Thus, while the aggregate rural potential was massive, the potential of each of the 638,000 scattered markets was very low.

The second was reach: rural markets were not connected to urban centres and road connectivity was poor. Even when feasible, accessing remote markets meant additional costs.

found an innovative solution. Drawing from the Bangladeshi Grameen Bank model, various NGOs, multilateral agencies, government bodies, and public-sector banks have set up self-help groups (SHGs) in rural India. These groups function as mutual thrift societies. Ten to fifteen women in a particular village form a group that meets regularly, and each member contributes a little money to a common pool. Once the pool attains a threshold, the sponsoring agency steps in and offers micro-credit to one or more members of the group, to be invested in an economic activity approved by the group.

Our plan was simple. Hindustan Lever would partner with micro-credit recipients by offering them opportunities for micro-enterprise. Thus Project Shakti was born. A member of a Self Help Group (SHG) in each of the 50 chosen villages was appointed a Shakti entrepreneur. As Shakti brand endorsers – known as Shakti Ammas – they borrowed money from their respective SHGs and with that capital purchased Hindustan Lever products to sell in their villages.

Project Shakti has played a significant role in aiding economic development in rural India. The Shakti brand endorsers are underprivileged rural women trained to

manage businesses. Their average earnings are close to Rs. 750 per month and in some cases, are even as much as Rs. 2,500 per month. This has helped double household incomes. After initial pilots in 2001, we now have a network of 35,000 entrepreneurs reaching 100 million rural consumers in 100,000 villages. It is both a sales and a distribution initiative that delivers growth and a communication medium in the form of 'Shakti Vani' a programme that spreads awareness of health and hygiene and builds brands.

This effort makes a lot of business sense: it means a significant increase in penetration and market shares for Hindustan Lever brands, already accounting for 15 per cent of our rural business; a deterrent to counterfeits that account for 10 to 15 per cent of the total industry; and ongoing direct contact for the company with over 2 million rural homes in a cost-effective manner.

Thus, Shakti is a win-win initiative that creates livelihoods and a social initiative that improves the standard of life and catalyses affluence in rural India. What makes Shakti uniquely scalable and sustainable is that it contributes not only to Hindustan Lever but also to the larger interests of the community.

4. SUSTAINABILITY

Surf Excel's commitment to water conservation

Water scarcity is one of the biggest crises facing India. Hindustan Lever's vision is to innovate continuously in

technologies to reduce water consumption and to conserve water in our manufacturing operations. But we are also aware that a large part of our impact lies in how consumers use our products.

We developed Surf Excel Quickwash, which needs two buckets less of water per wash and is thus a considerable water-saver. This not only fits with our commitment to integrating social change into our brands, it also makes business sense.

Water management is also a focus for all Hindustan Lever factories and has been made a key performance indicator. Through technology innovations and novel processing, we have reduced our ground water consumption by over 50% within a decade. We are also committed to extending our water management efforts to the community, and have undertaken water projects in communities adjacent to manufacturing sites. Water conservation and water harvesting in Hindustan Lever's own operations will help conserve this limited resource. We are also supporting communities in developing watersheds, which aids economic development in areas adjacent to Hindustan Lever sites.

Despite all our efforts, we recognise that we cannot safeguard water in all places and for all uses on our own. We need partners.

This is why we participate, for example, in the Water Group

of the WBCSD (World Business Council for Sustainable Development), helping to build business awareness and practical solutions. And following the insight we gained from working on the Water Scenarios, we have recently reaffirmed our commitment to Water and Sanitation for the Urban Poor (WSUP).

WSUP was co-founded by Unilever and a number of profit and non-profit organisations in 2004. It is a groundbreaking, multi-stakeholder partnership that addresses the water and sanitation needs of low-income communities in fast-growing cities across the developing world. Today WSUP is working with local partners in Africa, Madagascar, India, Bangladesh, Brazil and Nicaragua. They are scoping opportunities in communities of 50,000 to 100,000 people where there is a pressing need for sustainable water, sanitation and better hygiene.

