



Codes of conduct and international framework agreements: New forms of governance at company level

Case study: Unilever

Information about the company

Industrial relations context

Unilever code of business principles

Outcomes and impact

Annexes

This case study is based on an analysis of Unilever documents as well as interviews carried out at the Unilever headquarters in the first half of 2007 with Joba van den Berg, Head of (European) Industrial Relations at the corporate headquarter in Rotterdam and Günter Baltes, chairman of the Unilever European Works Council. Mr Baltes also took part in the second expert workshop of the research project held in Rome in April 2007.

Information about the company

With sales of almost 40 billion euro and more than 212,000 employees in 2005, Unilever is one of the world's largest consumer goods companies.

The Group was created in 1930 from the merger of two companies: Margarine Unie, a Dutch-based margarine producer, and Lever Brothers, a British soap-maker. From this time Unilever retained the dual structure, with two parent companies. These are Unilever NV, based in Rotterdam and incorporated under Dutch law, and Unilever PLC, with headquarters in London, incorporated under British law. The parent companies are separate legal entities, with different legal constituencies and separate stock exchange listings. They have a holding structure, with operations currently carried out by their subsidiaries around the world. Ultimately, the shares in each of these subsidiaries are held by Unilever NV or Unilever PLC. There is one exception to this rule, namely the US-based companies, which are held by both parent companies.

Since 1930 when the Unilever Group was formed, Unilever NV and Unilever PLC, together with their group companies, operate effectively as a single economic entity and constitute a single reporting entity for the purposes of presenting consolidated accounts. In order to ensure unity of governance and management, they have the same directors and are linked by a number of cooperation agreements. In particular, there is the Equalisation Agreement that regulates the mutual rights of the two sets of shareholders, including a formula for paying dividends. These features mean that all shareholders, whether of Unilever NV or Unilever PLC, share in the prosperity of the whole business.¹

Since 2004, Unilever NV as well as Unilever PLC has a one-tier board. The boards of Unilever NV and Unilever PLC comprise the same directors and have the same chairman. This ensures unity of governance and management by ensuring that all matters are considered by the boards, which are of one mind, reaching the same conclusions on the same set of facts. The boards currently comprise three executive directors and 12 non-executive directors.

Unilever has a separate chairman and group chief executive. There is a clear division of responsibilities between their roles. The chairman is a non-executive director and he is primarily responsible for leadership of the boards, ensuring their effectiveness and setting their agendas. He is also responsible for ensuring that the boards receive accurate, timely and clear information.

The group chief executive has been entrusted, within the parameters set out in the Articles of Association of Unilever NV and Unilever PLC and the Governance of Unilever, with all the Boards' powers, authorities and discretions in relation to the operational management of Unilever.

The turnover of the Unilever Group totalled nearly 40 billion euro in 2006.² The two main industry activities, food and home care products, contribute equally to overall turnover and also profit.

¹ See also the Unilever company documents 'The Governance at Unilever' and the Unilever *Environmental and Social Report 2006*.

² See Unilever *Annual Report 2006*.

By far the most important countries in terms of production locations and ownership are the UK, Germany, The Netherlands and France in Europe, the United States of America, Brazil in Latin America, India in South Asia and China, Japan, the Philippines, Thailand and Indonesia in Asia and the Pacific. In Africa Unilever has major investments and production facilities in Ivory Coast, Ghana, Nigeria and South Africa. Worldwide Unilever owns about 240 factories (on about 160 sites) of which about 160 involve food and about 80 involve detergents and personal care products.³ The Unilever food branch grew significantly after the year 2000 following the acquisition of Bestfoods. which at that time added about 70 factories and a workforce of 44,000 in 60 countries to the portfolio.

Regarding turnover in regional terms in 2006, the biggest share (48%) is generated in Europe, followed by the Americas, (35%), and Asia and Africa (27%). Europe also leads in terms of the achieved operating profit. However, in terms of the number of employees Europe was in third place, with 44,000 people out of a total of 179,000 in 2006; 90,000 employees worked in the Asia and Africa region, and the remaining 45,000 in the Americas. Between 2000 and 2006 there was a dramatic change in the number of people employed by Unilever. In 2000, Unilever employed 295,000 people worldwide. Since then, large reductions have been made, mainly in Europe, and since 2001 the European workforce was reduced sharply by 27,000 (from 71,000).

