

Human Rights report

2020

Supplier
audit update



Unilever

Human Rights report 2020

Supplier audit update

Our ambition is to embed the respect and promotion of human rights into every function, role, and corner of our organisation. As part of meeting that ambition, we made a commitment in 2014 to disclose our efforts and challenges in implementing the UN Guiding Principles on Business and Human Rights.

The following pages give the latest data relating to audit findings from our extended supply chain, including non-conformances with the mandatory requirements of our Responsible Sourcing Policy (RSP). This report focuses specifically on our eight salient human rights issues and gives examples of how we have addressed them covering audits conducted in 2019. Data relating to 2017 and 2018 can be found [here](#). You can also find highlights of our progress to address our salient issues in our [2020 Human Rights Report](#).

We use a risk-based approach, where all suppliers are assessed for both the risk of what they supply and the inherent risks of the country where they operate. Suppliers that are deemed to represent a high risk are

required to have a third-party audit conducted. During the audit, a non-conformance is identified when a supplier is found to be in breach of any of the mandatory requirements of the RSP. More serious non-conformances are classed as critical incidents, with the most severe of these identified as key incidents. To determine the validity period and frequency of auditing, we use the number of non-conformances and/or the presence of critical or key incidents. Key incidents require an immediate response to remediate the identified issues.

The RSP is designed to set the minimum threshold for suppliers' practices, defined as mandatory requirements, and define what both Good and Best Practices are, with the aim of helping suppliers to further improve practices. Auditors provide suppliers with observations where their practices are below what Unilever defines as Good Practices, but these are not classed as non-conformances.

In line with the UN Guiding Principles on Business and Human Rights, we will work with suppliers to address identified issues and find appropriate solutions. However, there are cases

when Unilever will cease sourcing from a supplier if they are unwilling to alter their practices.

Our Responsible Sourcing Policy can be found [here](#), and information about our audit requirements can be found [here](#).

Audits are helpful in providing assessment of large numbers of suppliers, such as we have in our extended supply chain. They are not always effective at identifying issues such as harassment or discrimination, and workers may not always feel comfortable raising such issues in an audit setting. We are committed to continually strengthening audits and working with third-party auditors to build capability. That enables more accurate assessments and better analysis of the cause of any increases or decreases in non-conformances. Accordingly, we publish our progress in the spirit of continuous improvement and recognition of both the usefulness, and the limitations, of any audit process, and in the belief that transparency and accountability must underpin the advancement of human rights.

Discrimination

Fair wages

Working hours

Forced labour

**Our supplier
audit findings data
for each of our
salient human
rights issues**

Land rights

Freedom of association

Health & safety

Harassment

Discrimination and harassment

Data in relation to discrimination and harassment are taken from on-site audits conducted in 2019 that found non-conformances against Fundamental Principle 3 of our RSP, which requires that “All workers are treated with respect and dignity. No worker is subject to any physical, sexual, psychological or verbal harassment, abuse or other form of intimidation. There is no discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement. Discrimination based on race, ethnicity, age, role, gender, gender identity, colour, religion, country of origin, sexual orientation, marital status, pregnancy, dependants, disability, social class, union membership or political views is prevented. In particular, attention is paid to the rights of workers most vulnerable to discrimination.”

Our audits examine if the facility has appropriate policies and procedures in place, and whether workers have received adequate training. More critically, the auditors also interview the workers to try to ascertain if the training has been effective. This means determining if the workers understand their rights and what they can do when discrimination or harassment takes place.

These worker interviews are particularly relevant when it comes to cases of discrimination or harassment, which may not be obvious or visible during an on-site audit in the same way as, for example, a health & safety issue might be.

Audits conducted in 2019 found 229 non-conformances, with 47% of these relating to poor training for workers and their supervisors, or to workers revealing a lack of understanding of discrimination and harassment issues during interviews. 25% of non-conformances related to not having appropriate protection in place for women during maternity, more specifically a lack of policy and procedure to ensure the safety and appropriate needs of pregnant and lactating female workers. Out of the 229 non-conformances, 17% relate to cases of direct discrimination.

To address discrimination non-conformances, we support suppliers as they develop their remediation plans, with the safety of workers being the priority throughout the process.

Key data

229

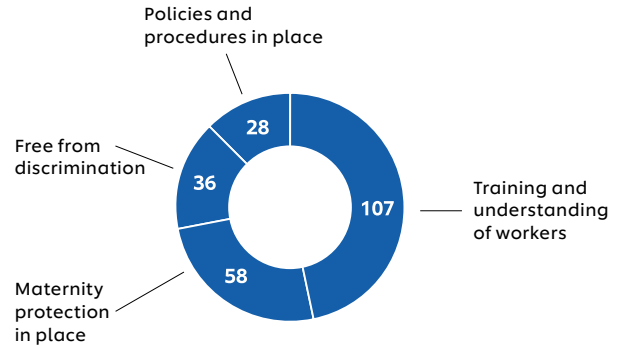
non-conformances related to discrimination and harassment.

