



CHARTERING THE UNCHARTERED,
NORMALISING THE ABNORMAL

Sanjiv Mehta - 2020

**CHARTERING THE UNCHARTERED,
NORMALISING THE ABNORMAL**

was the subject of the speech, delivered by
Mr Sanjiv Mehta, Chairman & Managing Director,
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CHARTERING THE UNCHARTERED, NORMALISING THE ABNORMAL

Section I: COVID-19 - A Black Swan or an Omnipresent Reality

Epidemics and pandemics have ravaged humanity since its very existence, often changing the course of history and at times, signalling the end of entire civilisation. Ironically, the evidence of the first epidemic dates to Circa 3000 BC; it was in 'Hamin Mangha', one of the best-preserved archaeological sites in North Asia. Subsequently, we have seen waves of plagues, flus and viruses affecting humankind. From the Black Death to the plagues across America, London, Marseille, and Russia to the Spanish and Asian Flus, all have ravaged civilisation for centuries. In fact, in the last two decades we have seen more such quandary – Swine Flu, Ebola, AIDS and Zika virus to name a few, than what we have seen in over a century.

Many may refer to COVID-19 as a Black Swan event, however, the truth is that the risk of a pandemic was always there. Years of abuse and non-sustainable consumption has ravaged nature. The effects of climate change and loss of biodiversity have spurred a rise in zoonotic diseases, infections that come from animals. In fact, UN environment Chief, Inger Anderson had warned, "Never before have so many opportunities existed for pathogens to pass from wild and domestic animals to people," and had explained that 75% of all emerging infectious diseases come from wildlife.

The COVID-19 crisis is a societal crisis threatening lives and the well-being of our society with a potential to fundamentally reshape the world. It has so far affected nearly 10 million people and the number of people who have died is approaching the half a million mark. In India, we have crossed the half a million mark in number of cases and more than fifteen thousand people have already died. The economic fallout of this crisis is inevitable. With more than 90% of the World's GDP in lockdown at some time or the other in the last few months, this is having a far-reaching impact on world economy. The International Monetary Fund pegs the

cumulative output loss over 2020 and 2021 from the pandemic crisis at around \$ 9 trillion.

The world must come together to protect lives and health of our people, manage the immediate term implications of its effect on the economies and livelihoods and search for lasting solutions.

Section II: Protecting Lives

II. i. The virus

The Novel Coronavirus responsible for the current pandemic (originally referred to as nCoV) is a new strain that had not been previously identified in humans. On 11 February 2020 WHO announced an official name for the Novel Coronavirus disease: Coronavirus Disease 2019 (COVID-19) and the virus was renamed SARS-CoV-2. This epidemic is different in the sense that there is very little natural immunity to this virus and there is no certain cure and vaccine at present. It is also highly infectious, and the virus has jumped from animal to human and then adapted itself for human to human transmission.

II. ii. The lockdown and public health

As a part of its containment strategy, the government instituted a nation-wide lockdown, which was then extended on multiple occasions till the end of May and now continues as a vertical lockdown in different parts of the country where the cases are severe. The lockdown did slow down significantly the spike in the number of cases and succeeded in reducing the R_0 (reproduction rate) from the earlier 3 to close to 1.7. This needs to come down to <1 for the infection to be controlled. The national lockdown was essential to prevent an overload on the country's fragile healthcare system, given that the number of ICUs and ventilators would have been insufficient had there been a surge of cases. This also gave time to the government to boost the healthcare infrastructure.

As the economy opens, the risk of getting infected will also rise. The best

way to contain this pandemic will be the time-tested public health principles of contact tracing followed by testing and treatment, quarantine of suspect cases and sound public health hygiene practices i.e. cough etiquette and use of masks, frequent handwashing with soap and water or use of sanitizer and physical distancing .

India has significant challenges in healthcare infrastructure. The number of hospital beds at 8.5 per 10,000 citizens are one fourth, and even less than developed countries on per capita basis. The rural healthcare system in India is neither adequate nor prepared to contain COVID-19 transmission, especially in the densely populated states.

The country should convert the challenges emanating from the current crisis into a massive opportunity. Money should be diverted towards building healthcare infrastructure, the spend on healthcare should be ramped up and investment in healthcare systems should be provided an infrastructure tag with attendant benefits. India has a massive opportunity to become an 'affordable and quality' healthcare capital of the world.

II. iii. The humble soap

Soap contains fat-like substances known as 'amphiphiles', some of which are structurally very similar to the lipids (fats) in the virus membrane. These compete with the lipids in the virus membrane. Soap not only loosens the binding between the virus and the skin and helps dislodge and wash away the virus from the hands, but also disrupts and 'dissolves' this lipid membrane and disrupts the 'velcro-like' interactions that hold the proteins, lipids and RNA in the virus together – thereby inactivating the virus.