Table 1: *Profile of Unilever*

| Features | Data |
|---|---|
| History, milestones, etc. | Created in 1930 by the merger of Dutch based Margarine Unie and British Lever Sunlight |
| Industry sector | Production and marketing of foods, home care and personal care products |
| Ownership structure, corporate governance | Two holding companies, Unilever NV (NL) and Unilever PLC (UK), with the same board of directors |
| Employment Europe | 51,000 |
| Employment worldwide (2005) | 212,000 |
| CSR context | Signatory of UN Global Compact; CSR report following the GRI Initiative |

Source: *Authors*

These changes took place as a result of a major restructuring programme, the so-called 'Path to Growth' which was announced in 1999. The programme was carried out by Unilever between 2000 and 2005 and the main aims were to make the company more profitable by concentrating production of major brands/products in about 150 key factories worldwide and reduce the number of existing production sites by about 100 through closures and disposals. Also another element of this major restructuring programme was a significant reduction of brands from 1,600 to 400 in order to achieve a stronger branding focus. In 2005 Unilever management announced a new strategic change programme called 'One Unilever' to regain competitiveness and growth. The programme which is due to be conducted by 2010 focuses on streamlining the organisation; this means that the company is changing from a structure of 'stand alone' local companies to a structure where companies cooperate in a global and single European structure. This for example includes the above mentioned merger of the marketing sales organisations of the food and home and personal care divisions into one operating company in each country, a further concentration of production and regional sourcing, and the establishment of so called 'shared services' for single world regions (e.g. Europe) in the field of human resources, finance or information technology. Together with the new strategy, Unilever adopted a new logo which was presented at the 75th anniversary celebrations of the company in 2005.

³ *Unilever Company Profile*, edited by FNV Mondial/FNV Bondgenoten, July 2005, p. 9.

Against this background Unilever has for some time been engaged in closing or selling factories and relocating, offshoring or outsourcing corporate functions. This also has important implications for industrial relations and in particular European and global labour relations.

Industrial relations context

In the Unilever 2005 *Environmental and Social Report* it is stated that in the 40 countries of corporate businesses covered by a survey into labour relations around 50% of the employees are members of trade unions.⁴ In the 2002 Unilever corporate 'Social Review' it was stated that trade union membership levels at Unilever sites in industrial countries are broadly in line with the respective national average and in 'developing countries, such as Indonesia, it is probably far above the national average.'⁵

The experience of Unilever in terms of trade unions and interest representation bodies at national and international level is characterised by the following elements and trends.

The general policy of Unilever's industrial relations is first of all to obey the national laws of the host countries. Corporate policy primarily relies on direct forms of communication and employee involvement in company-based structures such as works councils and trade unions. Where trade union structures exist, the company will communicate and negotiate with these unions according to local legislation and practices. Unilever is not opposed in principle to working with trade unions at a European level, and engaging in constructive dialogue. Unilever Europe, however, does not wish to establish a duplicate or rival channel of regional information and consultation to that already agreed with the EWC and underpinned by legislation.

In general, trade unions therefore are mainly involved with local plant management or national management where national collective bargaining is foreseen. From their point of view, during the last decade the Unilever development is characterised by ongoing restructuring operations. Restructuring at national and increasingly also at cross-border levels has become a structural phenomenon and part of the company's dynamic and normal operating strategy. In this context, in particular, the Unilever EWC (UEWC) is gaining more and more importance not only as a forum of information and communication but also as a partner in substantive negotiations.

Established in 1996, the UEWC today comprises 36 representatives delegated by employees from 20 countries including the new EU Member States Poland, Hungary, Slovenia, Romania, Bulgaria, the Czech Republic and Slovakia. As a platform of information and consultation with the European Unilever Management, the UEWC plays an increasingly active role in the context of implementing the Unilever restructuring programmes in Europe. In this context, joint texts and declarations with the management have been agreed on data protection or social responsible restructuring in the early years of this century. Quite recently, the UEWC was also engaged in negotiations with the European management when in December 2005 an agreement was reached on the implementation and employment effects of outsourcing and offshoring in the fields of corporate IT, HR and finance ('shared services').

⁴ Unilever *Environmental and Social Report 2005*, p. 27.

⁵ Cited in *Unilever Company Profile*, edited by FNV Mondial/FNF Bondgenoten, July 2005, p. 19.

