



## Sustainability Claims & Practices: HUL Case Study

### KEYWORDS

National/International Guidelines on CSR, Transformative CSR, HUL Case Study

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**ABSTRACT** *In this paper the focus is to study the concept of Corporate Social Responsibility (CSR) in light of various national and international guidelines formulated in this respect. International guidelines have been mapped and linked with National Voluntary Guidelines on Social, Economic and Environmental Responsibilities.*

*This paper discusses the transformative concept of CSR that include creating shared value for customers and highlight the need to shift focus towards social dividend accounting.*

*The last section analyses the sustainability practices of Hindustan Unilever Limited to understand the real time picture and the ground reality of the actual work done by them in the field of CSR.*

### INTRODUCTION

In the light of various national and international guidelines developed on corporate social responsibility practices, the authors compare and link these guidelines to find how their combined use will ultimately benefit the stakeholders at large. The review of literature includes an in depth study of international standards on Social Responsibility like ISO 26000, GRI G3.1 Sustainability Guidelines, AccountAbility's AA1000 Standards, National Voluntary Guidelines etc.

The basic premise of this paper is to find out whether the claims made by the companies in India with respect to adherence to social responsibility standards find concurrence with the actual initiatives taken by them or not?

### 1. Overview of National/ International Guidelines on CSR:

#### 1.1 National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business

National Voluntary Guidelines, 2011 were brought out by Ministry of Corporate Affairs in association with India Institute of Corporate Affairs (IICA) to help Indian companies and also Multi-National Corporations operating in India to carry out the social responsibilities towards different stakeholders.

#### 1.2 International Organization for Standardization (ISO) 26000 vs. NVG

ISO 26000 was developed in 2010 following a multi-stakeholder approach wherein views of different stakeholders were integrated and incorporated. ISO 26000 provides only guidance to firms in carrying out their social responsibilities. It neither provides certification nor is a regulation.

ISO clause	Description	NVG Principle	Description
6.1 Organizational Governance	Advises companies to follow accountability, transparency principles and also respect law of the land.	Principle 1- Business should conduct & govern themselves with Ethics, Transparency and Accountability	Advises companies to carry out business activities ethically and provide full disclosures of information to the stakeholders
6.3 Human Rights	Organizations should preserve and protect the human rights of all stakeholders..	Principle 5 Business should respect and promote human rights	It states treat everyone equally and with a human approach.
Sub clauses			
6.3.3 Due diligence			
6.3.4 Human rights risk situations			
6.3.5 Avoidance of complicity			
6.3.6 Resolving grievances			
6.3.7 Discrimination and vulnerable groups			
6.3.8 Civil and political rights			
6.3.9 Economic, social and cultural rights			
6.3.10 Fundamental principles and rights at work			
6.4 Labour Practices	Organisation should have deep commitment towards the labour group. Fair & equal treatment of workers. Providing healthy and safe working conditions. Following policies in interest of labourers & proper grievance redressal mechanisms..	Principle 3 Businesses should promote the well-being of all employees	It emphasizes on taking good care of the employees as a whole. No specific protection of labour has been provided rather it emphasizes on long term growth & satisfaction of the employees.
Sub clauses			
6.4.3 Employment and employment relationships.			
6.4.4 Conditions of work and social protection.			
6.4.5 Social dialogue			
6.4.6 Health and safety at work			
6.4.7 Human development and training in the workplace			