The biggest benefit of bar soaps is that they are the most democratized personal care product and generally affordable even by the poorest segments of our society. When you think about it, a 30 gm soap like Lifebuoy typically sells at ₹ 5 in India and can last at least 50-60 handwashes and this is what stands between COVID-19 and us. It is 10

paise per wash! There is simply nothing more effective and cheaper, and till a vaccine/cure is found, a humble soap is humankind's best hope.

If for any reason you do not have access to soap and water, then choose a hand sanitizer with at least 60% alcohol. Avoid DIY sanitizer recipes as using any fatty, protein-based material will inactivate the alcohol and it will not be available to kill the virus. For the same reason, hand sanitizers may not be as effective if hands are visibly dirty or greasy. Hence use them only when soap and water is not available and when your hands are visibly clean.

II. iv. Protecting our people

This has, is and will remain our foremost priority. As a global business that runs on empowerment, trust and accountability, many of our people are used to working in an agile manner, and hence we were able to transition to 100% remote working of all our office-based employees from 17 March, a week before the national lockdown.

We set up and implemented, based on our global best practices, the WHO guidelines and the government requirements, tiered SOPs for health & safety in our operations accompanied with training and readiness drills to ensure that we minimise the risk of transmission across our value chain from suppliers to customers. We set up 'contact-less' operations at the interfaces where risk of virus ingress is highest. We also set up a supply chain to deliver more than five million PPE items within our ecosystem to support 100% compliance to our world class health & safety standards. We have widely circulated our Standard Operating Procedures to several industries across the country.

We are also ensuring that our distribution partners have access to PPEs and practice the necessary safety and hygiene standards. We have trained our sales representatives who in turn have cascaded key safety practices like disinfecting the stores at regular intervals, establishing physical distancing markers, and getting the stores to download the Arogya Setu app to hundreds of thousands of stores. We also used our

online platform to disseminate training and information materials about hygiene practices to the retail stores.

We are ensuring that our medically vulnerable frontline employees have a clear mandate for them to stay at home. We are leveraging digital technology to repeatedly communicate with our frontline employees and their families through a mobile phone app to spread awareness about COVID-19 and to share safety and well-being modules for the entire family. In our factories, frontline leaders have adopted families of employees to help them through this journey, making them aware of safety standards to be followed at home and in public, and ensuring they are always just a phone call away in case of an emergency. This has helped boost confidence among our people and reassured them about the safety protocols, and the health & hygiene measures that we have adopted in our factories.

Hindustan Unilever has a strong and very competent in-house Medical & Occupational Health team who provide unwavering support and expert advice to any employee or dependents, who develop symptoms or feel stressed physically or mentally, and this has meant timely medical support to our people. We have also extended a COVID-19 medical insurance to thousands of people who work for our distributors in the frontline.

Section III: Economy and Business

III. i. Economic impact

The immediate impact of the national lockdown was severe supply chain constraints. As businesses pulled down shutters, it manifested in empty shelves and shrinking pipelines. From a demand perspective the fear of loss of jobs, dwindling earnings and eroding investments have made people circumspect with their spends. The slow down in the wheels of the economy could lead to a financial crisis in several parts of the world. While some will be able to raise funding or latch on to the lifeline sent by

the governments, many businesses will stare at ruin. Investors will hesitate and look for robust Balance Sheets, resilient leadership, and hardy institutions. The impact will vary from country to country and from sector to sector with some seeing a relatively quick rebound whereas many others will feel a sustained loss of output.

Whether economies can avoid the recession or not, the path back to growth will depend on a range of drivers, such as the trajectory of virus, the effectiveness of containment efforts, the economic steps taken by the governments, the reaction and behaviour of the firms and consumers, the degree to which demand will be delayed or lost, whether the shock is truly a spike or lasts, or whether there is a structural damage to the economy. The risk of recession remains real, but we must not take it as a foregone conclusion.

III. ii. The stimulus

The Indian government took series of steps to provide relief to the most vulnerable sections of the population by providing food grains, support in terms of increased allocation under MGNREGA (Mahatma Gandhi National Rural Employment Guarantee) Scheme, direct transfer of cash and increasing the Minimum Support Price at which the government acquires the food grains from the farmers. Providing collateral-free automatic loans to MSME (Micro Small & Medium Enterprises) along with setting up liquidity facilities and providing partial credit guarantees for NBFCs (Non-Banking Financial Company) have been steps in the right direction and are aimed at reducing the risk aversion in the system. The government has also used the current crisis as an opportunity to introduce the long-awaited structural reforms in the agricultural sector, steps towards privatisation of PSEs, opening up the mining industry to the private sector, and increased FDI limits in Defence among other steps.

