Labour Rights and Working Practices

A Summary of Stakeholder Concerns and Our Response

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Complaints raised by the IUF with the OECD

Introduction

This document outlines the concerns raised by FNV Mondiaal in their report "Adding Insecurity to Life". The FNV report questions Unilever's respect for labour rights and makes accusations about unfair working practices and the "casualisation" of labour.

Our document is designed to be read in conjunction with the FNV report as it addresses the concerns in the order in which they are raised by FNV. Each FNV concern is quoted in summary here, followed by our response and links to further details on our own and others' websites.

Our corporate website, www.unilever.com, includes a section "Responding to our Stakeholders" where we provide our response to significant current issues, such as the FNV report.

The information contained in this document and on our website seeks to reassure our employees, investors, partners, consumers, customers and other stakeholders that we remain committed to behaving responsibly and abiding by our Code of Business Principles. We hope our stakeholders will take the time to read our point of view on these issues.

Executive summary

Since 2006 four organizations have raised concerns about Unilever's approach to labour rights and working practices: FNV; the IUF; SOMO; and the Kenya Human Rights Commission.

This document focuses primarily on the concerns expressed by FNV Mondiaal in "Adding Insecurity to Life". However, as the FNV report repeats concerns raised by the other three organisations, this document also includes our response to these issues.

FNV Mondiaal (FNV): "Adding Insecurity to Life" report

In May 2009 FNV Mondiaal (a Dutch trade union organisation) produced a report "Adding insecurity to life" about Unilever's outsourcing and working practices. It was produced with the support of the India Committee of the Netherlands (ICN) and two British unions, the TUC and Unite.

The report was presented to us at the Unilever NV AGM in Rotterdam on 14 May 2009 and has since been circulated to organisations that work with us, such as our NGO partners, and posted on a variety of civil society websites.

Some of the allegations in the FNV report are drawn from other reports such as the SOMO and Kenya Human Rights Commission reports (see below). Others duplicate the allegations made by the IUF trade union and some (such as our Kodaikanal site in India) are longstanding issues that are in the process of being resolved.

The International Union of Food Workers (IUF): Campaigns and complaints to the OECD

The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (known as the IUF) is an international federation of trade unions representing workers in agriculture, food and beverage manufacturing, hotels and tobacco.

Since 2006 the IUF has launched a global campaign targeting Unilever for its treatment of workers in developing and emerging markets. They have similar campaigns targeting the operations of other multi-national food and beverage companies (such as Coca Cola, Nestlé, Kraft).

Over 2006-2008, four complaints were brought to our attention by the IUF and the transport union TUMTIS.

Under the terms of the OECD Guidelines for Multinational Enterprises, the unions referred their complaints to the OECD's national contact points in the UK and Turkey for investigation. These complaints mostly relate to our business operations in India and Pakistan:

- Khanewal tea factory, Pakistan – treatment of temporary workers (see page 16)
- Doom Dooma, Assam, India – failure to respect freedom of association (see page 18)
- Rahim Yar Kan, Pakistan – treatment of temporary workers (see Appendix)
- Sewri factory, Mumbai, India – illegal factory closure (see Appendix).

We are seeking local resolution to these issues as well as co-operating with the OECD process.

The case at our supplier's factory in Turkey was resolved locally in January 2009. In March 2009 a new complaint relating to our factory in Khanewal, Pakistan was lodged by the IUF.

A summary of the cases is included in our online Sustainable Development Report along with a summary of the OECD complaints process and the progress we are making in resolving each case. See the labour rights heading in the Employees section:
http://www.unilever.com/sustainability/people/employees/respectingrights/

SOMO: "Sustainability Issues in the Tea Sector"

The Centre for Research on Multinational Corporations (SOMO) is a non-profit Dutch research and advisory organisation that investigates multinational companies' policies. It also acts as the secretariat for OECD Watch, a network of civil society organizations promoting corporate accountability and testing the effectiveness of the OECD Guidelines.

In 2008 SOMO produced a report on "Sustainability issues in the tea sector". The SOMO report in turn draws on allegations in the KHRC report below.

The report can be downloaded from the SOMO website:
http://somo.nl/publications-en/Publication_2548

Kenya Human Rights Commission:
"A Comparative Study of the Tea Sector in Kenya"

In 2008 the Kenya Human Rights Commission produced report called "A comparative study of the tea sector in Kenya – a case study of large scale tea estates". Both the Kenya and the SOMO reports make allegations about sexual harassment and mistreatment of workers at our tea estates in Kenya.

The study can be downloaded from the Kenya Human Rights Commission website:
http://www.khrc.or.ke/viewdocument.asp?ID=116

FNV report "Adding Insecurity to Life"

Our response

'Adding Insecurity to Life' makes a series of allegations concerning the impact of Unilever's restructuring programme (One Unilever) – particularly as this relates to outsourcing and the use of temporary labour and the failure to respect human and labour rights in our business operations.

Unilever takes these allegations seriously. We are committed to maintaining an open dialogue with trade union organisations, such as the FNV and IUF, to seek an appropriate and sustainable long-term solution to the issues.

However, we object to the characterization of the company as portrayed by the FNV. We have a long track record of operating responsibly and with integrity in all markets. We operate in over 100 countries. Every Unilever company must comply with international and local legislation and our own strict code of business conduct (our Code of Business Principles).

Unilever's Code of Business Principles commits us to conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. Our Business Partner Code also makes clear the standards to which we expect our suppliers to adhere.

Restructuring

The restructuring of Unilever's business operations is essential to remain competitive at a time of great economic uncertainty.

