

Unilever

Overview of controversial business practices in 2008

Sanne van der Wal

Unilever

**Overview of controversial
business practices in 2008**

Sanne van der Wal

Amsterdam, April 2009

Colophon

Unilever

Overview of controversial business practices in 2008

April 2009

By: Sanne van der Wal

Cover Design: Annelies Vlasblom

Funding

This publication is made possible with co-funding from the Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO)

Published by



Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations

Sarphatistraat 30
1018 GL Amsterdam
The Netherlands
Phone: + 31 (20) 6391291
E-mail: info@somo.nl
Website: www.somo.nl

This document is licensed under the Creative Commons Attribution-NonCommercial-NoDerivateWorks 2.5 License.

Introduction

This company briefing has been prepared by SOMO (Centre for Research on Multinational Corporations). It provides an overview of business practices that could be considered as unsustainable or irresponsible which occurred (or might have been addressed) in 2008. In addition, it may describe developments on some issues identified in a similar overview for 2006, which was also prepared by SOMO.

The overview below describes only controversial practices that were identified and not the positive achievements of a company in the same year, except for positive developments related to some of the practices from the overview for 2006. Information on positive achievements can usually be found in a company's annual and/or sustainability report and on the company's website. The purpose of this report is to provide additional information to shareholders and other stakeholders of a company on controversies that might or might not be detected and reported by the company itself.

This report does not contain an analysis of a company's corporate responsibility policies, operational aspects of corporate responsibility management, implementation systems, reporting and transparency, or total performance on any issue. For some controversies, it is indicated which standards or policies may have been violated and a brief analysis is presented. Apart from this, the report is mainly descriptive.

The range of sustainability and corporate responsibility issues eligible for inclusion in this overview is relatively broad. The assessment is mainly based on issues and principles as outlined in the OECD Guidelines for Multinational Enterprises. These Guidelines are used as a general frame of reference in addition to company-specific standards.

Sources of information are mentioned in footnotes throughout the report. The main sources were obtained through SOMO's global network of civil society organisations, including reports, other documents, and unpublished information. Media and company information databases and information available via the Internet are used as secondary sources where necessary. Unilever has been informed about the research project in advance and was given two weeks to review the report and provide corrections of any factual errors in the draft version.

The overview of controversial practices in this report is not intended to be exhaustive. Instead, it focuses on a limited number of issues and cases that might merit further attention or reflection. Where information about the latest developments, either positive or negative, was unavailable, it is possible that situations described in the overview have recently changed. Taking into account these limitations, SOMO believes that the briefing can be used to address areas that need improvement and for a more informed assessment of a company's corporate responsibility performance.

For more information, please contact SOMO:
Sarphatistraat 30, 1018 GL Amsterdam, The Netherlands

Tel. +31 (0)20 6391291, Fax +31 (0)20 6391391
website: www.somo.nl,
e-mail: info@somo.nl

Mercury Poisoning

The mercury scandal pertains to (worker) health and environmental damage related to Unilever's former Thermometer Factory in Kodaikanal India. In 2001 Greenpeace and Palni Hills Conservation Council, reported that Hindustan Lever, a subsidiary of Unilever, dumped 7.4 tons of mercury contaminated glass wastes behind the factory onto the areas leading to the Pambar Shola forest. In the same year the factory was closed after heavy campaigning by NGOs. The issue has received a lot of attention of civil society and the media. For more information about this case please refer to "Unilever overview of controversial practices 2007" published by SOMO and VBDO last year.¹ It should be noted that the company refrained from commenting on this issue when asked to by SOMO in the review process for this research last year.

In 2008 protest actions in India and other countries intended to urge the company to take its full responsibility regarding the spoiled environment and the affected stakeholders again fueled the controversy around this issue.² As regards environmental damage for instance pressure from CSOs resulted in Hindustan Unilever Limited (HUL) sending 300 kgs of mercury contaminated earth to the US for treatment.³ However the company refuses to clean up a far larger amount of other mercury that is still present in the soil and water of Kodaikanal.⁴ According to the Corporate Accountability Desk (CAD) a grass roots group from India: "HUL has managed to lobby the Tamilnadu Pollution Control Board to lower the trigger levels for clean up from 10 mg/kg (which is the Dutch soil clean-up standard for residential areas) to 25 mg/kg displaying its racist outlook on clean-up requirements. Earlier, in 2002, the TNPCB had observed that 25 mg/kg was too high, and that in the absence of an Indian standard, the Dutch standard (because Unilever is a Dutch company) should be used. This order was reversed after Unilever used a pliant research organisation (National Environmental Engineering Research Institute) to "convince" the Board that 25mg/kg is good enough for India."⁵ CAD will challenge this decision in the TNCPB and elsewhere.