The Unilever code of business principles

Background

The 2005 Unilever *Environmental and Social Report* states that:

'In every region, our businesses work to the same good standards of employment as set out in our code of Business Principles. We abide by core ILO labour standards and manage the business to ensure that human dignity and labour rights are maintained. Our Code sets out requirements such as not using any form of forced, compulsory or child labour.' (p. 27)

In 1996, Unilever formulated its 'Corporate Purpose', a mission statement, which formed the basis of its 'Code of Business Principles'. This code was revised in 2001-2002 mainly in order to adjust the code to the recently revised OECD Guidelines for Multinational Enterprises (published in June 2000) and to take into account the UN Global Compact. The Code of Business Principles addresses the following issues:

- standard of conduct;
- obeying the law;
- employees;
- consumers;
- shareholders;
- business partners;
- community involvement;
- public activities;
- the environment;
- innovation;
- competition;
- business integrity;
- conflicts of interests.

In order to implement the code of conduct into day-to-day business, Unilever has developed many instruments and projects. The company also has continuously improved and deepened its image as a socially responsible company, e.g. by measures such as:

- signature of the UN Global compact and participation in various CSR initiatives (CSR Europe, Business for Social Responsibility in the United States, Instituto Ethos in Brazil);
- reporting and monitoring social performance of corporate practice (starting with the 'Social Review' in 2002) and publishing regular CSR reports based on the Global Reporting Initiative;
- installing a 'confidential ethics hotline' in order to be aware of violation of the Code of Business Principles;

- intensifying activities in the field of environmental protection and sustainability, and active participation in the World Business Council for Sustainable Development; Unilever is also a member of the Dow Jones Sustainability Indexes, FTSE4Good Index Series and the Business in the Community Corporate Responsibility Index;
- initiatives and activities in order to adjust and increase the compliance of business partners to the Unilever CSR commitments;
- setting up of a Corporate Responsibility Council chaired by a executive board member to oversee all activities in the field.

The overarching objective and philosophy of these activities is described by the Unilever chairman in the foreword to most recent (2005) *Environmental and Social Report*:

'In future, we intend to integrate our environmental and social activities into our business plans. We want them to become part of our business model and the day-to-day management of our company.' (p. 1)

Motives and drivers of CSR

Unilever belongs to a group of multinationals that are quickly adopting and implementing new management styles and human relations approaches. In this context, the code of conduct mainly reflects management aims and orientations in the context of reorganising and restructuring Unilever ('One Unilever' programme) and the company's revised wider CSR strategy. The Unilever code therefore is clearly management driven; there is no active involvement of works councils or trade unions in developing, implementing and monitoring.

However, the practice and politics of the Unilever EWC, national and international trade unions draw on the Unilever Social Code in the context of working and campaigning for socially responsible restructuring, trade union rights and employee involvement, which resulted for example in the joint text on socially responsible restructuring agreed between the EWC and European Unilever management in 2001.

Contents and role of actors

Contents

The Unilever Code of Business Principles is a concise document of five pages of general principles defining standards of behaviour. As stated in the document *'more detailed guidance tailored to the needs of different countries and companies will build on these principles as appropriate, but will not include any standards less rigorous than those contained in this Code.'* (Chairman's Introduction, p. 1)

Under the heading 'Employees' the Unilever code states the following:

'Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company based information and consultation procedures.' (Unilever Code of Business Principles, p. 2)

More information on these fundamental standards is included in the corporate Social Reviews. For example, the Social Review 2002 points out that Unilever subsidiaries have systems in place to check the age and status of all employees where legally appropriate in order to implement the prohibition of ‘forced, compulsory or child labour’. Already in the 2000 ‘Social Review’ it was stated that Unilever fully endorses ILO Convention No. 182. This convention, which prohibits employing anyone under 18 years of age, is not only applicable to the company and its subsidiaries, but also to suppliers and subcontractors. The report also mentioned that the company fully endorses the ILO Declaration on Fundamental Principles and Rights at Work.

Freedom of association and collective bargaining

The version of the code in 2000 made no references to workers' organisations or trade unions, stating simply that: ‘Unilever believes it is essential to maintain good communications with employees, normally through company-based information and consultation procedures’. The revised Code of Business Principles, adopted in spring 2002, adds that ‘we respect the dignity of the individual and the right of employees to freedom of association’. But the 2002 Social Review states that Unilever fully recognises the right of employees to join trade unions.