The number of people working for Unilever has decreased substantially over the past decade. In 1999 we employed 255,000 people, compared to 174,000 in 2008. The majority have left Unilever as the company has sold businesses and brands, with people and jobs transferring to the new owners. We have also streamlined some existing operations and closed some factories.

We have sought to manage this process of change sensitively to minimise the impact on affected employees. Throughout we have also co-operated and informed relevant trade union organisations.

Outsourcing and temporary Labour

The FNV report is correct in highlighting that Unilever has outsourced many of its 'non-core' business operations (such as catering, security, IT support, end-of-line packaging of products) to third party service providers.

Unilever is not alone in having done so – this is a common industry practice in many countries around the world.

Unilever's use of workers who are employed through third party service providers is always done in ways that are consistent with local employment laws and practice. We also seek to ensure that our service providers comply with minimum wage, social security and retirement contribution requirements.

In those instances where the trade unions have raised concerns – notably at our factories in Pakistan – Unilever has entered into a dialogue with local trade union representatives to discuss the issues of outsourcing in the Pakistani market and seek to agree a possible way forwards that can allay the concerns of all involved. If this does not deliver an outcome then we are willing to seek third party mediation by the OECD.

Human and labour rights issues

The safeguarding of human rights is ultimately the responsibility of Government.

However, businesses can also play their part by upholding and promoting human rights within their spheres of influence.

Unilever seeks to do this in three ways:

- in our operations by upholding our values and standards embodied in our Code of Business Principles
- in our relationships with our suppliers and via our Business Partner Code
- through external industry initiatives, such as the United Nations Global Compact.

Our approach to human and labour rights is detailed in our online Sustainable Development Report, see:
http://www.unilever.com/sustainability/people/employees/respectingrights/

FNV Report page 5: "Our highlights"

"Profits grew while workers were not paid their legal wages"

Our response

Over the last five years Unilever's turnover has grown from €37.1 billion to over €40.5 billion and our operating profit €3.9 billion to €7.1 billion. We continue to seek to be a successful and profitable business that generates wealth and economic prosperity in the countries in which we operate.

However, do we do not do this at the expense of our workers. As a responsible business we pay our employees in line with market rates and seek to abide by the law wherever we operate.

It is therefore not true that we have not paid our employees their legal wages.

"Executive golden handshakes and pay packets grew"

Our response

As per their contracts, Executive Directors are able to earn an Annual Incentive Award from the moment they start working for Unilever.

Our new CEO Paul Polman made an outstanding contribution to the business from the moment he started and is being rewarded accordingly.

The Annual Incentive Award rewards the Unilever Executive Team for the delivery of trading contribution and top line growth targets as well as individual contribution to the strategic priorities of Unilever.

Five principles guide us in our approach to remuneration for our Executive Directors and all other of Unilever's leadership levels. Our remuneration must be:

- Aligned with shareholders' interest
- Linked to performance
- Aligned with strategic priorities
- Market competitive
- Easy to understand and communicate

Details of our approach to reward and remuneration are available in our online annual report and accounts, see:
http://annualreport08.unilever.com/

"Management stock options grew"

Our response

A fundamental principle of our reward programme is to align management interests with those of our shareholders.

We have a long term performance incentive plan, with the ultimate awards denominated in shares. This means that when our shareholders enjoy higher returns on their investment in

Unilever, our managers also enjoy higher rewards. Likewise, when shareholders witness poor Unilever returns, our managers receive remuneration which lags the market.

Higher returns to shareholders incentivise them to continue to reinvest in our business, which in turn allows Unilever to grow.

Details of our approach to reward and remuneration are available in our online annual report and accounts, see:
http://annualreport08.unilever.com/

"Lipton workers in Pakistan 100% outsourced: 800 casual workers"

Our response

Outsourcing is a common business practice in Pakistan and elsewhere. It enables businesses to operate efficiently and remain competitive.

Unilever Pakistan employs around 1,400 people across its operations in Pakistan. Additional outsourced workers are employed by licensed third-party service providers. Unilever Pakistan ensures that the service providers comply with minimum wage, social security and retirement contribution requirements.

"Tea plantation workers in India are not paid their full legal wages"

Our response

Unilever and the Rainforest Alliance have investigated this allegation and found it to be untrue.

We strongly dispute the accusation that these estates are not paying the legally required minimum wage. The estates pay wages in complete compliance with Indian law.

The estates have confirmed that their wage-paying practices have not changed since Rainforest Alliance Certification, and that they pay at least the legally required minimum wage. The estates meet both the requirements laid down by Indian law as well as those needed to achieve Rainforest Alliance Certified status.

"Unilever Code of Conduct is not complied with in the Netherlands"

Our response

We comply with our Code of Business Principles in the Netherlands.

The FNV has raised two court cases in relation to the sourcing unit at Oss (our UNOX factory). Both cases are related to a Central Labour Agreement between Unilever and three trade unions including FNV. Neither case constitutes a breach of our Code of Business Principles.

"Half the global Unilever workforce are not recognized as employees Outsourcing and casualisation have increased dramatically in the past five years"

Our response

The FNV report is correct in highlighting that Unilever has outsourced many of its 'non-core' business operations (such as catering, security, IT support, end-of-line packaging of products) to third party service providers.

Outsourcing is a common business practice. Unilever is not alone in employing this approach as it enables businesses to operate efficiently and remain competitive.

Unilever's use of workers who are employed through third party service providers is always done in ways that are consistent with local employment laws and practice. We also seek to ensure that our service providers comply with minimum wage, social security and retirement contribution requirements.