External Recognition of our social, economic and environmental performance

Unilever's continued commitment to social, economic and environmental issues has been recognised by external agencies including SRI funds. We are proud to have been awarded the Food Industry Category Leader in the Dow Jones sustainability indexes for the eighth year running. Unilever also appears in Innovest's Global 100 Most Sustainable Corporations and in the FTSE4Good Index series.

Hindustan Lever also has a rich history of working together

with the community and the government. Our pioneering efforts on projects such as Shakti, rural health and hygiene education and water conservation have been well recognised. On the occasion of the World Health Day, a special Lifebuoy Swasthya Chetna postal cover was released; truly a rare distinction for any brand.

These recognitions strengthen our resolve to build a more sustainable business which facilitates social change.

CHALLENGES FOR OUR BRANDS IN KEEPING THE SOCIAL CHANGE PROMISE

Let me now dwell upon the several challenges brands face in facilitating social change. Firstly, only those brands that naturally relate to a social cause and whose core proposition has a genuine fit with the identified cause will be able to drive meaningful social change. Equally, to deliver on the promise of social change, a brand needs three key elements: a 'tri-sector' partnership approach, a people culture within the company that embraces social change and a commitment to convert 'non-consumption' into consumption.

A tri-sector partnership among the private sector, public and NGOs

Given the size and complexity of social, economic and environmental challenges, stakeholder partnerships are the best way to deal with them. We believe a three-way partnership is the only way to have a meaningful impact on

India's social problems. It entails corporates, the government and NGOs working together. For example, the Millennium Development Goals and Johannesburg Summit Declaration commit governments, civil society, and the private sector to work together in reducing poverty. Similarly the WSUP, the water initiative mentioned earlier, is an example of multi-stakeholder partnership.

Unilever is also a partner in the Bhavishya Alliance, a partnership between the private sector, the Government, and other non-profit organisations to address the issue of malnutrition among children under five both in India and other developing countries.

Social change embedded in Unilever's people culture

To drive social change you need a culture that supports this goal. Hindustan Lever has a long tradition of exposing its management trainees to the challenges of community participation and development. Our early experience with a dairy plant at Etah in Uttar Pradesh reflects the mutual dependence of agri-business and agricultural development and is an example of how to jointly create value. Through focused animal husbandry and rural development initiatives, we helped increase milk supply in the district to over 30,000 tonnes from 2,500 tonnes 20 years ago. Every trainee had to spend up to three months of their formative period living with a village family in Etah district. During that period they were expected to play a significant role in

community development, whether raising standards in animal husbandry, or improving village infrastructure through initiatives such as rural electrification and building roads. Even today, every Hindustan Lever management trainee spends time working in rural India with NGOs or on one of our key social development initiatives. Early sensitisation to the issues facing our nation goes a long way in building an organisational culture that integrates social and environmental issues into the heart of its business.

Converting 'non-consumption', not just competing with other brands

At Hindustan Lever, we are not just competing with other brands for growth; instead we are focused on market development. When non-users start using our brands, which fundamentally make people look good, feel good and get more out of life, we not only meet our business goal of driving growth but also improve the standard of living of the communities we operate in.

CONCLUSION

Hindustan Lever brands are used by over 700 million consumers everyday across this country. This makes us responsible not only to our shareholders but also to the wider community we serve. We recognise the need to put social responsibility at the heart of our business and our brands. To this end, we are institutionalising processes and systems that will help brands meaningfully embrace

a social or environmental cause. Ensuring that our brands operate in this well-defined space will be a key source of competitive advantage. While there is much that we can do, there are obvious limits to what any single corporate can achieve. Real progress will require innovative approaches and all like-minded organisations joining hands in multi-stakeholder partnerships. It will also require an organisational culture where people are not just sensitive to the issues facing us, but also recognise that addressing them is central to business strategy and sustainability.

The simple truth is that in the long run you cannot have a thriving business in a failing society. It is this recognition which will help drive actions that will contribute to India's and the developing world's sustained and equitable growth. Hindustan Lever will strive to remain at the forefront of these social changes.



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“Our Mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life”