While the Code of Business Principles does not refer to the right of collective bargaining, this issue is mentioned in a reference note to the Unilever Business Partner Code:

‘The right to collective bargaining is implicit in the recognition of freedom of association. In line with its own long-standing practice and its adherence to the United Nations Global Compact, Unilever expects its suppliers to recognize the right to collective bargaining (where allowable by law).’ (Unilever Business Partner Code)

Unilever Business Partner Code

In recent years Unilever also started to intensify activities in order to bring its suppliers in line with its Code of Business Principles. This is not an easy task since in 2005, the company was doing business with around 10,000 suppliers of raw materials and packaging to Unilever manufacturing operations. These are regarded as first-tier suppliers of production items and the wider pool of potential suppliers amounts to more than 19,000 registered in a central database.⁶

In order to adjust suppliers’ social and environmental standards to the Unilever Code of Business Principles, the company in 2003 introduced a Business Partner Code, comprising expectations for suppliers with respect to health and safety at work, business integrity, labour standards, consumer safety and the environment. The Business Partner Code contains 10 principles covering business integrity and responsibilities relating to employees, consumers and the environment (see annex 2). Six of the ten principles deal with fundamental labour standards and employee rights such as:

- no employee shall suffer harassment, physical or mental punishment, or other form of abuse;
- compliance of wages and working hours with laws, rules and regulations in the country concerned;
- prohibition to use forced or compulsory labour and freedom of employees to leave employment;

⁶ See Unilever *Environmental and Social Report* 2005, p. 25.

- prohibition to use child labour and the obligation to comply with relevant ILO standards;
- respect for the right of employees to freedom of association and – where allowable by law – the right to collective bargaining;
- the obligation to provide safe and healthy working conditions.

Unilever in 2004 began to communicate its Business Partner Code to all first-tier suppliers and seek their assurance that they adhere to its principles. During 2005 and 2006 suppliers were asked to reply and confirm the acknowledgement of the Unilever principles which the overall majority of suppliers did. However, there are some examples of Unilever withdrawing business from suppliers arising from non-compliance with the social and/or environmental standards.

Table 2: *Basic features of the Unilever code of conduct*

| Features | Data |
|----------------------|---|
| Name of the document | Code of Business Principles |
| Original date | 2000, revised in 2002 |
| Signatory parties | Not applicable |
| References | ILO Declaration of Fundamental Principles UN Global Compact |
| Contents | Standard of conduct; Obeying the law; Employees; Consumers; Shareholders; Business partners; Community involvement; Public activities; The environment; Innovation; Competition; Business Integrity Conflicts of Interests |
| Scope | All corporate subsidiaries Own code for first-tier suppliers since 2004 (Business Partner Code) |

Source: *Authors*

Implementation and monitoring

Over the past years Unilever has been actively involved in setting standards for social and environmental behaviour and conduct. It does this in a very systematic way and still is in the process of developing procedures to make the given standard applicable throughout all of its operations.

As part of the commitment on corporate social responsibility, it is clear that implementing the code of conduct and monitoring local compliance is a management responsibility. Local and national subsidiaries are required to implement the general standards and principles at least with regard to what Unilever considers to be standard international issues. However, some issues may remain specific to local situations.

In the years 1999 and 2000, Unilever conducted a series of pilot projects on social monitoring in nine countries representing the variety of Unilever subsidiaries worldwide, like the UK, Netherlands, Brazil, Turkey, Ghana, India, Vietnam and Poland; this is in order to develop practical knowledge of experience regarding implementation, monitoring and reporting of standard issues of the code. Management representatives from each country wrote a comprehensive self-assessment manual, which created an opportunity to rely on more practical forms of measurement and benchmarking than the more abstract Code of Business Principles. The Social Review 2000 announced that the results of these projects should serve as the basis of a 'CSR roadmap' which eventually would be applied to all Unilever operations worldwide.

The 2002 Social Review Unilever mapped out further objectives in the context of implementing, monitoring and evaluating the social principles:

- Completing a CSR roadmap on good practice;
- Issuing guidance for managers on standards for contracted suppliers;
- Expansion of local reporting and supporting local managers to include self-assessment indicators in reports;
- Learning from self-assessment and identifying certain indicators for future reporting;
- Increasing the transparency of performance information;
- Participation in social partnerships, through the UN Global Compact Initiative, and directly.