47%

of non-conformances related to not having appropriate training in place.

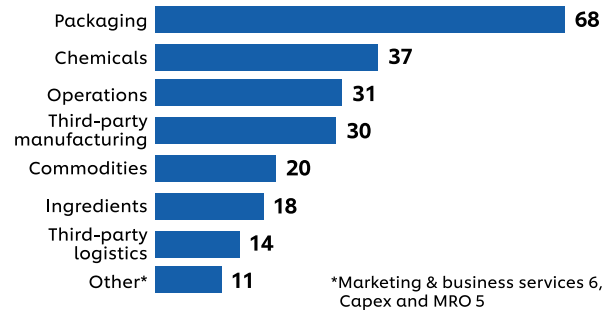
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



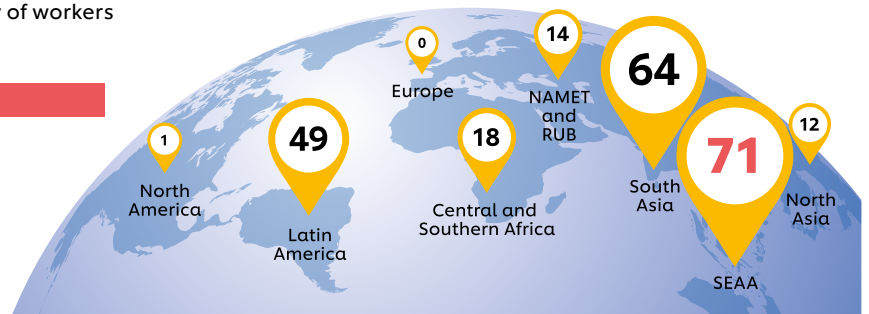
Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



See network clusters and countries, on page 13, for a list of countries in each region, as classified by Unilever.

Fair wages

Data in relation to fair wages is taken from audits conducted in 2019 that identified non-conformances against our RSP, specifically Fundamental Principle 6, which requires that “All workers are provided with a total compensation package that includes wages, overtime pay, benefits and paid leave which meets or exceeds the legal minimum standards or appropriate prevailing industry standards, whichever is higher, and compensation terms established by legally binding collective bargaining agreements are implemented and adhered to.”

Our audits in 2019 found 1,128 non-conformances in relation to fair wages, with 34% of non-conformances relating to the transparency of workers’ payment records and payslips, and 33% of relating to wages not being fair and equal.

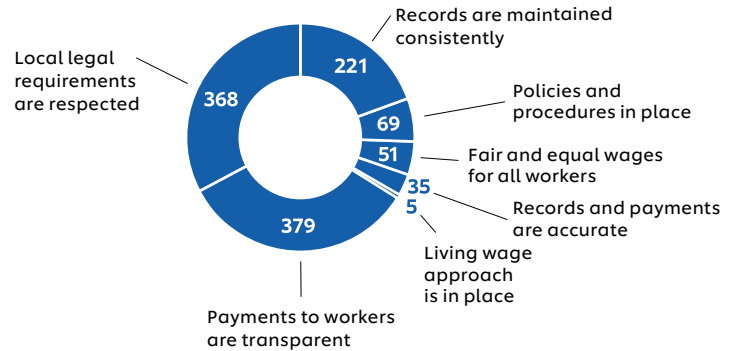
RSP in Action: Brazil

As a result of our audits, we found that a supplier in a remote location did not provide transport or a transport allowance to workers travelling long distances to work. The workers were paying 20% of their wages for transport, impacting their ability to earn a wage that met their basic needs and provided discretionary income.

Our Procurement and Social Sustainability teams worked closely with the supplier to understand the issue and work on remediation. After dialogue, engagement, and follow up audits with targeted actions, the supplier no longer requires workers to pay for transportation.

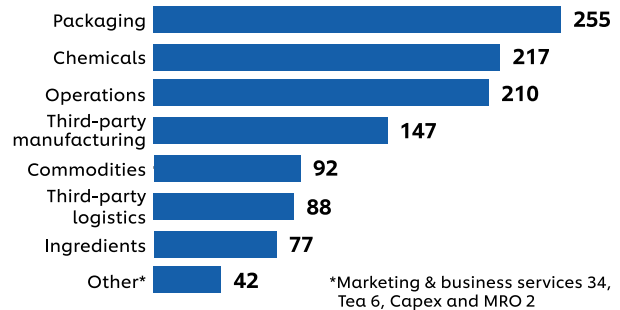
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



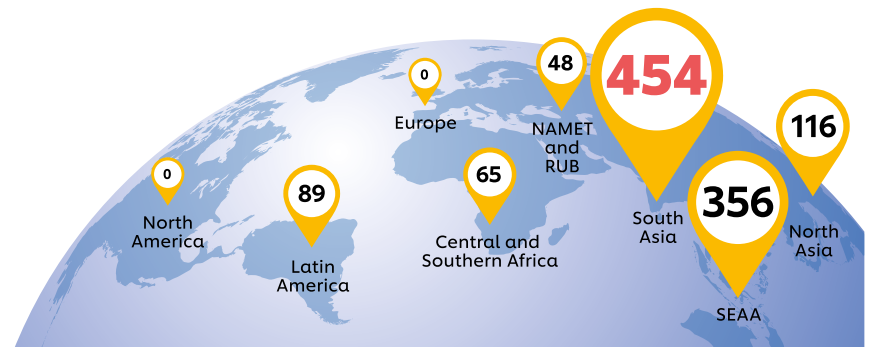
Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

1,128

non-conformances related to fair wages.