The above steps were necessary, and they will have a trickle-down effect on demand, but the debate remains whether these are sufficient to kickstart a virtuous spiral of growth or would it require a substantive

demand-side stimulus. Given the limited fiscal space, it is not easy for the government to have a large demand-led stimulus and it must be concerning the government that if they go down this route, a large part of the stimulus could end up as savings rather than being spent to generate demand. Having said that the government should keep a close watch on the demand situation and step in unhesitatingly if it does not pick up in the next few months.

III. iii. Speed and agility in operations

Extreme speed and agility were paramount to overcome the operational challenges during the hard lockdown so that we could continue to serve the people of India with the essential products. Precipitous drop in operational manufacturing capacity and distribution centre throughput were restored with alacrity. We drove the fast recovery of operations for HUL through some fundamental changes in our ways of working, ultra sharp focus on business priorities and exemplary teamwork.

We shortened the entire planning to execution cycle to a daily horizon and ensured a dynamic response to an every day changing environment. Over hundred instances of critical material supply disruptions were handled with speed by onboarding dozens of new suppliers. HUL trucking capacity was restored at twice the rate of national trucking recovery, thereby eliminating key logistics bottlenecks from our operational loss tree. Several innovative disaggregation models of distribution were tested and launched to ensure that supplies reach the farthest corners of the country.

We responded with agility to major shifts in consumer demand and as an illustration the production of sanitizers was ramped up by a factor of 100X. The Golden Triangle of Procurement, Quality and R&D enabled us to qualify/adapt scores of new pack designs, new materials, new formulations & prototypes. We launched over 50 new product and pack innovations to cater to the rapid changes in demand in hygiene and sanitisation products and navigated through the myriad of statutory directives from local to central levels as authorities dynamically

responded to the crisis. We worked with government and industry bodies to shape the policy response for safe revival of industrial activity using our own operations to model the way ahead.

III. iv. Changing consumer behaviours

We have seen India as a nation metamorphose from a positive, optimistic, vibrant populace to an anxious one which is physically distanced yet emotionally connected. We are passing through times that are unprecedented; marred with uncertainties and fear.

A few trends and behaviours are becoming increasingly discernible e.g. home cocooning, digital transformation of consumers' lives, value-based volume shopping, reinvention of hygiene, contactless culture, heightened focus on well-being, an innate fear of getting infected or losing wealth, or losing livelihoods. Our social structure is changing as we see major system reboot happening in Indian families, with family and the individual trumping over traditional social accoutrements. All of these have a far-reaching impact in redefining roles, behaviours, and leading to a new level of consumer and social tensions and frictions.

Being close to consumers has never been as important as now. We are using digital collaboration mediums to ensure that we remain connected to our consumers and understand their pain points and emotional state. We are leveraging our in-house capabilities like 'TrendsWatch' and 'People Data Centre' to quickly pick up and decipher trends. This has enabled us to understand the shift in demands, rejig our innovation plans and adjust to channel shifts. Our focus is on brilliant basics of superior products, winning communications, competing with our multi-tier portfolio, re-prioritising resources, identifying gaps and acting on them with speed.

III. v. Innovating with the times

During the last couple of months, we have launched several formats of Lifebuoy alcohol-based sanitizer (gels, liquids, sprays) in various packs and sizes to ensure availability and affordability to all – as well as an

alcohol-based multi-surface spray. We have also launched Domex sodium hypochlorite-based spray for use in home and offices, Lifebuoy laundry sanitizer and Surf excel laundry powders with enhanced germ kill – all to provide the best hygiene solutions for our consumers. We were also the world's first to show that our Lifebuoy soap, handwash and hand sanitizer are 99.9% effective against the actual SARS-CoV-2 (COVID-19 causing) virus, based on extensive studies done in the US.

Studies have shown that the Indian population is highly Zinc deficient and deficiency of Zinc leads to a weakening of the immune system. Zinc is a key potentiator of the body's immune system to protect against infections and recent in-vitro studies have shown that free Zinc itself may possess potent antiviral effects against Coronavirus replication. Multiple clinicals are being conducted to prove this benefit, including by CSIR (Council of Scientific and Industrial Research) in India. Horticks historically had 4.3 mg Zinc/100g which we boosted to 8.3 mg/100 g based on a clinical study which demonstrated very positive immunity outcomes in children with respect to both respiratory and gastrointestinal infections with this higher level of Zinc.