Another grass roots group from India the Welfare Association (WA) is still seeking adequate compensation and measures by HUL both in and outside national courts. They are demanding among other things compensation for health damage and infrastructure for long-term medical monitoring and treatment for mercury exposed workers and immediate families.⁶

Company comment

In reaction⁷ to this information Unilever commented largely by revering to a public statement that can be found on the HUL website⁸ which sheds no new light on the findings above.

¹ SOMO, "Unilever overview of controversial practices 2007", <http://somo.nl/publications-en/Publication_2523/at_download/fullfile>

² On 7 March 2008, during the global day of action against Unilever, several groups around the world organized protest actions to demonstrate their solidarity with the struggle for justice in Kodaikanal.(see SIPCOT Area Community Environmental Monitors, Struggle for Justice in Kodaikanal website, <<http://www.sipcotcuddalore.com/Kodaikanal/axn.htm>>, (April 2008)

³ Socialist World website, "Protest against killings and maimings at Kodaikanal" <<http://socialistworld.net/eng/2008/03/03indiaa.html>> (29 April 2009)

⁴ Ibid.

⁵ CAD email correspondence with the author: 10 April 2009

⁶ CAD email correspondence with the author: 10 April 2009

⁷ Email from Unilever to VBDO/SOMO, 29-4-2009

Precarious and deteriorating working conditions for Pakistani Lipton Tea factory workers

In October 2008 over 700 contract agency workers at Unilever's Lipton tea factory in Khanewal, Pakistan launched a campaign for permanent jobs with a mass protest action on October 16. According to an IUF⁹ description of the situation: "There are 745 workers making Lipton tea, but only 22 have permanent jobs while the other 723 are casual workers. These 723 workers have been employed indirectly through labor hire agencies on a temporary basis for an average of 15 years, and some as long as 25 years. Coming to work everyday not knowing if there's work and if there isn't then go home again with nothing, no pay at all. [...]" "The 22 permanent workers are paid a base wage of 18,000 Rupees (176) per month. This is the lowest level on their wage scale. In contrast the 723 contract agency workers are paid the legal minimum wage of 6,000 Rupees (59) per month. This equal to 33% of the lowest wage paid to permanent workers." In contrast to the permanent workers "the 723 contract agency workers receive no other benefits such as bonus, paid leave, sick leave, overtime pay rates, and are not entitled to join the union at the Unilever factory."

According to the IUF, casualisation by Unilever has struck Lipton Factory workers before: "Until 31 August 2008 Unilever had a second Lipton factory in Pakistan located in Karachi. This factory employed 122 permanent workers and 450 casual workers. But that was still too many permanent workers for Unilever! So the plant suddenly closed and production was 100% outsourced. The local company that now produces Lipton branded tea products in Karachi under licence from Unilever employs 800 workers. ALL of these 800 workers are casual! So now these Unilever Lipton jobs are 100% outsourced."¹⁰

Company comment

In reaction¹¹ to the information in the section above Unilever comments:

"Unilever Pakistan's use of workers, that are employed through third party service providers, is consistent with local employment law and practice. Unilever Pakistan is in no way unique for having out-sourced some of its packing and non-core business operations. They ensure that their service providers comply with minimum wage, social security and retirement contribution requirements."

A similar reaction was also send to supporters of the reply to the "casual-T" campaign. (described below) and other international solidarity actions eg. by the Tropical Commodity Coalition and Traidcraft. It is misleading in the sense that nearly *all* of its tea packing jobs are outsourced in Pakistan. Moreover, if tea-packing is not core-business for a tea company, or tea-packers as companies like Unilever are also referred to, what is?

⁸ Hindustan Lever Website, Update on Progress of Environmental Issue of Erstwhile Kodaikanal Thermometer Factory in India <http://www.hul.co.in/mediacentre/Erstwhile_Kodaikanal_Thermometer_india.pdf> (29 April 2009)

⁹ IUF website, International solidarity campaign with Unilever Lipton Workers, <http://www.iufdocuments.org/www/documents/CasualTleaflet_eng.pdf> (29 April 2009)

¹⁰ Ibid.