34%

of non-conformances related to the transparency of workers’ payment records.

33%

of non-conformances relating to wages not being fair and equal.

See network clusters and countries, on page 13, for a list of countries in each region, as classified by Unilever.

Forced labour

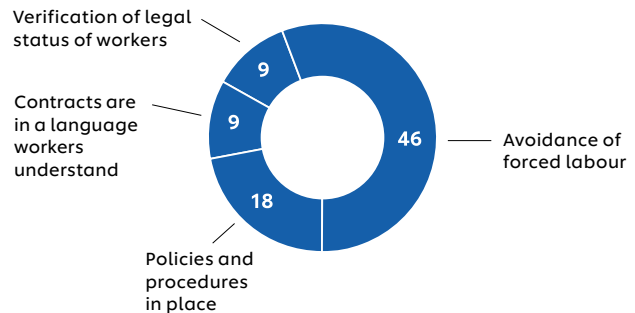
Data in relation to forced labour is taken from audits conducted in 2019 which found non-conformances against our RSP, and specifically Fundamental Principle 4, which requires that: “Under no circumstances will a supplier use forced labour, whether in the form of compulsory or trafficked labour, indentured labour, bonded labour or other forms. Mental and physical coercion, slavery and human trafficking are prohibited.”

Our audits found 82 non-conformances in relation to forced labour, with 56% of these relating to the creation of indebted labour, which makes it difficult or impossible for a worker to have the freedom of movement to leave employment. Such practices include when workers are required to pay a recruitment fee to acquire employment, or to pay for their own personal protective equipment, or where payments are retained until the end of a harvest or other period. 22% of the 82 non-conformances found relate to a lack of policies and procedures to ensure that all workers enter employment freely and equally and that they are not prevented from resigning and leaving.

This continues to be a complex salient issue that traditional auditing does not always effectively identify. We drive action and engage with suppliers, non-governmental organisations, and governments to address forced labour and focus on effective and trusted grievance mechanisms for workers. Forced Labour is an area where we work with and advocate through initiatives including the [Consumer Goods Forum](#) and the [Leadership Group for Responsible Recruitment](#) as we recognise the power of collaboration to influence positive change. We have also been continuously engaged with audit companies to increase the capability of auditors in different regions to identify the wide range of indicators of forced labour in global supply chains.

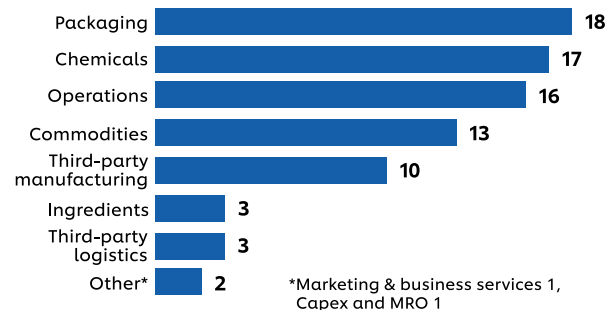
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

82

non-conformances related to forced labour.

56%

of non-conformances related to factors that will lead to debt bondage limiting a worker's freedom of movement.

22%

relate to a lack of policies and procedures.

Freedom of association

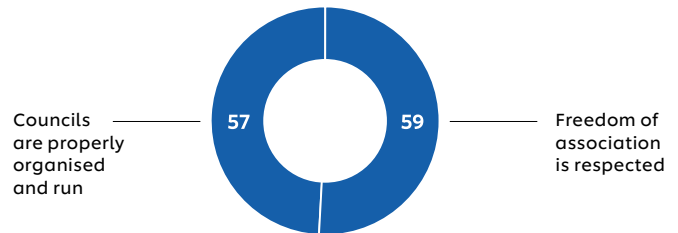
Data in relation to freedom of association is taken from audits conducted in 2019 with non-conformances against our RSP, and specifically Fundamental Principle 8, which requires that: "The rights of workers to freedom of association and collective bargaining are recognised and respected. Workers are not intimidated or harassed in the exercise of their right to join or refrain from joining any organisation."

Audits conducted during 2019 identified 116 non-conformances in relation to freedom of association. The majority of non-conformances relate to freedom of association not being duly respected, with issues such as workers not able to freely join a union or worker committee or managers, supervisors and guards not trained to respect each worker's right to associate freely. 51% of all non-conformances relate to these issues. The majority of audit findings were from the South Asia and Southeast Asia.

