We made a commitment in 2014 to disclose our efforts and challenges in implementing the UN Guiding Principles on Business and Human Rights.

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. In 2015 we published our inaugural Human Rights Report, followed by a Progress Report in 2017.

The following pages give the latest data relating to audit findings from our extended supply chain and the non-conformances versus 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. The time period covers audits conducted in 2017. Data relating to 2015 and 2016 can be found in our 2017 Human Rights Progress Report. You can also find highlights of our progress to address our salient issues here.

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. The total number of non-conformances and/or the presence of critical or key incidents results in the reduction of the validity period of the audit. Furthermore, Key Incidents require an immediate response to remediate the issues identified.

The RSP is designed to set 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. 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.

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 or through www.unilever.com/responsible-sourcing-policy/, and information about our audit requirements can be found here.

We continue to publish our progress in the spirit of continuous improvement, and in the belief that transparency and accountability must underpin the advancement of human rights.

In 2019, as part of our Human Rights Progress Report Update, we will include additional supplier non-conformance data, analysis and case studies as we work to better measure our impact.
Our Supplier Audit Findings Data for Each of Our Salient Human Rights Issues:

- Discrimination
- Fair Wages
- Forced Labour
- Land Rights
- Health and Safety
- Freedom of Association
- Harassment
- Working Hours
Data in relation to discrimination and harassment is taken from audits conducted in 2017 showing non-conformances against the Responsible Sourcing Policy (RSP) and specifically Fundamental Principle 3 that 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 audit requirements for on-site audits examine if the facility has the appropriate policies and procedures in place and whether it has conducted the right training for its staff. However, more critically, the audits also interview the workers to try to ascertain if the training has been effective and if they have gained an understanding of their rights and what they can do to report or act when discrimination or harassment takes place. With regard to discrimination and harassment, the worker interviews are more relevant, as typically cases relating to this issue will not be obvious or visible during an audit in the same way as a health & safety issue, for example, might be.

229 non-conformances were found across the audits conducted in 2017, with 51% of them relating to poor training for workers or a lack of understanding of the workers when they were interviewed about the issues relating to discrimination and harassment. 26% of non-conformances were due to not having appropriate protection in place for women during maternity.

**KEY DATA**

- **229** non-conformances related to discrimination and harassment
- **51%** of non-conformances related to not having appropriate training in place

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 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 6 that 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.”

889 non-conformances were found during our audits in 2017 in relation to fair wages, with 30% of the non-conformances relating to wages not being fair and equal for all workers, and with a further 25% of non-conformances regarding the transparency of workers payment records and the payslips that are provided to workers.

Issues in relation to fair wages were predominantly found in the South Asia and South East Asia regions. Key Incidents were identified in several of our audits where wage records and attendance records do not match indicating that a supplier may have insufficient rigour in their processes or is actively trying to falsify their data and payments to workers. We also identified several cases where suppliers were paying below the legally mandated minimum wage. While Unilever will try to work with a supplier to address the identified issues, there are cases when Unilever will cease sourcing from a supplier if they are unwilling to alter their practices. One of our suppliers in India was found to be paying below the minimum wage requirements for their workers. After extensive efforts to influence the supplier and attempts to look at root causes with them, we have ceased sourcing from this supplier as they indicated that they would not be willing to alter their practices.

KEY DATA

889 non-conformances related to fair wages

30% of non-conformances related to wages not being fair and equal for all workers

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 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 4 that 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.”

There were 87 non-conformances found in our audits in relation to forced labour, with 40% of them 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. These practices include when workers are required to pay a recruitment fee to acquire employment, pay for their own personal protective equipment or where payments are retained until the end of a harvest or other period. An audit of an Indian supplier found a deposit being required from workers which would only be repaid if the worker completed three years’ service. This practice leads to the worker not being able to leave the employment without losing the deposit (an amount greater than the worker is able to manage). After discovering this issue and raising it with the supplier, they have ceased this practice and returned all the deposits that were held.

A Malaysian third-party manufacturing supplier with a large migrant labour workforce was found to be retaining identity documents and using labour agencies that charged the workers with a recruitment fee. We are working with this supplier to remediate these serious issues with the documents having been returned to the workers along with the provision of safe storage lockers which are available in their dormitories.

While the total number of non-conformances is the lowest among our eight salient issues and found in less than 10% of our audits, we recognise that this is an indication that more work is needed to effectively identify this issue, using means other than audits, such as greater direct engagement with workers and continued focus on effective and trusted grievance mechanisms. This continues to be an area where we work with and advocate through initiatives including the Consumer Goods Forum and the Leadership Group for Responsible Recruitment.