"An estimated 300,000 workers are employed in the manufacture and distribution of Unilever products globally, that is nearly twice the official amount of Unilever employees. Half the workforce are not recognized as employees and Unilever does not pay them the wages and benefits that unions have successfully fought for and negotiated"

Our response

Outsourcing is a common business practice. It enables businesses to operate efficiently and remain competitive.

The figure of 300,000 workers being 'employed' by Unilever in the manufacture and distribution of products is misleading and inaccurate. It implies that outsourced workers are employed directly by Unilever. In fact, outsourced workers are employed by a third party. The third party is therefore responsible for their employees' terms and conditions.

Unilever's use of workers who are employed through third party service providers is always done in ways that are consistent with local employment laws and practice. We also seek to ensure that our service providers comply with minimum wage, social security and retirement contribution requirements.

At the end of end 2008 we had 174,000 employees. In addition:

- Approximately 35,000 people work at our facilities under temporary contracts with third parties. These roles are typically for non-core operations such as end-of-line packing operations. Temporary workers allow us to meet differing production needs, for example in response to changing customer or seasonal demands. By definition, this number will flex according to the peaks and troughs inherent in running our business.

- We also benefit from the services of approximately 11,000 workers who provide back-office support in areas outside of manufacturing operations. These workers provide services in areas such as human resources, IT, finance, travel, catering, security and cleaning.

- Lastly, we have a number of third party manufacturers who act as suppliers to Unilever. We estimate that around 40,000 workers are employed by these third party manufacturers. They must abide by Unilever's Business Partner Code.

- These three groups total 86,000 people, not 300,000 as claimed by FNV.

"Organisation of workers is hindered in many countries"

Our response

Unilever respects employees' rights to join, form, or not join, a trade union without fear of reprisal, intimidation or harassment.

Where employees are represented by a legally recognised trade union, we will establish a constructive dialogue with their freely chosen representatives. Unilever is committed to bargaining in good faith with these representatives.

Unilever expects that all its subsidiary companies comply with national legislation in the countries in which they operate. For example, where national legislation establishes closed shops or single union arrangements, Unilever will comply with such legislation, as long as there is no breach of fundamental human rights.

Similarly Unilever expects its units will work within the industrial relations norms of the country in which they operate, developing and implementing appropriate strategies to ensure competitiveness.

Similarly, where appropriate, Unilever also promotes partnership strategies, involving trade union partners in management deliberations at earlier stages than typically required under national legislation.

In all cases Unilever expects that employee relations' strategies will respect employees' fundamental rights, and that industrial relations will at all times, in all cases, be conducted without fear of violence, reprisal, intimidation or harassment.

"Unilever refuses to engage with unions at international level"

Our response

This is also misleading as Unilever has an open dialogue with national and international trade union bodies.

"Rain Forest Alliance certification does not necessarily mean that Unilever complies fully with the social component of the certification requirements"

Our response

This allegation is incorrect: our own and suppliers' farms must comply with the Rainforest Alliance standards in order to achieve certification.

The Rainforest Alliance has a strict process to ensure that Rainforest Alliance Certified farms meet its standards. For example, failing to pay a legally required minimum wage is a critical criterion for certification, and would prevent a farm from achieving or maintaining Rainforest Alliance Certified™ status.

"Unilever refuses to take full responsibility for clean up and compensation. Mercury poisoning scandal in Kodaikanal, India continues; Unilever refuses to take full responsibility for clean up and compensation"

Our response

This statement is incorrect. Hindustan Unilever (HUL) did not dump glass waste contaminated with mercury on land behind its factory; and there is not a large amount of mercury still present in the soil and water at Kodaikanal.

Furthermore many independent third-party studies have concluded that there were no adverse impacts on the health of employees or the environment - except limited impact on the soil at some spots within the factory premises which required remediation.

HUL sought permission as early as June 2002 for the clean up or remediation of the land within the premises of the factory to a high, residential standard known as the "Dutch standard".

In July 2008 the Unilever was granted permission to commence remediation and pre-remediation work has started according to the agreed plan. Work is expected to take about 29 months and will be followed by a period of monitoring.

A detailed summary of the Kodaikanal facts is available in the Environmental Management section of our Sustainable Development Report at:
http://www.unilever.com/sustainability/environment/manufacturing/environmentalmanagement/kodaikanal-india.aspx

FNV report page 7: Unilever Khanewal

"Poverty and Inequality at the Khanewal Lipton tea factory", see page 16.

FNV report page 8: People and sustainability

"Unilever's text should be:"

"We are NOT as committed as we should be to meeting the needs of customers and consumers in an environmentally sound and sustainable manner, through continuous improvement in environmental performance in all our activities. We do not show the same concern for the environment or for the welfare of the inhabitants of that environment wherever we operate. We aim to reduce the environmental footprint of our business and brands. However, the standards we adhered to in Europe and other developed countries are not adhered to in the same way in other regions.

Our response

We do not apply lesser standards in developing countries. Our Code of Business Principles sets the standards for our responsible business behaviour everywhere in the world – without exception.

We expect all employees to adhere to them in the spirit and in the letter.

Our Code commits us to conducting our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We are committed to safe and healthy working conditions for all employees, wherever they work.

We also seek to make continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. We work in partnership to promote environmental care and disseminate good practice.

This commitment is recognised in our decade-long leadership of the foods sector of the Dow Jones Sustainability World Indexes.

Compliance with our Principles is an essential element in our business success and the Unilever Board is responsible for ensuring they are applied throughout Unilever.

Each year, our country chairmen must provide positive assurance that their business adheres to the Code. We view any breaches as a serious matter.