We don't rely solely on audits to identify issues in relation to freedom of association. We continue to regularly engage with trade unions including the [International Union of Food Workers](#) and [IndustriALL](#), among others.

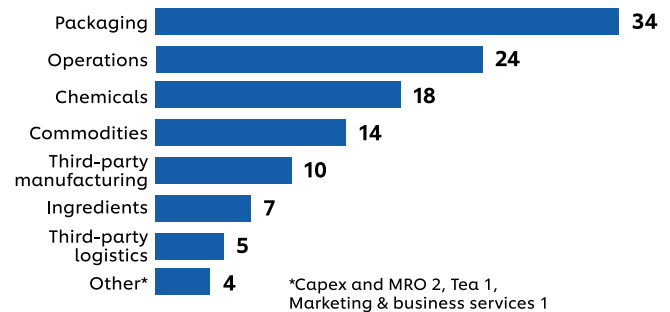
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

116

non-conformances related to freedom of association.

51%

of non-conformances related to freedom of association not being respected.

Health & safety

Data in relation to health and safety is taken from audits conducted in 2019 which found non-conformances against our RSP and specifically Fundamental Principle 9, which requires that: "A healthy and safe workplace is provided to prevent accidents and injury arising out of, linked with, or occurring in the course of work or as a result of the employer's operations."

In 2019 our audit findings identified 4,989 non-conformances regarding health and safety. On average 66% of all our audit findings relate to health and safety issues, with fire safety and lack of training accounting for the biggest proportion of these issues.

Health & Safety issues continue to challenge suppliers and are often easily identified during the walk-through portion of the audit. As previously reported, these issues identified can be both relatively easy to resolve, for example suppliers ensuring fire exits are not blocked, or more complex, such as the lack of a fire detection and fire-fighting system, requiring significant capital investment and time to achieve a solution. In such cases, we continue to require suppliers to create a short-term remediation plan that will effectively reduce the risk and protect workers, while working toward a longer-term permanent solution that requires more time and capital investment. We find that a root cause of most issues is often a lack of both awareness and of a 'health & safety mindset' leading to a prioritisation of guidance and training for suppliers.

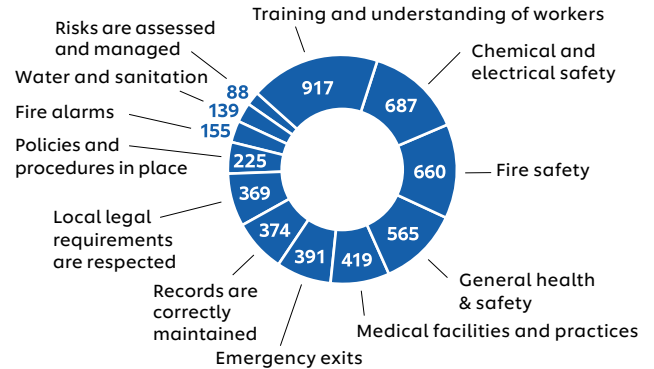
RSP in Action: India

An audit of one of our manufacturing suppliers found a number of issues relating to health and safety: the supplier had not installed sprinklers and its fire safety equipment was not fit for purpose, while its permit for storing liquefied petroleum gas (LPG) was found to have expired.

We supported the supplier through their creation of a remediation plan. The the supplier had fitted sprinklers by Spring 2020 – which is when there was a fire at the facility. No-one was injured and the fire was contained because of the newly installed sprinkler system and other remedial actions taken.

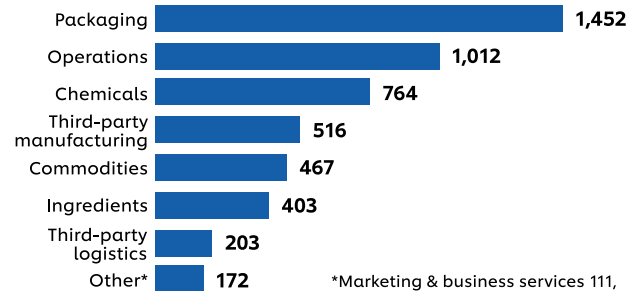
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



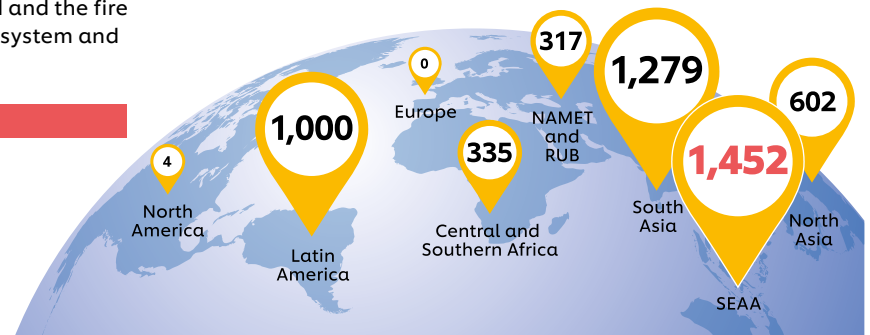
Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

4,989
non-conformances relating to health & safety.