KEY DATA

87 non-conformances related to forced labour

NON-CONFORMANCES VERSUS MANDATORY REQUIREMENTS

Numbers of non-conformances during 2017

- Verification of legal status of workers
- Contracts are in a language workers understand
- Documents/papers not retained
- Deposits and pay are fair
- Avoidance of forced labour
- Policies and procedures in place

NON-CONFORMANCES BY BUSINESS AREA

Issues recorded during 2017, listed by business area

- Chemicals: 22
- Third-party manufacturing: 16
- Packaging: 15
- Commodities: 11
- Ingredients: 10
- Operations: 10
- Other*: 3

*Marketing & business services 2, Third-party logistics 1

LOCATION OF NON-CONFORMANCES

Non-conformances during 2017 by region

- North America: 0
- Latin America: 7
- Central and Southern Africa: 8
- South Asia: 26
- SEAA: 38
- Europe: 1
- NAMET and RUB: 4

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

Data in relation to freedom of association is taken from audits conducted in 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 8 that requires that “The right 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.”

217 non-conformances were identified in audits conducted during 2017 in relation to freedom of association. As in previous years, the majority of the non-conformances are related to workers’ councils not being properly organised or respected, with issues such as not training workers and managers with regard to freedom of association, not allowing the free election of employees to the councils and not respecting or acting on the findings of the councils. 52% of all non-conformances relate to these issues. The majority of audit findings were from South and South East Asia with regard to freedom of association.

Issues in relation to freedom of association are identified not only through our audit findings but also through our continued engagement with trade unions, including the International Union of Food Workers and IndustriALL. This can lead to us addressing concerns with our suppliers, as we did with a supplier in Turkey where workers were unable to freely associate.

KEY DATA

217 non-conformances related to freedom of association

52% of non-conformances related to the training and organisation of workers’ councils

NON-CONFORMANCES BY BUSINESS AREA

Issues recorded during 2017, listed by business area

- Chemicals: 47
- Third-party manufacturing: 46
- Packaging: 39
- Commodities: 27
- Operations: 26
- Ingredients: 20
- Other*: 12

*Tea 6, Marketing & business services 3, Third-party logistics 3

LOCATION OF NON-CONFORMANCES

Non-conformances during 2017 by region

- Europe: 1
- NAMET and RUB: 14
- Latin America: 37
- Central and Southern Africa: 19
- South Asia: 90
- North America: 1
- North Asia: 2
- SEAA: 54

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

Data in relation to health & safety is taken from audits conducted in 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 9 that 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 2017 our audit findings identified 3,734 non-conformances regarding health and safety. On average 60% of all our audit findings relate to health and safety issues with fire safety and emergency exits accounting for the biggest proportion of these issues. We recognise that this is most likely due to their easier identification.

Issues identified can be relatively easy to resolve, for example suppliers adding additional fire exits to ensure the number of exits is appropriate to the number of workers within different facilities, or they may be 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, suppliers are required to create a short-term remediation that will effectively reduce the risk while working toward the longer-term permanent solution that requires more time and capital investment.

One of our Central American suppliers had non-conformances relating to not having a fire-fighting system in place. The solution required considerable capital investment as well as needing to be done while the factory was not operating. It was agreed that appropriate fire-fighting equipment would be put in place to sufficiently reduce the risk until the work could be done between production periods. Unilever health & safety managers also assist in such cases by visiting the factories to help the suppliers identify root causes and suggest best practice to further reduce risk.

**KEY DATA**

3,734 non-conformances related to health and safety

60% of all audit findings related to health and safety non-conformances

**NON-CONFORMANCES VERSUS MANDATORY REQUIREMENTS**

Numbers of non-conformances during 2017

- Training and understanding of workers: 641
- General health and safety: 592
- Firealarms: 107
- Fire safety: 547
- Policies and procedures in place: 137
- Chemical and electrical safety: 195
- Water and sanitation: 200
- Local legal requirements are respected: 228
- Records are correctly maintained: 229
- Risks are assessed and managed: 497
- Medical facilities and practices: 497

**NON-CONFORMANCES BY BUSINESS AREA**

Issues recorded during 2017, listed by business area

- Packaging: 1,045
- Chemicals: 812
- Operations: 536
- Third-party manufacturing: 418
- Commodities: 403
- Ingredients: 400
- Other*: 120

*Marketing & business services 55, Third-party logistics 34, Tea 31

**LOCATION OF NON-CONFORMANCES**

Non-conformances during 2017 by region

North America: 609
Latin America: 226
Europe: 279
NAMET and RUB: 1,222
South Asia: 856
North Asia: 540

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 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 11 that 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.”

279 non-conformances were identified in audits conducted in 2017 in relation to land rights. 42% of these non-conformances related to suppliers not having policies and procedures in place with regard to land rights, and a further 39% related to free, prior and informed consent (FPIC) not being respected. Over 60% of all non-conformances were reported in Asia.

Unilever’s Responsible Sourcing Policy requires a higher standard regarding land rights than the property laws of many countries. Many of the non-conformances are therefore a reflection that suppliers need to go beyond legal requirements in order to adhere to the RSP.

We continue to work with these suppliers to explain the importance of land rights and to develop solutions to issues identified.