¹¹ Email from Unilever to VBDO/SOMO, 29-4-2009

Union campaigns and activities against Unilever

In 2009 the IUF has stepped up an unprecedented international campaign against Unilever. To support the **Khanewal** Lipton workers in their struggle (discussed above) international support was mobilized by the IUF through among other things a dedicated website called “Casual-T” (<http://www.iuf.org/casualtea/>), a postcard/email action directed at Unilever calling for justice for tea workers and a OECD complaint that was filled against the company at the UK contact point¹² for “massive abuse of casual labour” at this factory. This makes a total of five OECD complaints concerning Unilever malpractices that are still pending (except for the Turkish case all cases have been raised in SOMO/VBDO’s “Unilever overview of controversial practices 2007”¹³): one concerning Rahim Yar Khan factory, Pakistan¹⁴, two over the past three years in India concerning a Mumbai¹⁵ and an Assam factory¹⁶ and one ITF submission last year concerning union-busting by Unilever in Turkey.¹⁷

In 2009 the IUF also launched a website called *Unilever Watch* (<http://www.unileverwatch.org/>) “to give Unilever employees worldwide an online home -- a place to talk about, and learn about, the company and the unions that organise Unilever workers.”

¹² IUF website, “Unilever Accused of Serial Rights Violations at the OECD - Discrimination and Union-busting at Lipton/Brooke Bond” <http://www.iuf.org/cgi-in/dbman/db.cgi?db=default&uid=default&ID=5770&view_records=1&ww=1&en=1> (29 April 2009)

¹³ SOMO, “Unilever overview of controversial practices 2007”, <http://somo.nl/publications-en/Publication_2523/at_download/fullfile>

¹⁴ IUF website, “Unilever Yet Again in the Dock at OECD over Human Rights Abuses - This Time in Pakistan” <http://www.iuf.org/cgi-bin/dbman/db.cgi?db=default&ww=1&uid=default&ID=4669&view_records=1&en=1> (29 April 2009)

¹⁵ IUF website, “Outlaw Conduct by Unilever Indian Subsidiary Prompts International Union Action at OECD” <<http://www.iuf.org/den3745>> (29 April 2009)

¹⁶ IUF website, “Union-busting in India Again Lands Unilever in the Dock at OECD” <<http://www.iuf.org/den4612>>

¹⁷ IUF website, International solidarity campaign with Unilever Lipton Workers, <http://www.iufdocuments.org/www/documents/CasualTleaflet_eng.pdf> (29 April 2009)

Pressing issues at Unilever's (Rainforest Alliance Certified) Tea Estates in Kenya

Unilever is the world's leading tea company. Logically this position would entail a "leading" responsibility for the much troubled tea sector as well. In 2008 SOMO published a report entitled "Sustainability issues in the tea sector" expanding on the critical issues the sector is facing¹⁸: "working conditions for pickers are often poor, with low wages, low job and income security, discrimination along ethnic and gender lines, lack of protective gear and inadequate basic facilities such as housing and sometimes even drinking water and food. At the same time there is no possibility for tea plantation workers to improve working conditions because trade unions are ineffective or absent and/or are not representing them because most of them are temporary workers. While tea production by smallholders is growing worldwide, their situation is often problematic because the prices they are paid for fresh tea leaves tend to be below the cost of production, among other factors. The sector's environmental footprint is considerable, with reduced biodiversity as the result of habitat conversion, high energy consumption (mainly using logged timber) and a high application of pesticides in some countries." In Dutch media coverage of the SOMO report, Unilever for the first time publicly acknowledged the occurrence of these issues.¹⁹ In the same article the company refers to its new approach to address these issues: certification of all the tea it sources through Rainforest Alliance (RA) to be finalised in 2015. For this move away from its former CSR tea strategy, which embraced among others the Ethical Tea Partnership, it had sought and received worldwide media coverage in 2007.²⁰

In both the SOMO's tea sector report and its "Unilever overview of controversial practices 2007"²¹ specific problems pertaining to Unilever's tea supply chain were outlined. In the latter, referring to case study reports of the Indonesian and Kenyan tea sector by SOMO partners, we concluded: "Suffices to say here that in our opinion Unilever so far has not dealt appropriately with the serious issues raised in these reports such as discrimination, sexual harassment, low wages and bad living conditions be it within their company or at suppliers. Admittedly these issues are delicate and some of them are difficult to address. Yet the company stance, somewhat fatalistic as regards Indonesia and reluctant as regards Kenya, does not inspire much confidence that they will be working towards finding solutions to these issues soon. We recommend that in both cases the company seriously investigates these issues and, in the case of Kenya, also the effectiveness of its complaints mechanism. For this the case study report provides fertile ground and SOMO would gladly provide additional information where necessary and possible."