66%
of all audit findings are related to health and safety non-conformances.

See network clusters and countries, on page 13, for a list of countries in each region, as classified by Unilever.

Land rights

Data in relation to land rights is taken from audits conducted in 2019 which found non-conformances against our RSP, and specifically Fundamental Principle 11, which requires that: “The rights and title to property and land of the individual, indigenous people and local communities are respected. All negotiations with regard to their property or land, including the use of and transfers of it, adhere to the principles of free, prior and informed consent, contract transparency and disclosure.”

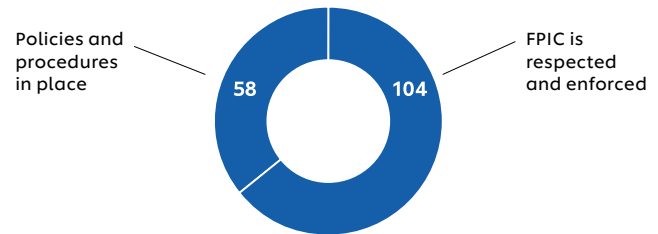
Audits conducted in 2019 identified 162 non-conformances in relation to land rights. 64% of these non-conformances related to suppliers not following the principles of free, prior and informed consent (FPIC) with issues revolving around: (i) suppliers not having a specific article in their code of conduct which covers FPIC and prohibits land grabbing, and (ii) suppliers not having an individual or team trained to deal with local communities and indigenous peoples on the principles of FPIC. A further 36% of the non-conformances related to suppliers not having policies and procedures in place in regard to land rights. 70% of all non-conformances were reported in Asia.

Our RSP requires a higher standard than many countries’ property laws regarding land rights. While a land acquisition can be legal under local requirements, a change in land ownership or use can have significant consequences for the ability of those affected to maintain their livelihoods, gain access to water, and have access to other rights. Many of the non-conformances continue to be because suppliers need to go beyond legal requirements in order to adhere to the RSP.

Our own internal Land Rights Principles and Implementation Guidance we reported on in 2019 serves as a tool for sharing lessons with suppliers. We continue to work with suppliers to explain the importance of land rights and their impact on the communities in which they operate, and to develop solutions to issues identified.

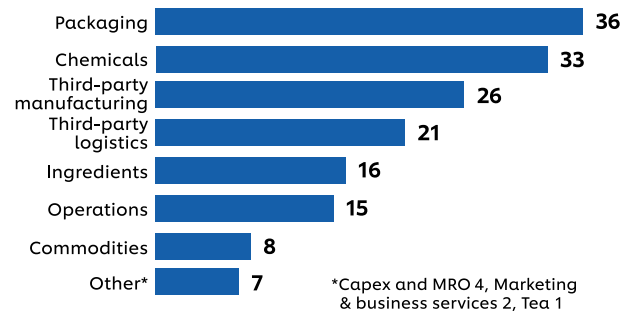
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



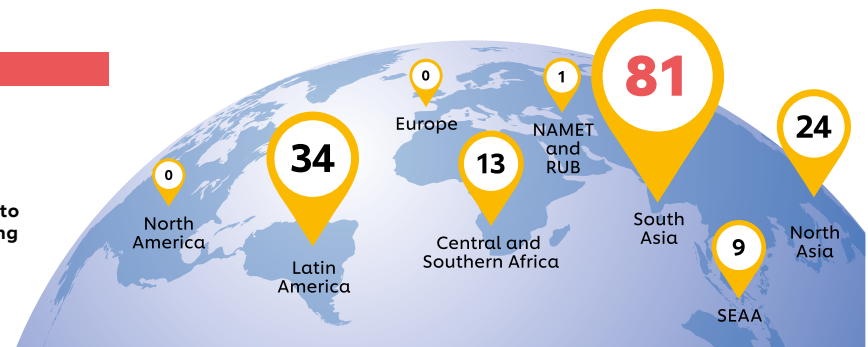
Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

162

non-conformances related to land rights.

64%

of non-conformances related to suppliers lack of understanding or respect of free, prior and informed consent (FPIC).

Working hours

Data in relation to working hours is taken from audits conducted in 2019 which found non-conformances against our RSP, and specifically Fundamental Principle 7, which requires that: "Workers are not required to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. All overtime work by workers is on a voluntary basis."