KEY DATA

279 non-conformances related to land rights

81% of non-conformances related to a lack of appropriate policies and procedures being in place or a lack of understanding or respect for free, prior and informed consent

NON-COFORMANCES VERSUS MANDATORY REQUIREMENTS

Numbers of non-conformances during 2017

- Policies and procedures in place: 110
- Impact assessments are conducted: 25
- Grievance mechanism in place: 26
- FPIC is respected and enforced: 118

NON-COFORMANCES BY BUSINESS AREA

Issues recorded during 2017, listed by business area

- Packaging: 95
- Chemicals: 70
- Third-party manufacturing: 30
- Commodities: 29
- Operations: 21
- Ingredients: 20
- Other*: 14

*Third-party logistics, Tea, Business services

LOCATION OF NON-COFORMANCES

Non-conformances during 2017 by region

- North America: 62
- Latin America: 28
- Central and Southern Africa: 100
- South Asia: 66
- Europe: 4
- NAMER and RUB: 5
- SEAA: 14

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

Data in relation to working hours is taken from audits conducted in 2017 showing non-conformances against the Responsible Sourcing Policy and specifically Fundamental Principle 7 that 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."

787 non-conformances were identified in our audit findings from 2017, with 48% of all findings relating to working hours being over the legally allowed maximum number of hours, or in the absence of local legislation, in excess of the international standards as indicated by the International Labour Organization. A further 31% of non-conformances were related to a lack of appropriate daily or weekly rest periods.

While the highest number of non-conformances was in South Asia, the proportion of audit findings that related to excessive working hours was highest in the Middle Eastern regions. Working hours issues were most prevalent across Asia and Latin America.

There is a significant link between low wages and excessive working time and this is something we also review as a potential root cause when addressing working hours. Other causes include production processes, planning, too few workers, shift patterns and rotation systems.

In Colombia, the workers for one of our suppliers were required to work excessive hours and often without a day off per week. The remediation included a new rotation and shift pattern that will allow workers to receive the rest needed to maintain a healthy and safe working environment.

**KEY DATA**

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<thead>
<tr>
<th>787</th>
<th>non-conformances related to working hours</th>
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<tr>
<td>48%</td>
<td>of non-conformances related to excessive working hours</td>
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**NON-CONFORMANCES BY BUSINESS AREA**

Issues recorded during 2017, listed by business area

- **Packaging**: 225
- **Chemicals**: 140
- **Operations**: 106
- **Commodities**: 104
- **Ingredients**: 104
- **Third-party manufacturing**: 73
- **Other**: 35

*Marketing & business services 22, Third-party logistics 11, Tea*

**LOCATION OF NON-CONFORMANCES**

Non-conformances during 2017 by region

- **North America**: 133
- **Latin America**: 45
- **Central and Southern Africa**: 45
- **Europe**: 133
- **South Asia**: 232
- **Namibia and RUB**: 96
- **SEAA**: 175

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 2017 against our eight salient issues.

There were a total of 8,507 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 the Responsible Sourcing Policy (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. 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 8,507 non-conformances found, 6,222 related to our eight salient issues, with 60% of these from issues found concerning health & safety. Fair wages and working hours issues at 14% and 13%, respectively, were the next most prevalent. Though the other salient issues represent less than 5% each of our identified issues, the impact of these issues when identified warrants their inclusion in our list of salient issues.

Our Responsible Sourcing Policy can be found here or through www.unilever.com/responsible-sourcing-policy/, and information about our audit requirements can be found here.
Key Incidents in 2017

Unilever defines the most severe non-conformances as Key Incidents. A Key Incident is typically defined as representing a significant risk to life or risk of 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 per 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.

Due to the nature of some Key Incidents, it may not be possible to close them within the timeframe before the follow-up audit (due to capital investment, or significant changes 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 be continue to reflect as ‘open’ until fully remediated.

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

EMERGENCY EXITS
Issues such as: locked, insufficient or improper exits that would stop workers being able to escape an emergency

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 2017

Asian countries represent over 70% of our total number of non-conformances, with India representing 26% by itself. Health & safety issues are fairly consistent across all geographies as being the biggest area of non-conformances representing an average of 60% of all non-conformances. In India and the Far East, non-conformances against fair wages represent over 18% of non-conformances, which is over double the prevalence of the same issue in other geographies.

Other countries: 7 Malawi, Zimbabwe, 6 Italy, Ukraine, 5 El Salvador, 3 Canada, Netherlands, 2 Morocco, Paraguay, Peru, 1 Côte d’Ivoire, Dominican Republic, Finland, France, Oman, Uruguay
### 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

**NAMET (North Africa Middle East and Turkey) and RUB (Russia, Ukraine and Belarus)**
- 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
- Qatar
- UAE
- Saudi Arabia
- Yemen
- Bangladesh
- Libya
- Morocco
- Tunisia
- Sri Lanka

**SEAA (South East Asia and Australasia)**
- Australia
- New Zealand
- Papua New Guinea
- Indonesia
- Malaysia
- Myanmar
- Singapore
- Philippines
- Thailand
- Cambodia
- Laos
- Vietnam