Our innovation was not just restricted to products. In a period where new communication could not be produced, we leveraged our large influencer network and broadcast partnerships to produce consumer relevant content. One such intervention on Lifebuoy led to over 99,000 pieces of user-generated content and a record 55 billion views on a social media platform. Brooke Bond Red Label tea used influencers to take the message of 'Dooriyan Banakar Bhi Apnapan Dikha Sakte Hain', Surf excel worked with its brand influencers to deliver the powerful 'Daag Acche Hain' at home with kids learning new skills and hobbies and Hamam told consumers to #StaySafeInside. Kissan Tiffin Timetable helped millions of mothers make interesting dishes for their children at home using Kissan products.

III. vi. Technology as a saviour

This epidemic has accelerated the nation's digital journey, much in the

same way demonetisation did for adoption of digital payments. Many of our fellow citizens moved to online for the first time, whether to get news or to source essentials. City children had the first taste of online schooling and office-goers adapted to working from home leveraging remote collaboration tools. It moved us from a state of theoretical debate on whether it will work or not, to real hands-on experience. Can we leverage this momentum to make a fundamental shift in education, healthcare, in creating jobs and easing the pressure on big cities while bringing development across the country?

The education system has been under stress due to lack of trained teachers and high-quality content, especially in rural areas. Online learning technology should be leveraged to support the existing in-person mode of learning to create a hybrid model that makes learning more democratised and accessible. This is key to broad-based development of human capital across the cities and villages of India.

Healthcare is another area that is ready to be reimaged through technology. There is a pressing need to make quality healthcare affordable and accessible. During lockdown, the spurt of tele-medicine consulting (for non-serious ailments) shows that it is workable. The opportunity is to combine this with AI based remote screening (e.g. screening for diabetic retinopathy) to make the expertise of trained doctors available in every part of the country.

The current crisis could also end up being remembered as resulting in an inflection point for many business models. The broader e-commerce including marketplace and grocery.com have had brisk business and have now got the impetus to scale up their grocery business. The large modern trade stores inside malls remained closed forcing many retailers to dial up their omni channel initiatives. However, what stood out has been the 'renaissance of the humble grocer'. People have realised the benefit of the store in their proximity. The survival of groceries in India is also important from social perspective as over 100 million lives depend on these stores. HUL has long and deep relationship with millions of

these stores. In the last few years, our 'connected stores' programme has worked to bring digital connectivity and modern science of retailing to thousands of these stores. The current crisis will make adoption of technology much easier.

We need a digital backbone connecting every part of our country. Maybe it is time to digitally connect every village with the same tenacity as we did the electrification drive. There is no doubt that the above shifts will take concerted public-private effort and the rewards are big. It would create a human capital base that can be a competitive edge for decades to come.

The experience of recent months has indicated that enterprises that had adopted digital technologies in the core of their business have been less impacted than others. Many SMEs in India are at low level of digitisation and there is growing awareness of the handicap it creates. This is potentially a big opportunity for the IT industry. The bigger impact is the collective productivity gain that comes from widespread digitisation in India, both from the transactional efficiencies and from the innovation multiplier that comes on top of a digitised process.

Hindustan Unilever has been using technology in a big way for quite some time now. A few years back we embarked on an ambitious digital transformation programme known as 'Reimagine HUL'. This programme is about leveraging data, harnessing latest technologies and emerging business models to redefine how we engage with consumers & customers and the way we operate. The objective is not only to stay abreast of the changing needs of a digitally connected ecosystem, but also about creating structural capabilities that enable us to provide superior value to our consumers and customers.

In the last AGM, I talked about how we are using Data and AI to engage with our consumers (now >100 million digital connections) and customers in a more personalised and effective manner. Our connected store programme has evolved further and now includes app-based ordering and digital payments for stores and is live in more than one lakh

stores enabling a frictionless experience. Post a successful pilot, we are now scaling up the fully automated fulfilment centre – a robotics and guided vehicles powered warehouse. Combined with Machine Learning powered demand management and IoT-enabled digital factories, this is creating increased agility across the fulfilment value chain. We have also developed an app for our factory operations which has temperature measurement access control, an alarm if physical distancing is not maintained and facilitates contact tracing.

The power of these capabilities became apparent during the COVID-19 lockdown. In some areas our salesman could not physically reach the stores to take order for essential categories. The app-based ordering capability was quickly rolled out to these stores to restore our ability to capture orders and meet consumer demands. Similarly, extensive data about the stores and market they operate in helped us to almost overnight redesign the service model and create new optimised routes for delivery – avoiding containment zones and other restrictions. Here also the power of automated warehouse kicked in and enabled us to deliver to stores even in situations where the distributor was not operational. There is no doubt that such capabilities allow us to be more responsive to the volatile and uncertain environment and we remain committed to our 'Reimagine HUL' agenda.