Further details are available in our Sustainable Development report:

Our Code of Business Principles
http://www.unilever.com/aboutus/purposeandprinciples/ourprinciples/default.aspx

Details our systems of Code compliance and dismissals for breaches of the Code can be found at the Respecting Rights page of our Employees section
http://www.unilever.com/sustainability/people/employees/respectingrights/

Environmental fines and prosecutions details are covered within Environmental Management
http://www.unilever.com/sustainability/environment/manufacturing/

FNV report page 8: Mercury poisoning Kodaikanal, India

"Unilever's former thermometer factory in Kodaikanal India caused harm to workers' health and the environment. In 2001, Greenpeace and Palni Hills Conservation Council reported that Hindustan Lever, a subsidiary of Unilever, dumped 7.4 tonnes of glass waste contaminated with mercury behind the factory on land leading to the Pambar Shola forest."

Our response

This statement is incorrect. Hindustan Unilever (HUL) did not dump glass waste contaminated with mercury on land behind its factory; and there is not a large amount of mercury still present in the soil and water at Kodaikanal.

Furthermore many independent third-party studies have concluded that there were no adverse impacts on the health of employees or the environment - except limited impact on the soil at some spots within the factory premises which required remediation.

In summary, the facts are these. In March 2001 Greenpeace and others brought to HUL's attention the fact that scrap glass containing mercury had been sold to a scrap dealer about 3km away from the factory. HUL immediately closed the factory.

Our investigation revealed that 5.3 tonnes of mercury-tainted glass scrap (containing approx. 0.15% residual mercury) had been sold in breach of our established procedures. HUL removed 7.4 tonnes of mercury-bearing glass scrap and the soil beneath the scrap from the scrap yard to its factory premises for safe storage.

In April 2003 HUL negotiated with the Indian and US Governments for permits to send the mercury-containing material to the US for recycling. The consignment consisted of 290 tonnes of materials that reached New York on 31 May 2003 - not 300kg arriving in 2008 as stated by FNV.

HUL sought permission as early as 28 June 2002 for the clean up or remediation of the land within the premises of the factory to a high, residential standard known as the "Dutch standard". HUL has not lobbied the Tamil Nadu Pollution Control Board (TNPCB) to reduce the clean up level from the agreed Dutch standard of 10 mg/kg to a less stringent 25 mg/kg

In July 2008 the TNPCB granted permission to commence remediation and pre-remediation work has started according to an agreed plan. Work is expected to take about 29 months and will be followed by a period of monitoring.

A detailed summary of the Kodaikanal facts is available in the Environmental Management section of our Sustainable Development Report at:
http://www.unilever.com/sustainability/environment/manufacturing/environmentalmanagement/kodaikanal-india.aspx

FNV report page 8: People and sustainability

The bitter taste of Indian Lipton tea

"Tea estates producing for Unilever deny workers their legal rights"

Our response

The report includes allegations on working rights and decent pay at tea estates that have recently been certified to Rainforest Alliance and from where Unilever sources tea. More specifically, it includes an allegation that Unilever's tea suppliers in South India are not paying the legally required minimum.

Unilever has a strict Business Partner Code for third party suppliers including standards to which we expect our suppliers to adhere. Not paying a legally required minimum wage would represent a clear and unacceptable breach of this Code. Whenever we find out about an unacceptable breach of our Business Partner Code, we take action and make sure that corrective measures are taken.

Similarly, the Rainforest Alliance has a strict process to ensure that Rainforest Alliance Certified farms meet its standards. Failing to pay a legally required minimum wage is a critical criterion for certification, and would prevent a farm from achieving or maintaining Rainforest Alliance Certified™ status.

We take seriously the accusation that some of our suppliers in South India are not paying the legally required minimum wage. We immediately started an investigation, together with the Rainforest Alliance.

Based on this investigation we strongly dispute the accusation that these estates are not paying the legally required minimum wage. The estates pay wages in complete compliance with Indian law.

The estates have confirmed that their wage-paying practices have not changed since Rainforest Alliance Certification, and that they pay at least the legally required minimum wage. The estates meet both the requirements laid down by Indian law as well as those needed to achieve Rainforest Alliance Certified status.

The Rainforest Alliance has written to the Tropical Commodity Coalition (TCC) following the release of its report criticizing Rainforest Alliance certification of Indian tea farms that sell to Unilever. The Rainforest Alliance letter can be read at:
http://www.rainforest-alliance.org/agriculture/documents/tcc_letter.doc

The allegation about these farms in 'Adding insecurity to Life' is therefore not correct.

FNV report page 9: People and sustainability

"Pressing issues at Unilever's (Rainforest Alliance Certified) tea estates in Kenya"

Our response

FNV refer to a report produced by SOMO in 2008 "Sustainability issues in the tea sector". The SOMO report in turn draws on a 2008 report by the Kenya Human Rights Commission – "A comparative study of the tea sector in Kenya – a case study of large scale tea estates". The reports make allegations about sexual harassment and mistreatment of workers at our tea estates in Kenya. (See page 2 for links to these reports.)

The allegations of mistreatment of workers and sexual harassment at our tea estates in Kenya are serious. We have investigated them thoroughly.

In line with our Code of Business Principles and company policies, we do not condone any of the practices that Unilever is allegedly involved in based on the report. We are committed to live out our Code of Business Principles wherever we operate in the world. We will act upon any cases of non-compliance.

We always appreciate constructive and serious feed-back from stakeholders and organizations such as the Kenya Human Rights Commission (KHRC) as this can improve our operations and programmes over time. That is why we also fully participated in the research they conducted in 2008. However we were disappointed that KHRC did not share a draft report before making it public. This could have prevented the inclusion of incorrect facts, and misinterpretation of those facts, in the report.