6.5 The Environment	Corporates should follow policies that are environment-friendly. It should also try to lessen the effect of climatic changes taking place..	<i>Principle 6-</i> Business should respect, protect, and make efforts to restore the environment	As organization draws its resources from the environment it is its obligation to replenish the natural resources.
Sub Clauses			
6.5.3 Prevention of pollution			
6.5.4 Sustainable resource use			
6.5.5 Climate change mitigation and adaptation			
6.5.6 Protection of the environment, biodiversity and restoration of natural habitats			
6.6 Fair Operating policies	Organizations should conduct business in an overall unbiased manner. Details out the policies the business firms should follow in order maintain fair dealings.	<i>Principle 7-</i> Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.	This principle has also to do with behaving responsibly when engaging in public activities. It does not chart-out in detail how to follow responsible behaviour.
Sub Clauses			
6.6.3 Anti-corruption			
6.6.4 Responsible political involvement			
6.6.5 Fair competition			
6.6.6 Promoting social responsibility in the value chain			
6.6.7 Respect for property rights			
6.7 Consumer Issues	Organizations should follow fair marketing strategies. Adopt measures to sustainably use resources and produce safe and healthy products for the consumers..	<i>Principle 2-</i> Business should provide goods and services that are safe & contribute to sustainability in their life cycle  <i>Principle 9-</i> Business should engage with & provide value to their customers & consumers in a responsible manner.	Organizations should produce such goods and services that do not harm the consumers in any manner.  Efforts should be drawn to achieve customer satisfaction by providing good quality products at reasonable prices.
Sub clauses			
6.7.3 Fair marketing, factual and unbiased information and fair contractual practices			
6.7.4 Protecting consumers' health and safety			
6.7.5 Sustainable consumption			
6.7.6 Consumer service, support, and complaint and dispute resolution			
6.7.7 Access to essential services			
6.7.8 Access to essential services			
6.7.9 Education and awareness			
6.8 Community Involvement and Development	Corporates have an obligation to develop and improve the society at large. Business is a part of the society and hence should be committed towards achievement of their needs.. Companies should involve in social activities like employment generation, wealth creation, technology development etc.	<i>Principle 8-</i> Business should support inclusive growth and equitable development	Organizations should not focus on only few sectoral developments rather it should be a holistic development. Upliftment of various diverse sectors is needed for all-round development.
Sub Clauses			
6.8.3 Community involvement			
6.8.4 Education and culture			
6.8.5 Employment creation & skills development			
6.8.6 Technology development and access			
6.8.7 Wealth & income creation			
6.8.8 Health			
6.8.9 Social investment			

In comparison between ISO 26000 guidelines and NVG (Annexure-I), we find that though both cover the issues and standards pertaining to the corporate social responsibility but the former (ISO 26000 guidelines) is more elaborate and explanatory as compared to the National Voluntary Guidelines.

**1.3 Global Reporting Initiative G3.1 Sustainability Reporting Framework Vs. NVGs**

Global Reporting Initiative (GRI), located in Netherlands was formed by United States with support of United Nations Global Compact. It is a non- profit organization that provides sustainability guidelines and reporting framework.

Clauses	NVG	Clauses	GRI
Chp.2 <b>Principles CORE ELEMENTS</b>	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability Business should provide goods and services that are safe and contribute to sustainability in their life cycle. Businesses should promote the wellbeing of all employees Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. Businesses should respect and promote human rights Business should respect, protect, and make efforts to restore the environment Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner Businesses should support inclusive growth and equitable development Business should engage with and provide value to their customers and consumers in a responsible manner	<b>Principles Reporting Guidelines</b>  Part- 1 <b>1.1 Defining Content</b>  <b>1.2 Defining Quality</b>	Materiality Stakeholder Inclusiveness Sustainability Context Completeness  Balance Comparability Accuracy Timeliness Clarity Reliability  Reporting Guidance for Boundary Setting is also provided.

Chp.3 Implementa- tion Approach	Leadership Integration Engagement Reporting	Part-2  Standard Disclosures	1.1-1.2 Strategy & Analysis 2.1-2.10 Profile 3.1-3.13 Reporting Parameters 4.1-4.7 Governance and commitment 5 Management Approach Performance Indicators
<b>Performance Indicators-Essential &amp; Leadership Indicators</b>	Commitment of top management & governance structure  Policy development & process management  Sensitization & training  Stakeholder Engagement  Monitoring & Evaluation  Analysis & Improvement  Continuous innovation  Disclosure	<b>Part -2 Clause 5: Performance Indicators</b>	Economic(EC1-EC9)  Environmental(EN1-EN30)  Social Performance Indicator • Labour(LA1-LA15) • Human Rights (HR1-HR11) • Society(SO1-SO8) • Product Responsibility (PR1-PR9)  Provides a checklist and detailed description on each performance indicator
	NVG does not talk about Assurance or Application Levels	Application Levels	Assurance categories: C,C+,B,B+,A,A+ wherein A+ is the highest credible report
Steps for Building Strategy	Analyze your Business  Identify Risk and Opportunities  Develop a strategy  Plan and implement a Strategy  Monitor and Review  Communicate	Technical Protocol	Identification of relevant topics Prioritization • Significance to stakeholder • Significance to organisation Determining materiality & reporting priority Validation- checking completeness of material aspects.
	No specific sector supplement is available	Sector Supplement	Sector specific guidance in real-estate, construction, oil & gas, food processing, aviation, financial services, mining and metals, event organizers, electric utilities, NGO, Media

**2. Transformative CSR**

“Transformative CSR in The Age of Responsibility” this approach is more comprehensive and focuses on some major areas to be included in the adherence of social practices. Social responsibility practices should lead to Value Creation.