III. vii. Cash and costs

COVID related uncertainties have impacted supply, demand and liquidity. At HUL, this has meant business unusual on both growth and costs i.e. we build plans to maximise all growth opportunities but manage costs assuming a worst-case scenario of muted growths and even a potential recession.

We have looked at all our costs with intense magnification with an intent to make costs as much variable (i.e. linked to sales) as possible and remove costs which under the current circumstances will not add value. This approach provides us with the necessary optionality and enables us to protect our business model. Our complexity reduction plans across the

value chain are helping us maximise production while realising the benefits of lower costs and cash unlock.

With respect to cash, we start from a position of strength, given our strong Balance Sheet. With overall liquidity constraints across the value chain, we are supporting our partners (suppliers and vendors) to maximise growth while keeping a laser like focus on receivables. Shorter and dynamic planning cycles help us manage inventory better and reduce business waste. In the short-term, we will also re-phase our capital expenditure considering growth opportunities and execution timelines. We are also taking various steps to maintain safety and liquidity of our investments. In this environment, both 'Return of Capital' and 'Return on Capital' are equally important. In summary, we are driving cost agility, judiciously reviewing cash flows and reallocating resources with rigorous discipline. Our Balance Sheet and Business Model will remain a source of competitive advantage.

III. viii. A match made in heaven

Our acquisition of the iconic brands of Horlicks and Boost through the merger of GSK Consumer Health's (GSKCH) nutrition business with HUL has brought great brands, built on proven scientific credentials, with great purpose into the fold of a company that can take it to the width and breadth of India and truly make a difference. The acquisition is also deeply in sync with our purpose-led growth agenda and are aligned to both the UN Sustainable Development Goals and the Government of India's thrust on 'Poshan Abhiyan'. The capabilities that we acquired, be it in clinical research, product development or in terms of a stronger portfolio at the pharmacy channel and direct connect with doctors and experts – give us muscle to address malnutrition and the hidden hunger brought about by widespread micronutrient deficiency.

At HUL, we believe that a country can move forward only if its people are healthy and play to their full potential. India faces an increased disease burden from nutrition-led causes. One in three children in India is too short for their age, one in 4 adolescents is too thin. There are high levels

of deficiency of key micronutrients – like Zinc and Vitamin D – which are important for immunity and growth. Our ambition for India is to unleash the country's potential by nourishing a billion lives. Horlicks and Boost today are the market leaders in health drinks category but only 1 in 4 households buy this category even once a year. Combining these brands and capabilities with our reach, scale, and competencies in market development, gives us an opportunity to drive access to these brands and provide the benefit of good nutrition across multiple life-stages.

A merger of this scale requires sharp focus. To drive a smooth integration and a vertical take-off, we had a dedicated team of high performing managers entrusted with the task of smooth landing. Despite the lockdown, we were able to successfully close and consummate the merger on the appointed date of 1 April, with all activities including the legal transfers and IT systems transition, orchestrated virtually, and flowing seamlessly. We welcomed into our fold 3,600 employees of erstwhile GSKCH with our customary warmth.

This merger provides us significant synergistic benefits, impacting both revenue and costs. These include increased scale in advertising and media, complementary capabilities in the chemist channel, increased scale in material procurement and a wider logistics footprint, among others. We are now one of the leading players in Foods & Refreshments in India, to complement our leadership in Home Care and Beauty & Personal Care.

Section IV: A New World Order

IV. i. Geo-political rebalancing

The crisis of this magnitude has the potential to reshape the world order. In recent years we have seen a trend away from globalisation with countries becoming more parochial. This trend could get accentuated with many countries wanting to create their own cocoon and alienating themselves from global externalities. This health crisis is a critical test

for many countries; global and regional partnerships are also being put to test. We have seen the multi-lateral organisations being marginalised e.g. WHO. Unfortunately, no country or leader has been willing or able to assume a global leadership role during this crisis.

While there remains the risk of anti-globalisation sentiments to rise further, the reality is that this crisis is neither a one country problem, and nor can one country solve it – it will require the collective efforts of the world community. Collective action within communities and, where necessary, internationally, will enable more rapid and peaceful exit from the crisis. In fact, if we cannot globally contain the spread of the pandemic, we may see a resurgence later. Hence, despite the divisiveness, the case for winning as one world is more important than ever before. Globalisation has also lifted millions out of poverty. Our country's rapid economic progress was linked to opening of the economy in 1991.

It is important that the world moves forward on globalisation and does not go backwards. We also need to move to a more collaborative world. No one is stronger than all of us collectively.