Unilever has comprehensive programmes in place at our tea estates in Kenya to provide our workers with good working and living conditions. On housing conditions, the housing within our Kericho estates in Kenya is best in class within the Kenyan tea industry.

No substantive evidence of sexual harassment has ever been tabled to us. During our meetings with KHRC, they did not give us any concrete examples of their findings, only references to one or two estates. These estates were fully investigated by our General Management and nothing untoward was discovered.

Regarding favouring certain ethnic groups in recruitment and promotion, the Unilever Code of Business Principles states that Unilever Companies will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. The policy is fully observed by Unilever Tea Kenya Ltd for management and staff.

Following up on the publication of the KHRC report we will continue our discussions with KHRC representatives in Kenya regarding their findings

FNV report page 11: 3 Restructuring and changes to the way we operate

"Examples of how Unilever's restructuring and casualisation policy is affecting Unilever workers worldwide are Unilever Mabole, Sri Lanka; Unilever Pakistan; Unilever Karachi, Pakistan; Unilever Dharwad, India; Unilever Assam, India; Unilever Istanbul, Turkey; Unilever Beigel & Beigel, West Bank."

FNV report May 2009, p11: Unilever Mabole, Sri Lanka

"In 2002, the IUF-affiliated CMU led a long fight against the closure of Unilever's Lipton plant in Mabole, Sri Lanka, which saw 500 jobs eliminated. Unilever blamed the closure on, alternately, high labour costs and… their inability to import teas for blending. … They disposed of the people, but didn't give up making tea – the jobs were simply outsourced."

Our response

All actions taken by the Company were within the legal framework of Sri Lanka.

The decision to close the Mabole tea blending and packing plant was made on the grounds of higher costs, poor productivity and loss of market share. A shift in world demand for branded teas made from multi-origin blends, together with a ban on the import of 'orthodox' teas into Sri Lanka, also contributed to the decision to close the plant.

Unilever's local trade unions were kept informed of the difficulties faced by this Sri Lankan business both during wage bargaining sessions and other meetings with management. In early November 2001, unions were informed of the inability to keep the factory operating.

A voluntary redundancy package of 4 months for every completed year of service to a maximum of 60 months and minimum of 6 months was offered. The Unions did not accept this offer. The package offered to workers in November 2001 was the highest ever paid in Sri Lanka following an application to the Labour Commissioner for termination.

The Company was forced to make an application to the Labour Commissioner for termination of the employees under the provisions of the Termination of Employment Act. All factory operations ceased at the end of December 2001, with factory closure on 6 February 2002.

All employees continued to be paid their wages until the Labour Commissioner gave his ruling on 20 October 2002, which was in favour of the company application.

The company employed a workforce of approximately 540 including management, staff, permanent and casual workers. The majority of the workforce took the voluntary redundancy package while remaining workers were transferred to jobs both inside and outside Sri Lanka. Examples of our approach to responsible restructuring are included in the Employees section of our Sustainable Development Report at:
http://www.unilever.com/sustainability/people/employees/restructuring/

FNV report page11: Unilever Pakistan

"Since 2004, when Unilever Pakistan sold its Dalda brand plant manufacturing edible oils and spreads in Karachi to a group of former company managers incorporated as Dalda Foods (Pvt.) Limited, Dalda has made both the former Unilever Dalda line of edible oils and Unilever's trademark Blue Band margarine. In this factory, which produces Unilever's billion dollar brand Blue Band under license, there are no permanent workers."

Our response

Outsourcing is a common business practice. Unilever is not alone in employing this approach as it enables businesses to operate efficiently and remain competitive.

In full compliance with the law and keeping in view the market conditions, Unilever Pakistan has over the years outsourced certain activities in manufacturing and supply arrangements, including Blue Band Margarine.

Blue Band Margarine is sourced from Dalda Foods in Pakistan. Dalda Foods is not part of Unilever: it is a third party manufacturer that makes Blue Band on our behalf. Dalda Foods is therefore responsible for the terms and conditions of its employees.

The agreement with Dalda Foods, as with other third party manufacturers calls for full compliance with our Business Partner Code as well as with the laws of the country, in particular those concerning employment.

We have sought and received assurance from Dalda Foods that it is fully compliant with our Business Partner Code and the labour laws of Pakistan.

FNV report page 12: Unilever Karachi, Pakistan

"Another Unilever plant in Pakistan, Lipton Karachi, employed 122 permanent workers and 450 casual workers sourced from employment agencies. The number of permanent workers was apparently deemed to be too high, so production was transferred to a warehouse around the corner, employing 100% outsourced, casual workers."

Our response

About 40% of tea sold in Pakistan is smuggled. In the absence of a level playing field, the branded, law-abiding segment in which we operate has declined sharply.

We work hard to keep our business competitive. This involves restructuring and cutting costs that cannot be passed on to consumers. Besides manufacturing cost, the cost of transporting packed tea from the South to the North of the country further reduced our competitiveness.

Given this context, we took the decision to close this factory in 2008.

The redundancy package agreed with the Employees Federation far exceeded legal minima and all our employees opted for it.

FNV report page 12: Unilever Khanewal, Pakistan

"… In Pakistan, that left the Lipton factory in Khanewal, Punjab, as the last directly owned and operated Lipton plant in a nation of tea drinkers. At Khanewal, there are 22 permanent workers, and 723 workers sourced from employment agencies. ….While the fact that management has agreed to open negotiations is positive, the company position remains unacceptable."