**2.1 Creating Shared Value for Customers**

A company should create value for its customers and not blindly running after profit maximization. For value creation the following points should be noted. (Warren J. Keegan, 2004)

- a) Marketing is no longer limited to the concept of selling or advertising or limited to the 4 P's given by McCarthy.
- b) The aim of the marketing company should directed towards creating value for customer.
- c) Focus should not only be on customer satisfaction rather efforts should be made to retain the customer.
- d) The company should predict and forecast the needs of the customers.
- e) Along with brand, the service provided by the company, the quality of the product and its cost all contributes towards building its value with the customers.

**2.2 Social Behaviour and Practice**

The following principles help to judge the effectiveness of CSR practices (Visser Wayne, 9.04.2013)

- a) Creativity- This principle focuses on whether the organi-

sation is following innovative practices or not.

- b) Scalability- In this principle the consumer aspect is studied. It is seen whether the organisation provide ethical solutions to its customer base or not?
- c) Responsiveness- This principle tests the receptiveness of the organisation towards stakeholders' point of view.
- d) Glocality- This principle emphasizes on following international rules with due adherence to the local law of the land.
- e) Circularity- This principle seeks to determine whether the organisation gives due importance to preservation of the environment surrounding it.

**2.3 Social Dividend Accounting**

Social Dividend is the monetary benefit that the society receives as a result of permitting the companies to grow profitably in the environment surrounding them.

- Companies should allocate CSR budgets and declare the amount spent on CSR activities.
- Social Dividend should be declared every year as equity dividend.
- CSR Audit as any other accounting audit
- Setting up separate board committee for CSR.

**3. Business Responsibility Reports**

The securities market regulator in India, SEBI, vide notification no. CIR/CFD/DIL/8/2012 dated 13.08.2012 has made it mandatory for the top 100 listed companies to submit their

Business Responsibility Reports ("BRR reports") as part of Annual reports. These business responsibility reports should be in accordance to the principles listed in National Voluntary Guidelines.

The BRR reports should include the following sections: General Information about the Company, Financial Details of the Company, Other Details, BR Information and Principle-wise performance.

#### 4. Case Study of Hindustan Unilever Limited (HUL)

##### 4.1 Sustainability HUL: A Critical Analysis

Hindustan Unilever Limited (HUL), India's largest Fast Moving Consumer Goods (FMCG) Company, is a subsidiary of Unilever which is one of the world's leading suppliers of FMCG in more than 100 countries.

In this case study, we aim to find that are the sustainable practices claimed by HUL actually carried on as such or are there some unknown hidden facts?

The HUL sustainable living plan 2012 is divided into the following heads:

##### 4.1.1 HEALTH & HYGIENE

###### i) Reducing Diarrheal and Respiratory Disease through Handwashing.

HUL is promoting healthy behaviour of washing hands that studies claim helps to prevent diseases like diarrhea and pneumonia. HUL partnered with UNICEF and Government of Madhya Pradesh to run a school contact programme. Also, initiated a 'Roti Reminder' programme at Kumbh Mela where rotis were stamped with reminders to wash hands with Lifebuoy.

This initiative appears to be good but is too small a change in behaviour.. It needs to magnify its approach and include larger issues such as sanitation, malnutrition etc..

###### ii) Providing Safe Drinking Water.

HUL claims to provide safe and affordable drinking water to India through Pureit, in-home water purifier. However the costs of purifier is very high that does not suit the pocket of an average household of rural India. In addition to this there is also a lot of maintenance cost involved.

###### iii) Reducing Workplace Injuries and Accidents

HUL claims to have designed procedures and practices to ensure safety of employees, contractors and visitors and to have reduced the Total Recordable Frequency Rate of accidents in their factory by 62.5%. But no conclusive data regarding this aspect is found in the report.

##### 4.1.2 NUTRITION

###### i) Reduce Salt Levels

Unilever has created an online tool, 'Salt Tool', to inform consumers about their current salt intake and how to reduce their consumption of salt.. (salttest.unilever.com)

This initiative is good to educate consumers' but the access to this campaign of consumer awareness regarding salt intake remains a big question mark..

###### ii) Reduced Saturated Fat

HUL claims that its Kissan creamy spread provides more than 15% of essential omega- 6 fats and has less than 33% saturated fat which is about eight times less saturated fat than other leading table spreads.