IV. ii. Compassionate capitalism and sustainable development

It has rightly been said, "The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries". The virus has been a leveller when it comes to sharing of miseries. It does not differentiate between the rich and poor; between the urban and rural; between the developed and the developing world. However, the aftermath is much more severe on the poor who risk losing their livelihoods and the developing nations who will struggle with their meagre resources. Today as we stand, the rich and the developed should not shirk away from the responsibility towards the poor and the developing. As Mahatma Gandhi said, "The rich must live simply so that the poor can simply live." We must share the blessings of capitalism to take away the miseries of the society and collectively win.

The world needs to change in many ways to ensure much more equitable distribution of wealth and resources. The current model of capitalism with its one-dimensional focus on short-term shareholder value creation and winner takes all needs to change. Unilever has been at the forefront of propagating and living with the multi-stakeholder and the long-term compounding model. We have demonstrated that when we focus on consumers, customers & suppliers, employees, planet, and our society, then shareholder wealth does get created.

Businesses need to build leaders who can redefine the changing role of business and who understand the importance of having a true north – an internal compass with non-negotiables. It is also about being clear what those non-negotiables are, and most importantly, it is about sticking to them in good times and in adversity.

At Hindustan Unilever we have intense focus on meeting our consumers' needs; we partner collaboratively to promote mutual interests with our customers and suppliers; we attract, develop and nurture our employees; we work extensively on reducing greenhouse gases, conserve water and in keeping plastics out of the environment; use our resources to create source of livelihood for thousands and work to promote social equity & justice. In the process we also create immense shareholder value. In the last five years alone, we have created more shareholder wealth than the market capitalisation of any but three companies in our country.

IV. iii. Why the old model of capitalism will no longer work

The pandemic has demonstrated how fragile and unsustainable the world has become. The current crisis while being an improbable event was in many ways predictable and predicted. Yet, the world was not prepared for it. This is the wake-up call for nations and businesses to step back and re-evaluate their current models. In the future, there could be many such viruses that may find a way into humans through animals or birds. With a steady erosion of biodiversity, many diseases will come from animals to people. Though the world had unprecedented growth

over the last few decades, in the current crisis we have seen the limitations of our healthcare infrastructure, lack of cohesive global strategy to combat this crisis with an economic crisis looming in the horizon.

Similarly, social, economic, and environmental issues that existed prior to the pandemic have been pushed into stark focus. The world's richest 1% own 44% of the world's wealth and at the same time more than 700 million people live in extreme poverty around the globe. The World Bank estimates that an extra 40 million to 60 million people will fall into extreme poverty in 2020, because of COVID-19. The environment continues to deteriorate and if we do not cut down greenhouse gas emissions by 7.6 per cent every year from now until 2030, the global temperature will rise by more than 3°C by the end of the century. Even today, 1 in 3 people across the world, do not have access to safe drinking water.

The COVID-19 pandemic has shown us that the world is vastly interconnected, and we need to rely on each other greatly to address some of the challenges facing the world, effectively. This is no longer about fixing the sail before the voyage. The crisis has shown how businesses need to fix what is broken while sailing through uncertainties and challenges. Businesses need to create foundations strong enough to weather future storms. As we fight this crisis, we should look beyond just recovery. We must reinvent our society and economy to tackle the challenges of our time.

IV. iv. The climate and environmental challenges

According to the National Oceanic and Atmospheric Administration's 2019 Global Climate Summary, the combined land and ocean temperature has increased at an average rate of 0.07°C (0.13°F) per decade since 1880; and the rate has more than doubled since 1981 (0.18°C/0.32°F). The 10 warmest years on record have all occurred since 1998, and 9 of the 10 have occurred since 2005. Climate change and environmental challenges have led to loss of lives, livelihoods,

large-scale displacements, and loss of biodiversity across the world.

In a country like India, the impact is even more pronounced. A large part of the Indian population depends on agriculture as their source of income, a sector most vulnerable to climate change. Between 1998-2017, 10 major floods hit India causing economic damage of approximately US\$ 45 billion, killing over 27,000 people and affecting more than 370 million people. The Kerala floods in 2018 resulted into an estimated loss of 1% of the state's GDP. Over 800,000 people were displaced and over 400 lives lost in the Kerala floods. In 2018-19 nearly 2500 Indians lost their lives to extreme weather events such as floods and cyclones according to the environment ministry.

According to the 2017-18 Economic Survey, extreme temperatures and droughts can shrink farmer incomes up to 14% for key crops. According to a World Bank report, rising temperatures and changing monsoon rainfall patterns from climate change could cost India 2.8 % of GDP and depress the living standards of nearly half the country's population by 2050. If India does not change the management of its water resources, we will have half the water we need by 2030. This flashpoint is only ten years away.

IV. v. The climate crisis and Unilever's position

Climate change needs to be tackled at the necessary scale and speed through wider transformational changes to the systems in which we operate. And businesses have an important role to play.