Our response

In addition to the FNV comments above, in March 2009 the IUF lodged a complaint with the OECD alleging that Unilever's employment practices at Khanewal undermine the rights of workers to fair or decent pay as well as freedom of association.

Our Khanewal factory employs a mix of permanent and outsourced workers. To keep operations effective and competitive, Unilever Pakistan uses third-party service providers to supply workers for our non-core operations. Non-core elements include end-of-line packaging operations as well as ancillary services such as housekeeping, catering and security.

Outsourcing non-core operations is widespread in Pakistan, and Unilever Pakistan's practice is in line with that of other multinationals and local competitors.

On average, some 533 people are employed at Khanewal, including 22 permanent employees who work in roles such as process, plant and utilities operators and technicians. The number of people employed varies due to the demand-led nature of the business which affects the number of people required for packaging operations. The outsourced workers are employed by licensed third-party service providers. Unilever Pakistan ensures that the service providers comply with minimum wage, social security and retirement contribution requirements.

In Pakistan local market practices have evolved to the point where the ratio of permanent to outsourced workers is commonly skewed in favour of outsourced workers. We acknowledge that this is an issue for workers and their union representatives and recognise the need to address it.

We have offered to increase the numbers on permanent contracts and will do so using fair and transparent criteria. Negotiations between Unilever Pakistan and local trade union representatives are ongoing.

We are hopeful that these will be concluded satisfactorily, but should these negotiations fail to deliver an outcome then we are also willing to seek third-party mediation by the OECD.

A summary of the current OECD cases can be found in our Sustainable Development Report: http://www.unilever.com/sustainability/people/employees/respectingrights/

FNV report page 7: Unilever Khanewal

"Poverty and Inequality at the Khanewal Lipton tea factory"

Our response

The FNV report compares the benefits of our own workers with those provided by the third party service provider in our factory at Khanewal in Pakistan in a table entitled "Poverty and Inequalit y at the Khanewal Lipton tea factory".

The report implies that the outsourced workers do not receive benefits from their employer (the service provider). This is incorrect as the service provider is required by law to provide benefits.

Unilever Pakistan ensures its service providers comply with minimum wage, social security and retirement contribution requirements.

Column 3 in the table below corrects the erroneous comparison made in Columns 1 and 2.

FNV table: "Poverty and Inequality at the Khanewal Lipton tea factory

	1) 22 permanent workers	2) 723 contract agency workers	3) Actual position
Paid annual leave	Yes	No	Yes
Paid public holidays	Yes	No	Yes
Paid sick leave	Yes	No	Yes
Paid emergency leave	Yes (Called Casual Leave in Pakistan law	No	Yes
Medical benefits/insurance	Yes	No	Yes. Covered through Social Security Benefits as per the relevant law.
Death benefits	Yes	No	Yes. As per the law
Annual bonus	Yes	No	Yes. An annual bonus is termed under the relevant law as a "Profit Bonus". This is negotiated with and paid by the employer – the service provider.
Overtime pay rates	Yes	No	Yes. As per the law.
Right to join the union at Unilever	Yes	No	Yes. Under the relevant law they have the right to form their own union.
Covered by Collective Agreement	Yes	No	Yes. Under the relevant law, Collective Bargaining agreements are made with the employer. Therefore this responsibility rests with the service provider.

FNV report page 12: Unilever Dharwad, India

"It took eight years of struggle after the illegal closure of Unilever India's factory in Dharwad in Karnataka state, for 42 workers to finally receive compensation in accordance with a Labour Court ruling against the company. …. The Dharwad factory was established in 1993 as an independent subsidiary of Hindustan Lever. When the factory first opened in this "backward" rural area in Dharwad it was granted extensive tax concessions. In January 1999, once the tax concessions ended, management set about secretly closing the factory over the next 12 months. …"

Our response

The Dharwad factory, formerly owned by Stepan Chemicals Ltd, was set up in 1993 and became a Hindustan Unilever (HUL) factory in 1996. As manufacturing became unviable, the decision was taken to close the site in 2000. The closure was carried out in full compliance with Indian labour law and subsequently validated by the state government.

A decision was taken to close the site on 6 October 2000. Tax concessions were still available up to the date of closure of the factory. FNV are therefore wrong to say that the factory was closed because tax concessions ceased.

Some factory equipment was removed – to be put to more productive use elsewhere, and workers deployed to other jobs according to their job descriptions. No workers were allocated 'menial' manual tasks such as gardening, etc.

Before the closure, in January 2000, a generous voluntary retirement package was offered to the workers. Out of 74 workers, 32 took up this offer.

Due to continuing non-cooperation of the workers, the management was forced to declare suspension of manufacturing operations at the site on 11 March 2000.

A settlement was signed on all issues regarding the suspension of operations and back-wages on 4 October 2000. In this agreement the Union dropped their demand of an assurance of continuing operations. This agreement cleared the way for closing the factory as per law.

The remaining 42 workmen were offered statutory closure compensation. All of them had rejected the offer of Voluntary Retirement Package which was 30 times more than the statutory compensation.

These 42 workers took their complaint regarding closure to the Labour Court in 2001 which was decided against us. We challenged this ruling at the High Court in December 2007. The matter is pending final hearing before the Dharwad Circuit bench at High Court of Karnataka. As of May 2009, no date for the final hearing by the High Court has yet been fixed.