The field research sample for the case studies prepared for the "Sustainability issues in the tea sector" referred to above included plantations in Indonesia and Kenya that since 2007 and 2008 have become Rainforest Alliance certified. For this overview 20 workers of six estates from Unilever's tea plantation in Kericho, Kenya were interviewed by the Kenyan Human Rights Commission (KHRC)²² to assess

¹⁸ SOMO, Sustainability Issues In The Tea Sector, June 2008

<http://somo.nl/html/paginas/pdf/Sustainability_Issues_in_the_Tea_Sector_EN.pdf>

¹⁹ De Volkskrant, "Misstanden op plantages leiden soms tot de dood", 16 juni 2008

²⁰ Unilever website, "Unilever commits to sourcing all its tea from sustainable ethical sources"

<<http://www.unilever.com/mediacentre/pressreleases/2007/sustainable-tea-sourcing.aspx>> (29 April 2009)

²¹ SOMO, "Unilever overview of controversial practices 2007", <http://somo.nl/publications-en/Publication_2523/at_download/fullfile>

²² Research conducted by the Kenyan Human Rights Commission in March and April 2009.

whether there were any improvements since the field research conducted in 2007. Based on this information indications are that with respect to working conditions nothing has changed for the better (after RA certification) at these Unilever estates.

These were the major findings:

- ❑ Discrimination against women is still rampant it takes the form of sexual harassment and compulsory pregnancy tests. Women that are found pregnant will not get hired.
- ❑ Medical tests for workers are mandatory
- ❑ Allegations of tribalism, nepotism and corruption that determine promotions and employment
- ❑ Some workers complain of harsh treatment by supervisors
- ❑ Overtime is an issue many of the workers interviewed report working 11 hours a day 6 days a week. There are also indications that overtime is not voluntary because when refusing you would risk losing your job. In all but one case overtime is paid.
- ❑ There still is no adequate complaint mechanism in place that can deal effectively with worker problems
- ❑ The estate houses can still be overcrowded this seems to apply to seasonal workers (the majority) only. Housing repairs tend to take a very long time.
- ❑ Workers are informed by superiors of audit visits ahead. Workers report that (new) personal protective equipment (PPE) is provided to workers only for this occasion.
- ❑ Most of the workers interviewed are unaware of (RA) certification

At least a number of these issues such as discrimination, overtime, harsh treatment/harassment and absence of a complaints mechanism are violations of RA standards²³, key ILO labour standards and (excepting overtime) Unilever's own business code of principles.²⁴

Company comment

In reaction²⁵ to the situation in Kenya Unilever comments:

“Every effort is made by Unilever Kenya to ensure that correct conditions and appropriate practices are applied within their own tea manufacturing operations and those of their suppliers. The Rainforest Alliance certification program is part of that effort. However, it is not possible to manage every event in micro detail on a daily basis and practices, some of which are often endemic in local culture, are difficult to rectify and require education over time to alter.

The Unilever code of practice, and the Rainforest Alliance standards the company is rolling out across the tea supply base, incorporate mandatory measures to ensure grievances and complaints can be brought to management attention, correctly addressed and rectified where unacceptable. It is important that if and where this process falls short, specific examples, with locations and people involved are provided as otherwise it is often impossible to investigate and rectify the specific issues in question.”

²³ Rainforest Alliance website, “Sustainable Agriculture Standard” <http://www.rainforest-alliance.org/agriculture/documents/sust_ag_standard.pdf> (29 April 2009)

²⁴ Unilever website, “Code of business principles” <<http://www.unilever.com/aboutus/purposeandprinciples/ourprinciples/>> (29 April 2009)

²⁵ Email from Unilever to VBDO/SOMO, 29-4-2009

Unilever's comments suggest that the pressing findings brought to its attention by SOMO are either of temporary nature, insignificant and/or too difficult to correct promptly. Hence, similarly to last year's overview, there will apparently be no swift and decisive action to deal with these issues.

The company states that details are needed to be able to correct failures of the complaint mechanism. While in theory this is undoubtedly the case in practice it is obviously very delicate for organisations such as SOMO to provide such details because it might lead to retaliation against complainants. However SOMO will consult with KHRC and other stakeholders involved if, and in what form, more information could be provided.