Unilever is working towards accelerating climate actions within the company's operations and the wider value chain. Globally, a new set of actions and commitments designed to improve the health of the planet have been announced. Its actions include the commitment to net zero emissions from all its products by 2039 – from the sourcing of the materials that are used, up to the point of sale of its products. This is 11 years ahead of the Paris Agreement deadline. It is also challenging itself to even higher standards to protect high carbon ecosystems like forests,

peatlands, and tropical rainforests, and it will have a deforestation-free supply chain by 2023. It will empower a new generation of farmers and smallholders to protect and regenerate their environment and will introduce a new Regenerative Agriculture Code for all its suppliers, which builds on its existing Sustainable Agriculture Code. It will implement water stewardship programmes in 100 water stressed locations and its brands will collectively invest €1 billion in a new Climate & Nature Fund, which will be used over the next ten years to take meaningful and decisive action.

Last year, Unilever announced a plan to tackle the most visible environmental issue in the consumer goods industry: plastic packaging. It set bold targets globally that included halving its use of virgin plastic and helping to collect and process more plastic packaging than it sells. These commitments on plastics are over and above its commitment made in 2018 to make 100% of its plastic packaging reusable, recyclable or compostable by 2025. Further, 25% of all the plastic it uses is expected to come from recycled sources by 2025.

IV. vi. How is HUL living with the tag of ‘responsible capitalist’

Today at Hindustan Unilever, we are anchored by much the same values that were espoused by our founding fathers, the common objectives that we work towards are larger than the Company itself. We believe that ‘Brands with Purpose Grow’, ‘Companies with Purpose Last’ and ‘People with Purpose Thrive’.

Through our brands and our operations, we are constantly striving to make a positive difference to the society and to the planet. We have reduced CO₂ emissions in manufacturing by 85% per tonne of production since 2008; have increased our share of renewable energy in manufacturing to 71% in 2019; and now have 112,826 environment-friendly freezers across our ice cream fleet in India. The water usage in our manufacturing has reduced by 58% since 2008; the total waste generated in our manufacturing has been reduced by 63% compared to 2008. 76% of tomatoes used in our Kissan ketchup and 78% of the tea for

our brands have been sourced sustainably. In 2019, we arranged environment-friendly disposal of over 39,000 tonnes of plastic.

One of the most significant challenges faced by the country right now is that of water. Agriculture accounts for 80% of our freshwater use. As a country, we grow water intensive crops (rice, wheat, sugarcane, and cotton) on 54% of our cultivated land and use at least twice the amount of water to grow one unit of food versus many other countries. Despite large dams and canals, India's farmers are heavily dependent on groundwater for irrigation. With over 30 million estimated borewells, India draws nearly 25% of the world's groundwater. This is more than China and the United States combined! Over-extraction of ground water has led to 60% of India's districts being declared critical on ground water. It is therefore not surprising that summers and cropping seasons are marked by stories of distress. Excessive extraction has also caused contamination. As a result, India is ranked 120 out of 122 countries in the global water quality index. A NITI Aayog report suggests that severe water scarcity will eventually lead to a 6% loss in the country's GDP.

HUL set up the Hindustan Unilever Foundation (HUF) to support scalable solutions that can help address India's water challenges. It established the 'Water for Public Good' programme with the belief that water (like air) is a 'common' shared resource and must be managed by communities. To date, our programmes working with our partners have created a cumulative potential of 1.2 trillion litres of water – a quantum equivalent to the drinking water needs of all adults in the country for a whole year. The tools, methods and innovations developed in HUF's programmes have been shared and adopted widely in state level government programmes. The programme takes a community approach to water management and aims to not only help farmers across cropping seasons, but also address the basic human need of easy access to safe and clean water.

To enhance the livelihoods of rural women, we had launched the Shakti programme at the beginning of this millennium. This programme

enables rural women in villages across India to nurture an entrepreneurial mindset and become financially independent. We believe that empowering a woman is empowering a family. To enable them to earn regular income, these women entrepreneurs (called Shakti Ammas) are trained on basic principles of distribution management and familiarisation with the company's products. We now have 120,000 Shakti entrepreneurs in India who together generate sales of a few thousand crores.

With 9 out of 10 Indian households using our products, our brands can have a sizeable impact in creating positive social change. Our purpose driven brands stand up for social causes such as inclusivity, equality, women's safety and more. For example, Brooke Bond Red Label through its campaigns aims to make India more inclusive, Surf excel encourages mothers to push their children to learn through experiences, Dove promotes Real Beauty and helps raise self-esteem in girls. Our brands also undertake on-ground activities to drive positive social change. For instance, to address the threat of child mortality due to diarrhoeal and respiratory diseases that still looms large over India, Lifebuoy drives handwashing behaviour change initiatives. Till 2019, we have reached out to over 72 million people in India to encourage and sustain good handwashing behaviour. And despite the robust data and technology behind our own products, during the COVID-19 crisis, we were the first to selflessly promote the right habits and advocate the use of any soap/alcohol based sanitizer (including competitors) to ensure people first protected themselves – putting people's lives ahead of just our own profits.