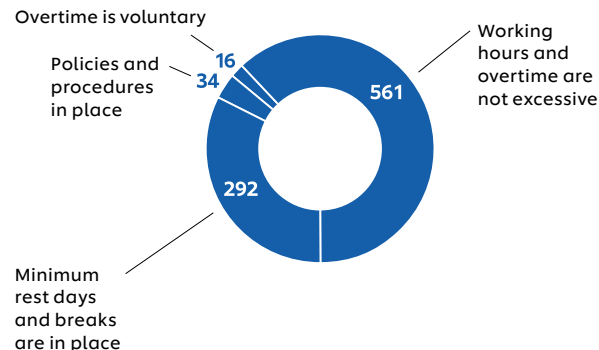
Our audits identified 903 non-conformances in 2019, with 62% of all findings relating to working hours being over the legally allowed maximum, or in the absence of local legislation, in excess of the international standards set by the International Labour Organisation. A further 32% of non-conformances related to a lack of appropriate daily or weekly rest periods. Working hours issues were most prevalent across South Asia and Latin America.

There is a significant link between low wages and excessive working time, especially in emerging economies recovering from recent economic recession periods. The COVID-19 pandemic has added further complexity to the relationship between working hours and wages. The impact of the pandemic on global and local economies, as well as straining the supply chain in a number of ways, has put some suppliers and workers in positions of working even more extensive hours. In Latin America, for example, we have seen some cases in our supply chain where rest days have not been given appropriately to workers. In most cases this happens due to local law not being clear on resting days.

In all cases, we work with suppliers to understand the root causes, overall impact on the workers, verify all working hours are being paid properly including overtime, and work on both short-term and long-term plans to mitigate any health and safety risks to workers.

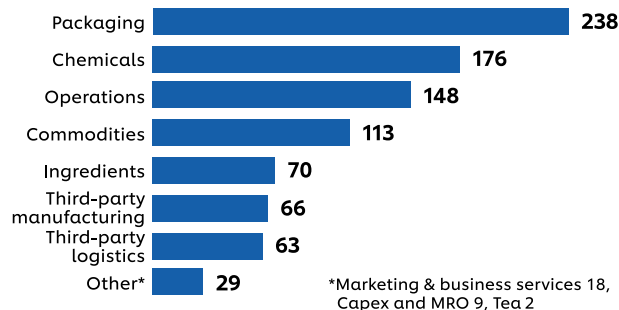
Non-conformances versus mandatory requirements

Numbers of non-conformances during 2019



Non-conformances by business area

Issues recorded during 2019, listed by business area



Location of non-conformances

Non-conformances during 2019 by region



Key data

903

non-conformances in relation to working hours.

62%

of all non-conformances relating to excessive working hours.

See network clusters and countries, on page 13, for a list of countries in each region, as classified by Unilever.

Total number of non-conformances found during supplier audits in 2019*

4,989



Health & Safety



1,128



Fair Wages



903



Working Hours



229



Discrimination and Harassment



162



Land Rights



116



Freedom of Association



82



Forced Labour



There were a total of 9,441 non-conformances found in all our audits across suppliers in our extended supply chain. A non-conformance is identified when a supplier is found to be in breach of any of the mandatory requirements of our RSP.

The RSP is designed to set both the minimum threshold for suppliers' practices defined as Mandatory Requirements, as well as defining what both Good and Best Practices

are, with the aim of helping suppliers to further improve practices. As previously reported, auditors will provide suppliers with observations where their practices are below what Unilever defines as Good Practices, but these are not classed as non-conformances.

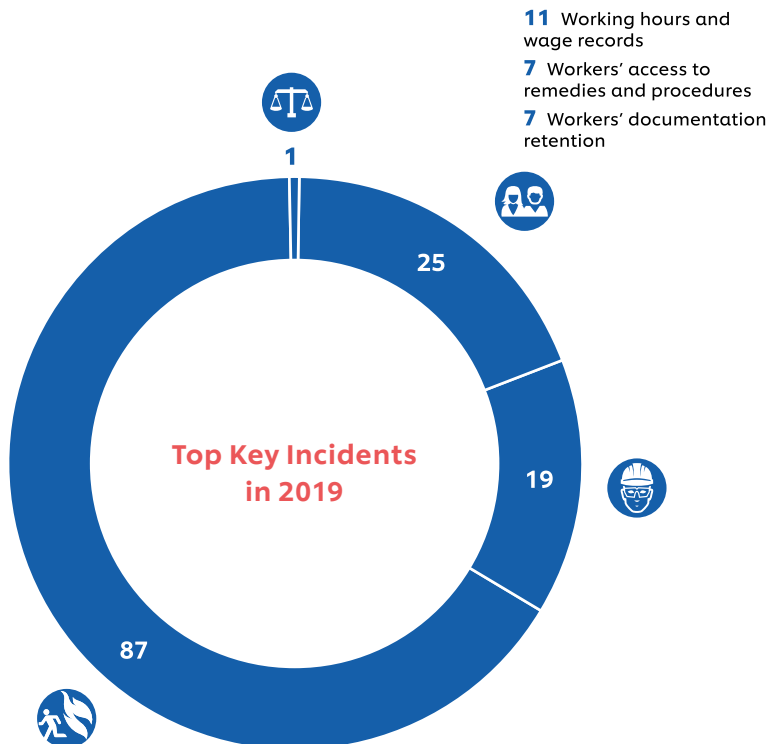
Of the 9,441 non-conformances found, 7,609 related to our eight salient issues, with 66% of these from issues found concerning health and safety. The next most prevalent issues were fair wages and working hours, at 15% and 12% respectively.