###### iii) Remove Trans Fat

HUL earlier known as Hindustan Vanspati Manufacturing Co. started producing 'Dalda', a hydrogenated vegetable oil. The hydrogenated fat is a source of saturated and trans fat which leads to increase in bad cholesterol.. After running this brand for 66 years HUL sold this to Bunge, a New York based

food processing organisation, on receiving great criticism of making profit at the cost of consumers health and also on account of decreasing market share. (Brand Analysis: Dalda, 27.09.2009)

Dalda Vanaspati is still being sold in the market under the same brand name.. The bigger question remains that HUL despite being aware of the harmful effects of Vanspati, sold the brand Dalda to the above mentioned company for a whopping 90 crores instead of discarding such a dangerous food product completely.

###### iv) Reduce Calories

HUL claims that their 60% of children's ice cream portfolio in India contains 110 kilocalories or fewer per portion.

It is pertinent to point out here that Kwaliti Walls (HUL icecream) does not produce ice-creams, it only has frozen deserts. As per nutritionists, frozen deserts contain edible oil that are unsaturated but are harmful as it is made from plant fat which is rich in trans- fat..

###### v) Provide Healthy Eating Information

HUL claims to provide healthy food labeling on its products but the bottom-line remains the consumers need to be provided these information in more simplified forms. Companies like HUL should follow labeling standards set by Food Standards Agency in UK to help consumers easily identify healthy food products and help make an informed decision.

###### vi) Improve Employee Health and Nutrition

HUL claims to perform routine health checkups for all employees and deals in three major well-being areas namely mental health, lifestyle factors and ergonomic factor.

However issues such as training and development of employees could not be mapped with the HUL sustainability plan.

##### 4.1.3 BETTER LIVELIHOODS

HUL has started a Project Shakti, wherein self help groups comprising men and women called Shaktiman and Shaktiamma respectively are employed as distributors to sell their products in the rural areas. These distributors directly sell the goods to the consumers in villages surrounding them.

It is relevant to note here that Shaktimans are given a taxing and exhausting job of distributing products in the villages on bicycle but the earning is not in accordance to the work given. Given the labour involved, Shaktiman atleast should be earning 2.5 times more than what he earns today.

##### 4.1.4 GREENHOUSE GASES

It claims to have reduced greenhouse gases from manufacture, transport, refrigeration, employee travel but certain important clauses of GRI G3.1 Guidelines have been ignored..

##### 4.1.5 WATER

HUL has come up with products like Magic and Comfort that reduces water consumption during washing and rinsing clothes by hand. It claims to have reduced water usage in manufacturing by 29% as compared to water consumption in 2008. However, there is no evidence to substantiate these claims.

##### 4.1.6 WASTE

According to Sustainable Plan 2012, a reduction of 1500 tonnes of plastic and 700 tonnes of paper was recorded in 2012.

HUL claims to have reduced total waste per tonne from manufacturing by 77% as compared to 2008.

We find various techniques of reducing waste being employed by HUL but again the total weight of waste by type and disposal method as required under Clause EN 22 of GRI

G3.1 Sustainability Guidelines is not mentioned.

#### 4.1.7 SUSTAINABLE SOURCING

Sustainability Guidelines advices organisations to give an account of direct and primary sources of energy used, indirect forms of energy consumed and various ways and means adopted to save energy and improve the efficiency respectively. These aspects of sustainable energy use have totally been neglected in HUL report.

Under the head of Environment, we find no reference to the Kodaikanal mercury thermometer factory that was accused by 'Greenpeace', NGO, of dumping highly toxic mercury in the backyard of its factory.

We conclude, on the whole HUL has made a good start but there is a long way to go. The beginning seems to be genuine. If we look closely at the structure of sustainable behaviour being followed by HUL, the sense of commitment is visible on the face of it.

#### 5. CONCLUSION

Analyzing the present day scenario of social activities prevailing in India, we conclude that there is an immediate need for the corporates to adopt transformative approach to corporate social responsibility in order to augment the socio economic conditions and up-lift the society.

The corporate in India still follow a more philanthropic/charity centered approach but the progress towards the modern outlook of CSR practices is evident and business organisations are starting to integrate their social practices with their business vision and mission. It is a welcome change but still there are miles to go.

On scrutinizing the sustainability reports of few selected consumer goods/ services companies we find, that organisations hide more than they expose in their reports. The disclosure is only limited to their constructive activities but the side-effects of its business practices and the problems faced by the stakeholders due to its existence and operations followed is very smartly concealed.

We thus, conclude that there is a need for the organisations to follow social practices that serve the society and simultaneously solve their profit making objective as well.

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