Furthermore, as mentioned above, Unilever considers it of vital importance to extend its influence and responsibility to its suppliers and (sub)contractors on both social and environmental issues. In specific situations, Unilever has declared that it will continue to buy certain ingredients only after suppliers conform to specific environmental guidelines. In line with the procedures of the compliance programme for business partners, suppliers received several years to fully comply. If they did not match the given standard they were dropped as suppliers.

Enforcement

The Unilever Code of Business Principles is communicated to all employees and translated into 47 languages, and awareness of the Code is evaluated in regular representative surveys. In 2005, some 21,000 employees worldwide participated in the survey which revealed a nearly 100% awareness of the Code and practical tools for implementation.

Compliance is overseen by a Code of Business Principles Compliance Committee consisting of two joint secretaries, the chief auditor, HR director and the head of corporate relations. The committee meets quarterly to review the quarterly reports from local management (including reports of infringements). Unilever employees who are aware of a violation of the Code of Business Principles are encouraged to use the normal channels to report their suspicions through their line manager or HR director.

Unilever also has introduced a confidential ethics hotline to facilitate employees anonymously submitting concerns regarding accounting and auditing issues according to the Sarbanes-Oxley legislation in the United States. The hotline handles all Code of Business Principles issues.

Monitoring and reporting

In 2006, Unilever for the first time published a combined *Environmental and Social Report* (before separate social and environmental reports have been published). The report covers a wide range of issues connected to the Unilever approach to Corporate Social Responsibility, including health and sustainability/environmental issues. The report also includes a 'performance review' covering the following areas which are regarded as being crucial:

- consumers;
- customers;
- suppliers;
- employees;
- environment;

- civic engagement;
- communities.

In the area of employees, the progress regarding compliance with the labour related issues of the Unilever Business Principles Code is evaluated as follows:

‘The Code of Business Principles brings together our values and sets the framework within which we work. Each year company chairmen give an assurance that their business is in compliance with the Code. The Code is communicated to all employees and translated into 47 languages, with processes in place to raise concerns and report breaches. In 2005, we dismissed 66 people for breaches of our Code (compared to 89 in 2004).’ (Unilever Environmental and Social Report 2005, p. 26)

In addition, the report includes information on progress and plans for the coming years in the field of various CSR issues. Amongst these, labour issues are only covered indirectly (in the context of improving the social reporting system). Instead, the company’s focus is on the following targets and priority goals:

- address consumers’ concerns for health through nutrition and hygiene;
- secure sustainable supplies and contribute to wider sustainable development;
- create and share wealth;
- manage and report on corporate responsibilities (including social reporting).

Here, the suggestions of an external evaluation of the Unilever social and environmental report should be mentioned. Unilever commissioned an external evaluator to provide independent assurance of the report, who made the following recommendation in order to improve Unilever’s corporate responsibility and reporting:

‘the social and economic impacts of Unilever’s re-organisation on its workforce and communities have not been reported and, for completeness, should be included in future disclosure.’ (Unilever Environmental and Social Report 2005, p. 37)

Monitoring the social performance of Unilever is also carried out by third parties, in particular NGOs and trade unions. For example the Dutch trade union federations FNV Mondiaal and FNV Bondgenoten in 2000 initiated a ‘company monitor’ on four Dutch multinationals (Ahold, Akzo Nobel, Philips and Unilever). The monitor and a series of national surveys aim to assess the performance of Dutch multinationals in the area of ‘corporate social responsibility’ (CSR). The *Unilever Company Profile Report* of 2005 states the following in relation to non-compliance with the Unilever code:

‘This demonstrates the urgency for developing an effective and independent monitoring system based on employee interests. The issue should be taken seriously by both corporations and unions worldwide. And so, the FNV-sponsored programme of an international trade union-based monitor of corporations (...) maybe can jump-start a serious discussion between both sides on the gradual improvement of social standards in all Unilever operations worldwide.’⁷

⁷ *Unilever Company Profile*, p.24.