* Against our 8 salient issues.

Key Incidents in 2019.

Unilever defines the most severe non-conformances as key incidents. A key incident is typically defined as representing a significant risk to life or injury, or a significant human rights contravention. Key incidents are escalated to Unilever within 24 hours by the auditors and require the creation of a Corrective Action Plan within seven days by the supplier. As with all non-conformances, a follow-up audit is required within 90 days to confirm that the actions taken have been sufficient to remediate the identified issues.

The nature of some key incidents means it may not be possible to close them within this time frame before the follow-up audit, because capital investment or significant changes are needed. In such cases, the supplier will need to develop an interim plan to reduce the risk until the permanent solution can be put in place. The key incident will continue to be recorded as 'open' until fully remediated.



- 11 Working hours and wage records
- 7 Workers' access to remedies and procedures
- 7 Workers' documentation retention

KEY



FIRE SAFETY

Issues such as: non-functioning or absent fire alarms or fire-fighting equipment/systems that would not warn workers of a fire emergency or allow the fire to be controlled.



HEALTH & SAFETY

Issues that represented a threat to life or imminent risk of injury.



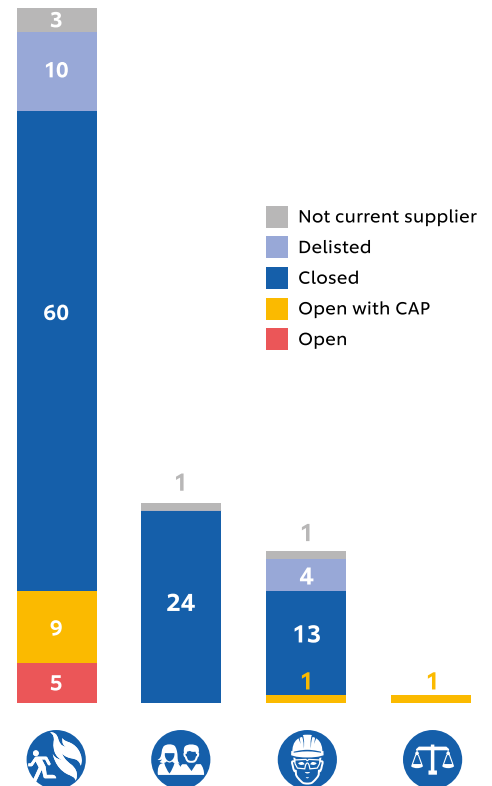
LABOUR RIGHTS

Issues relating to: excessive working hours and contravention of minimum wages, documentation retention or other matters indicative of forced labour.