FNV report page 13: Unilever Assam, India

"In 2007, management at the Unilever factory in the Doom Dooma Industrial Estate in the north eastern state of Assam, India, was trying to smash the Hindustan Lever Workers Union by locking out its 700 members and creating a fake union …"

Our response

In November 2007 the IUF logged a complaint with the OECD on behalf of the Hindustan Lever Workers Union (PPF) at our Doom Dooma factory in Assam, India. The complaint alleged that Hindustan Unilever had conspired to force workers to join a new trade union as a pre-condition for their continued employment at the factory, and by doing so, breached the freedom of association provisions of the OECD Guidelines.

Our Doom Dooma factory in Assam is located in an under-developed region where the Indian Government has encouraged companies such as Hindustan Unilever to open manufacturing operations in order to promote economic development. The factory employs around 3,000 people directly and indirectly. Some 700 are directly employed workers who earn about Rs.8000 per month. This is one of the highest wages paid by any employer in the region.

Hindustan Unilever (HUL) denies that it has breached the OECD Guidelines or Unilever's own Code of Business Principles.

FNV are incorrect in stating that Hindustan Unilever sought to create a 'fake' union. The establishment of a new trade union at our Doom Dooma factory was undertaken by the majority of the workers themselves and was also subject to the review and approval of the State Government. This union was recognised by the State Labour Commissioner.

The FNV report also implies the lockout at Doom Dooma is ongoing. This is incorrect. The lockout was lifted on 3 September 2007 and the factory is currently running at peak productivity.

HUL had been forced to declare a lockout (a temporary closure of the factory) on 15 July 2007 after the then union had detained 18 members of the management staff inside the factory for 16 hours. The lockout had been preceded by more than 20 illegal strikes and work stoppages in violation of an existing agreement bilaterally signed on 23 April 2004 between the management and the union.

Following the lockout, some of the workers elected to establish a new union. The new union negotiated the lifting of the lockout with the company in September 2007. Subsequently, the new union also signed a wage settlement with management.

Workers have fully embraced productivity norms and have accepted the terms of the settlement. Another long-term settlement was signed on 12 April 2008 which was accepted by almost all workers. The settlements have resulted in harmonious industrial relations and very disciplined and productive operations.

FNV report page13: Unilever Istanbul, Turkey

"… Throughout 2008, 87 workers were on picket line to protest at illegal dismissals at two Unilever exclusive subcontractors Çipa and Simsek at the Unilever distribution centre near Istanbul, Turkey. Three national unions of transport, chemical and food workers and Türk-Is confederation and the three international Union federations ITF, IUF and ICEM supported their struggle."

Our response

In addition to the FNV comments above, on 1 July 2008 the IUF posted an article on its website referencing Unilever Turkey (http://www.iuf.org/www/en/). The headline of the article ('Unilever Turkey Transport Workers Sacked for Joining Union') is highly misleading as it appears that it is Unilever Turkey that has "fired" 62 trade union-members. The reality is that the allegations are made against a transport company that works with Unilever as one of our suppliers.

Over 2006-2008, four complaints were brought to our attention by the IUF and the transport union TUMTIS. One of these complaints concerned contracted labour at a supplier's factory in Turkey. Under the terms of the OECD Guidelines for Multinational Enterprises, the unions referred their complaint about our supplier to the OECD's national contact point Turkey for investigation. Unilever was cited in this complaint although the complaint concerned the actions of our supplier.

Unilever Turkey subcontracts work to the companies of CIPA (Cicek Pazarlama Ltd. Sti.) and Simsek (Simsek Nakliyat Tahmil and Tahliye Ltd.Sti.).

Unilever therefore does not have any direct relationship with the employees of these companies. Their business contracts are outside the terms of our reference.

The legal dispute between CIPA and SIMSEK companies and their workers was resolved in January 2009 and therefore no further action was required by the OECD.

When it comes to the unionisation rights of employees' Unilever's Code of Business Principles and our Business Partner Code are very clear: We respect the right of employees to freedom of association. Therefore, we expect our suppliers to recognise the same practices (where this is permitted by law).

FNV report page 13: Unilever Beigel & Beigel factory in the West Bank

"In December 2008 Unilever announced that it will divest from an Israeli factory in a Jewish settlement, illegally built on land confiscated from Palestinians. Unilever Israel, which bought half of Beigel & Beigel in 2001, said the move was strategic, not ethical. …"

Our response

Unilever has for several years been simplifying its organisation and focussing increasing investments behind its core product categories and brands - categories where Unilever has significant scale and market shares.

Unilever Israel has also spent the last few years successfully refocusing its business in a similar way. After a further period of strategic review and following the divestment in recent years of a number of non-core businesses (such as pet food), Unilever Israel decided to divest of its interests in the bakery business.

We announced in November 2008 that we are therefore seeking to find a buyer for Unilever's share in the Beigel & Beigel partnership. This business, a good performer and a much-loved brand, operates in the baking category where Unilever has very limited expertise.

We believe the Beigel & Beigel brand, the business as a whole and its people have an exciting future ahead of them, and that new ownership with a clear portfolio alignment in place can successfully take the Beigel & Beigel business onto the next step in its development.

It is not possible to give specific timings for this divestment. The disposal of a business is normally a lengthy, commercially complex and sensitive process. However, we can confirm that the disposal process started in December 2008 and that to date (May 2009) it has progressed in line with the timings to be expected for a transaction of this scale and complexity.