When COVID-19 hit India, HUL immediately earmarked ₹ 100 crores to help the country fight this crisis. Our approach has been very focused. We are helping augment the capacity of healthcare infrastructure by donating several ventilators and about 75,000 RT-PCR test kits to hospitals. The pandemic has highlighted the critical role of frontline workers in our society – nurses, doctors, sanitation workers, and the police. We have been very proactive in doing our best to protect our

protectors – through donation of PPEs, soaps, sanitizers, and nutrition products. The first 150,000 packs of Horlicks with higher Zinc was donated to hospitals across the nation for the benefit of the medical care professionals taking care of the COVID patients. We have also partnered with Apollo Hospitals to set up isolation facilities. We have reached out to thousands of people in the marginal sections of our population in urban slums and rural villages and provided them with food and hygiene kits. We reduced the price of liquid soaps and disinfectants to make them more accessible to people. We also used our marketing prowess and partnered with UNICEF to come out with mass communication on behaviours required during this period. The campaign also featured memorable and positive messages that were the need of the hour, reaching over 100 million households in our country.

Section V: Leadership

The Coronavirus pandemic has been a test of character for millions around the world. To successfully navigate crisis, leaders must get comfortable with ambiguity and chaos, recognising that there is no crisis playbook to guide them. Instead, they should commit themselves to navigating through the turbulence, adjusting, improvising, and re-directing as the situation changes and new information emerges. Adaptability is essential to constantly evolve the strategy, resilience to drive it forward and courage to seize opportunities. Courageous leaders also understand they will make mistakes along the way and they will have to pivot quickly as this happens, learning as they go and not being deterred by failures.

The job of the leader is to provide brutal optimism - a clear account of the challenges ahead, but credible hope that collectively they have the strategy and the resources to overcome the crisis. A good leader must look beyond the immediate crisis and plan for the long-term even as they put out the fires raging around them. They should not let the financial market gyrations to cloud judgement about the business they lead. Leadership during these moments has potential to create a virtuous

cycle of raising morale and growth in the society – by lifting mood and spirits of people within the organisation, thereby channelising their energies towards better performance, which in turn spurs the economy and thus saves jobs and lifts the society.

I am extremely proud of the way our leaders in Hindustan Unilever have responded to this crisis: calm but determined; delegating to the extreme yet not abdicating their accountability; evoking trust and living their purpose; using microscope with intense magnification to look at the immediate term issues but peering at the telescope to hunt for medium term opportunities; cognizant of the dangers but confident of our abilities to weather the storm and above all demonstrating humanity, kindness and compassion. We hail our own frontline heroes in factories and in sales who have worked with a higher purpose of ensuring that essentials like soaps and sanitizers, cleaning products and disinfectants, and immunity boosting products which are so vital to fight this crisis are made available to the citizens of our country even during the hard lockdowns while most of us remained ensconced in the safety of our homes.

We — all of us — will be remembered for how we manage ourselves and others through this crisis. How well we, our teams, our organisation, our nation, our world connect, persevere, and progress. How well we emerge from this experience collectively stronger.

Conclusion

All of us need all of us, not some of us. This has been a historical truth forever and now it is even more important as the world recuperates from the grasp of the pandemic. We will need to push the reset button on our world to ensure a just transition to a better future. That transition needs to address all the convergent crises and it can only be done with international cooperation, based on the real needs of people for health, economic security, and respect for their human rights.

For the world, this means a new 'social contract' where profit, people and planet are central to shared prosperity. Against the background of the world wars in the last century, the leaders created the vision for a new world order. It is now time to revisit and recreate a new vision. In the last global crisis, we reacted swiftly to stabilise the financial markets but neglected the social dimension, thus deepening the inequality in the world. We cannot afford, or allow, that mistake of a decade ago to be repeated now. COVID-19 has been a great leveller to make us realise that. We need to build the new social contract on responsible and equitable growth, inclusion, and social justice.

It is unto us how we scribe the future and what world we leave behind for the next generation. We should strive and make sure that we create a fair world that propagates a social floor of equity and justice. An inclusive world that builds a global economic model that shuns inequality and does not constrain development of millions of less fortunate. We should get away from procrastination and half measures and work together to flatten the climate curve, take concrete steps to better manage the water resources and keep plastic away from the environment. The Excalibur is now in our hands, it is on us how we establish the righteous that creates a harmonious and ecologically balanced world.

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