Outcomes and impact⁸

The Unilever Code of Business Principles as well as the Business Partner Code and the manner of implementation, monitoring and reporting mirrors the specific corporate culture of the company as well as the wider corporate strategy. The Code is a result of the new CSR commitments of the company. As such, the code clearly is also an instrument of social regulation, namely compliance of the management of local subsidiaries and business partners with international norms and human as well as labour rights and national legal requirements.

The Code of Business Principles has contributed to implement the 'One Unilever' strategy in the field of global human resources, company wide principles of social policy and major commitments of corporate social responsibility.

Since the Codes of Conduct clearly has to be seen as a management initiated and driven instrument, the concrete impact on company wide industrial relations is rather slight outside of commitments included in the document like the right to organise and bargain collectively and freedom of association. It should also be repeated that in the context of analysing social indicators and social reporting, Unilever has also carried out investigations on the level of trade union membership in its largest subsidiaries worldwide.

Though the code of conduct has not yet contributed to the development of global structures or practices of social dialogue, information or consultation on labour and industrial relations, this might change in the future against the background of a more centralised approach to company-wide principles of employer-employee relations and social dialogue which have already resulted in the growing role and influence of the Unilever European Works Council.

Annexes

- Unilever Code of Business Principles
- Unilever Business Partner Code

Annex 1: Unilever Code of Business Principles

Chairman's Introduction

Unilever has earned a reputation for conducting its business with integrity and with respect for the interests of those our activities can affect. This reputation is an asset, just as real as our people and brands.

Our first priority is to be a successful business and that means investing for growth and balancing short term and long term interests. It also means caring about our consumers, employees and shareholders, our business partners and the world in which we live.

To succeed requires the highest standards of behaviour from all of us. The general principles contained in this Code set out those standards. More detailed guidance tailored to the needs of different countries and companies will build on these principles as appropriate, but will not include any standards less rigorous than those contained in this Code.

We want this Code to be more than a collection of high sounding statements. It must have practical value in our day to day business and each one of us must follow these principles in the spirit as well as the letter.

Standard of conduct

We conduct our operations with honesty, integrity and openness; and with respect for the human rights and interests of our employees.

We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the law

Unilever companies and our employees are required to comply with the laws and regulations of the countries in which we operate.

Employees

Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour.

We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association.

We will maintain good communications with employees through company based information and consultation procedures.

Consumers

Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business partners

Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners.

In our business dealings we expect our business partners to adhere to business principles consistent with our own.

Community involvement

Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfil our responsibilities to the societies and communities in which we operate.

Public activities

Unilever companies are encouraged to promote and defend their legitimate business interests.

Unilever will cooperate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests.

Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer term goal of developing a sustainable business.

Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science applying rigorous standards of product safety.

Competition

Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business integrity

Unilever does not give or receive whether directly or indirectly bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of interests

All Unilever employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the company.

Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Unilever Board is responsible for ensuring these principles are communicated to, and understood and observed by, all employees.

Day to day responsibility is delegated to all senior management of categories, functions, regions and operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board, supported by the Audit Committee of the Board and the Unilever Executive Committee.

Any breaches of the Code must be reported in accordance with the procedures specified by the Joint Secretaries. The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

The Board of Unilever expects employees to bring to its attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

Annex 2: Unilever Business Partner Code

1. There shall be compliance with all applicable laws and regulations of the country where operations are undertaken;
2. There shall be respect for human rights, and no employee shall suffer harassment, physical or mental punishment, or other form of abuse;
3. Wages and working hours will, as a minimum, comply with all applicable wage and hour laws, and rules and regulations, including minimum wage, overtime and maximum hours in the country concerned;
4. There shall be no use of forced or compulsory labour, and employees shall be free to leave employment after reasonable notice;
5. There shall be no use of child labour, and specifically there will be compliance with relevant ILO standards;
6. There shall be respect for the right of employees to freedom of association;*
7. Safe and healthy working conditions will be provided for all employees;
8. Operations will be carried out with care for the environment and will include compliance with all relevant legislation in the country concerned;
9. All products and services will be delivered to meet the quality and safety criteria specified in relevant contract elements, and will be safe for their intended use;
10. There shall be no improper advantage sought, including the payment of bribes, to secure delivery of goods or services to Unilever companies.

* The right to collective bargaining is implicit in the recognition of freedom of association. In line with its own long-standing practice and its adherence to the United Nations Global Compact, Unilever expects its suppliers to recognise the right to collective bargaining (where allowable by law).

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EF/07/92/EN 10