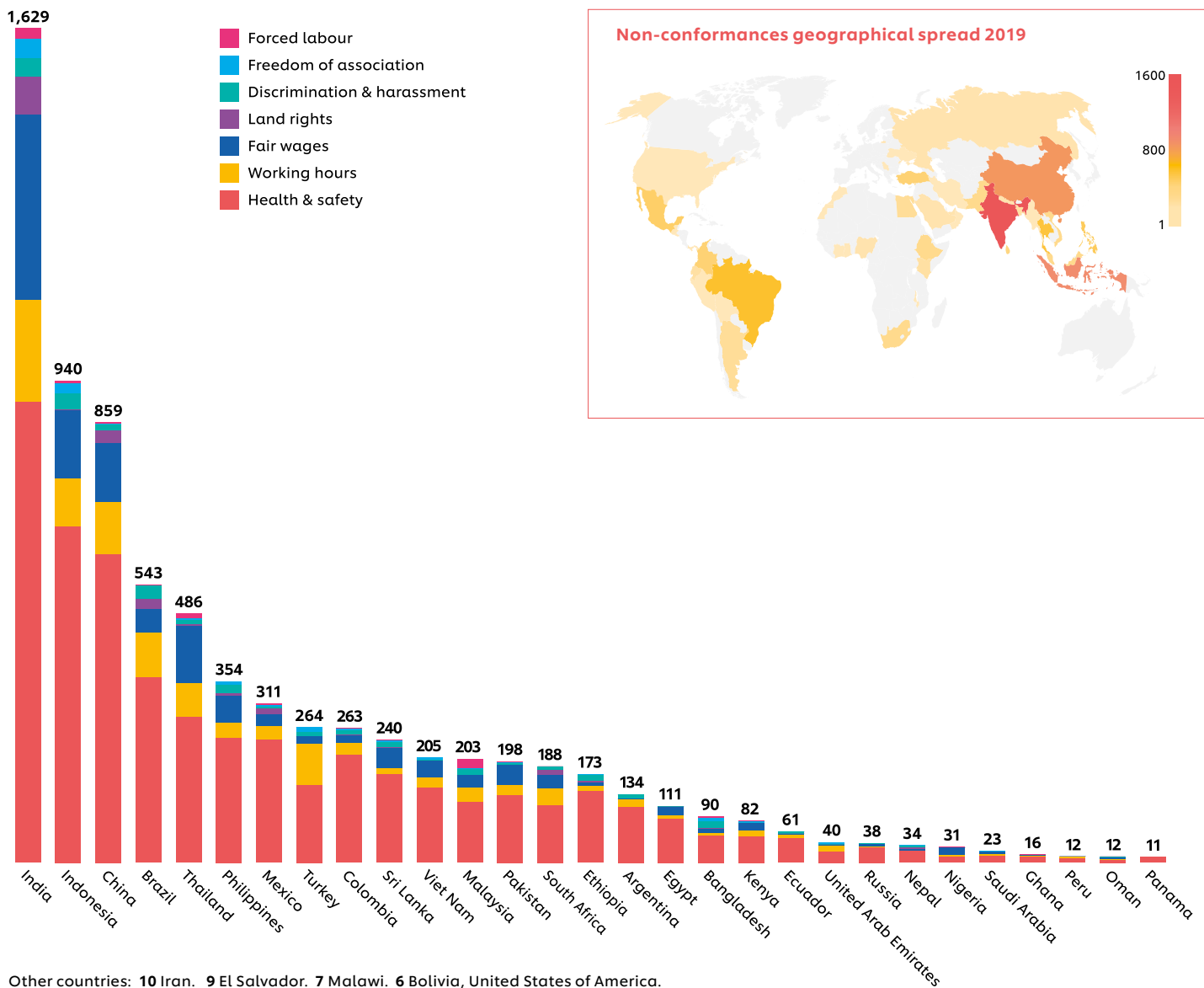
BUSINESS INTEGRITY

Issues relating to conducting business with integrity and in accordance with relevant legal requirements.



Non-conformances per country by salient issue 2019.

Asian countries continue to represent the majority of our non-conformances with over 69% of our total number of non-conformances with South Asia representing 21%. Health & Safety issues are fairly consistent across all geographies as being the biggest area of non-conformances. They represent an average of 66% of all non-conformances. In India, Southeast and North Asia non-conformances relating to fair wages represent over 12% of non-conformances, which is four times the prevalence of the same issue in other geographies.



Other countries: 10 Iran. 9 El Salvador. 7 Malawi. 6 Bolivia, United States of America. 4 Côte d'Ivoire, Morocco, Myanmar, Ukraine. 3 Guatemala. 1 Serbia

Network clusters and countries

North America

Canada

USA

Latin America

Brazil

Mexico

Cuba

Dominican Republic

Haiti

Puerto Rico

Trinidad and Tobago

Belize

Guyana

French Guiana

Suriname

Colombia

Costa Rica

Ecuador

El Salvador

Guatemala

Honduras

Nicaragua

Panama

Venezuela

Argentina

Bolivia

Chile

Paraguay

Peru

Uruguay

Europe

Belgium

Luxembourg

Netherlands

Austria

Germany

Switzerland

France

Greece

Italy

Denmark

Finland

Norway

Sweden

Portugal

Spain

Ireland

United Kingdom

Bosnia & Herzegovina

Croatia

Czech Republic

Hungary

Slovakia

Slovenia

Estonia

Latvia

Lithuania

Poland

Albania

Bulgaria

Kosovo

Macedonia

Moldova

Montenegro

Romania

Serbia

Central and Southern Africa

Burkina Faso

Benin

Côte d'Ivoire

Guinea

Niger

Mauritania

Mali

Senegal

Togo

Ghana

Gambia

Guinea-Bissau

Liberia

Sierra Leone

Burundi

Djibouti

Eritrea

Ethiopia

Madagascar

Rwanda

Somalia

Kenya

Malawi

Mozambique

Tanzania

Uganda

Zambia

Zimbabwe

Angola

Botswana

Cameroon

Central African

Republic

Chad

Congo

Democratic Republic

of Congo

Equatorial Guinea

Gabon

Namibia

South Africa

Lesotho

Swaziland

Nigeria

NAMET (North Africa Middle East & Turkey) and RUB (Russia, Ukraine and Belarus)

Bahrain

Kuwait

Oman

Qatar

UAE

Saudi Arabia

Yemen

Algeria

Libya

Morocco

Tunisia

Western Sahara

Egypt

Iraq

Jordan

Lebanon

Palestine

South Sudan

Sudan

Syria

Belarus

Russian Federation

Ukraine

Armenia

Georgia

Iran

Israel

Turkey

Azerbaijan

Kazakhstan

Kyrgyzstan

Tajikistan

Turkmenistan

Uzbekistan

North Asia

China

Japan

Hong Kong

North Korea

South Korea

Taiwan

South Asia

Bangladesh

Bhutan

India

Nepal

Pakistan

Sri Lanka

SEAA (South East Asia and Australasia)

Australia

New Zealand

Papua New Guinea

Indonesia

Malaysia

Myanmar

Singapore

Philippines

Thailand

Cambodia

Laos

Vietnam