FNV report page 14:
Code of Business Principles trampled upon in The Netherlands

"Unilever does not comply with its own Code of Business Principles in The Netherlands. For example, it is not complying with agreements made with the Dutch trade unions. FNV Bondgenoten is now seeking justice through the legal system. The two most urgent issues are:

"Unilever refuses to pay for research into the viability and future of the Unox factory
The Agreement on Principles of the new collective labour agreement, signed on 8 November 2007, stated that both the trade union and the Works Council would receive the results of 'Project Hercules', a Unilever study about reducing the numbers of indirectly employed workers. The Agreement on Principles also gave the trade union and the Works Council the right to conduct their own research, which would be paid for by Unilever. Unilever has now informed Dutch union FNV Bondgenoten that it does not intend to pay for this research. …

"Unilever changes conditions for covering costs of personal development training
According to a Unilever letter to FNV Bondgenoten, it appears that the company does not intend to continue funding personal development of staff. A budget of €3000 per person for 2007 and 2008 was hardly used because Unilever refused most staff requests to make use of their personal development budget, usually on the inappropriate grounds that the collective labour agreement had not yet been signed. …"

Our response

Unilever complies with our Code of Business Principles in the Netherlands.

We are complying with agreements made with the Dutch trade unions. All agreements made between Unilever and trade unions are executed by Unilever.

The Central Labour Agreement (CLA) has been agreed by Unilever and two of the three trade unions – CNV and de Unie. FNV, the third, has refused to sign the CLA.

The FNV assertions are incorrect: the only agreement reached between the Works Council and FNV is one to carry out research on alternatives to Project Hercules (reducing number of indirect workers) and not one to research the viability and future of the sourcing unit at Oss (the Unox factory).

Payments to employees are made as agreed in the Central Labour Agreement.

The personal development of employees is crucial for Unilever. Employee requests for the training budget are being actioned by Unilever.

FNV report page 14: Business Partner Code

"… Unfortunately, monitoring of compliance with our Business Partner Code is carried out using self assessment forms that we ask our suppliers to complete, and occasionally by internal audits.
This of course does not provide us with adequate information on working conditions and on environmental and social aspects. Independent auditing of our suppliers by an external specialised organisation is required."

Our response

Our Business Partner code makes clear the standards to which we expect our suppliers to adhere. It contains 10 principles covering business integrity and responsibilities relating to employees, consumers and the environment and has been communicated to all tier-one suppliers of raw and packaging materials.

Our risk assessments suggest 10-20 % of supplier sites may lack sufficient management capability to provide us the necessary positive assurance. In 2007 we launched a programme of audits with these suppliers in order to make explicit the corrective actions required.

Together with a number of our industry peers, we have also established a global programme for responsible sourcing – called AIM-PROGRESS. As part of this we have agreed common assessment criteria and agreed to share the data from our respective audits. To facilitate this, many AIM-PROGRESS members have joined the SEDEX (Supplier Ethical Data Exchange) platform to manage all future supplier assessments across the globe.

SEDEX facilitates the use, and data exchange, of self-assessment questionnaires, audits and corrective action plan reports. Self-Assessment Questionnaires are therefore an important first and necessary step in the supplier assurance process. However, it is widely accepted that neither self assessments nor audits are perfect tools and both can be open to error. That is why we place importance on driving overall improvements in our supply chain together with peers in our industry (via our proactive participation, and chairmanship, of the AIM-PROGRESS task force).

Our Business Partner Code is posted on our website, along with details of our processes for ensuring compliance and our role in AIM-PROGRESS:
http://www.unilever.com/sustainability/people/suppliers/

Supplier Ethical Data Exchange:
https://www.sedex.org.uk/bc/cm/site.php

Appendix

Complaints raised with the OECD by the IUF

Pakistan: Rahim Yar Khan

In November 2008 the IUF submitted a complaint to the OECD on behalf of the Pakistan National Federation of Food & Beverage Workers. The complaint alleges that Unilever Pakistan dismissed 292 temporary workers who had decided to join a trade union at our factory in Rahim Yar Khan. The company was also accused of retaining workers through third-party service providers in order to reduce the costs associated with the provision of welfare and other benefits.

Our response

Unilever Pakistan denies any breach of the OECD Guidelines.

The temporary workers were not re-employed because of a wider re-organisation of the factory which involved outsourcing most of the packing and non-core operations on the site to a third-party supplier.

Unilever Pakistan's use of workers employed through third-party service providers is consistent with local employment law and practice. We require our third-party suppliers to comply with our Business Partner Code (which recognises the right to freedom of association) and ensure that our service providers comply with minimum wage, social security and retirement contribution requirements.

The company has been in dialogue with local trade union representatives to discuss the issues of outsourcing in the Pakistani market and seek to agree a possible way forward that can allay the concerns of all involved. It is also engaged in the conciliation and mediation process provided by the OECD.

A summary of the current OECD cases can be found in our Sustainable Development Report: http://www.unilever.com/sustainability/people/employees/respectingrights/

India: Sewri

Acting on behalf of local Indian trade union HLEU, the IUF logged a complaint to the OECD in 2006 alleging that our factory at Sewri, Mumbai, had been closed illegally and that workers had been financially disadvantaged as a consequence.

Our response

In 2006, Hindustan Unilever (formerly known as Hindustan Lever) closed its Sewri factory in Mumbai as the factory had been operating un-competitively for a number of years. It had been plagued by strikes throughout its history, for example in 1987 alone there were over 50 stoppages.

The closure was carried out in compliance with Indian Labour laws and all the workers were offered a full and fair redundancy package, the terms of which were between eight and 22 times greater than the legal minimum. Over 100 workers accepted the redundancy terms while the remainder (790 workers) rejected the package and chose to contest the closure in the Indian Courts.

In September 2007, the OECD agreed not to proceed further with the complaint subject to Hindustan Unilever and the HLEU negotiating a settlement at local level.

Hindustan Unilever has indicated its willingness to agree a final settlement with the HLEU in return for the union withdrawing its cases in the Indian Courts. These negotiations are still taking place.