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Unilever and Oxfam:

Understanding the Impacts of Business on Poverty (A)

12/2008-5522

This case was written by Robert J. Crawford, Research Associate, and N. Craig Smith, INSEAD Chaired Professor of Ethics and Social Responsibility. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

About the Project

This case was written as part of a project on *"Curriculum Development for Mainstreaming Corporate Responsibility,"* coordinated by INSEAD and London Business School and supported by the European Academy of Business in Society (EABIS). The project aims to develop degree and executive programme designs and teaching materials that will assist the process of mainstreaming the area of corporate responsibility into core disciplines in management education and increasing its inter-disciplinarity. Within this context, EABIS members from across Europe have been invited through an open call to submit case proposals with the intention of developing a range of cases across a number of subject areas for use by mainstream faculty. The open call for case studies generated over 25 submissions from around Europe, from which a short-list was selected on the grounds of their business relevance, academic rigour and potential for mainstreaming.

About The European Academy of Business in Society

Launched in 2002, EABIS is a unique growing alliance with currently more than 80 companies, business schools, academic institutions and other stakeholders, with the support of the European Commission, committed to integrating business in society issues into the the heart of business theory and practice in Europe. It is increasingly viewed as Europe's reference point for corporate responsibility knowledge development and learning. For more information on members and activities visit: www.eabis.org

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More than eight out of ten people in the world today live in developing and emerging markets, where Unilever already has a strong presence. Improving their economic prospects in a sustainable way is central to our future growth.

– Unilever Environmental and Social Report 2005

If we accept that MNCs exist and will continue to, we must ask ourselves how we should work toward best outcomes and what choices need to be made.

– Becky Buell, Head of Programme Policy, Campaigns and Policy Division, Oxfam GB

Attending a talk late in 2001 at Chatham House (a foreign policy research institute in the UK), Mandy Cormack, Vice President Corporate Responsibility at Unilever, was struck by an argument advanced by one of the speakers. “Managed well, TNC [transnational corporation] investment can bring major development benefits,” claimed Sophia Tickell of the non-governmental organisation (NGO) Oxfam. “Managed badly, the same investment can exacerbate poverty and damage the environment.” She argued that corporate social responsibility had taken off because governments had failed to regulate the international private sector effectively and she saw the burgeoning global civil society movement, including Oxfam, as an attempt to hold big corporations to account. Cormack listened to Tickell’s speech in the full knowledge that Oxfam was a campaigning NGO and that it was running a hard-hitting campaign in which the impact of multinational companies (MNCs) in developing countries was strongly criticised. Cormack was keen to avoid Unilever becoming the focus of such attention. She was also concerned that *how* MNCs contributed to wealth creation and to lifting people out of poverty was not well understood. Tickell’s position potentially provided an opportunity to move the debate forward.

Cormack and Tickell shared an interest in dialogue that was more than intellectual. Developing countries were central to Unilever’s corporate strategy and Oxfam was increasingly focusing on trade, not aid, as a key to alleviating poverty. Cormack believed that Tickell’s argument carried an implicit threat. After all, as part of the *Make Trade Fair* campaign, Oxfam activists were attempting to raise consumer awareness by disseminating information and demonstrating against selected MNCs, which they attacked and portrayed as villains. Cormack was concerned that Unilever might become the next target of an Oxfam campaign. What could she do about that? How, if at all, might she initiate a dialogue with Sophia Tickell? As she explained, “The prospect of seeking a relationship with one of the world’s most important and aggressive NGOs was daunting, but it was better to try that than to wait to get attacked.”

Unilever

Unilever originated with William Hesketh Lever, who founded Lever Brothers. In addition to developing a profitable business, Lever had a personal mission to improve cleanliness and hygiene in Victorian Britain. The purposes of his Sunlight Soap, he wrote, were “to make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products.” This credo became rooted at the heart of the business, which pioneered the development of products with a "positive social impact", in an attempt to balance profit with responsible behaviour.

Not only did Lever Brothers offer better housing to its employees in its nineteenth-century model industrial village, Port Sunlight, than typical employers of the day, but it was one of the first companies in Britain to employ a full-time safety inspector, a company doctor, to have an eight-hour working day, generous pay and, from 1905, pensions for both male and female workers. Unilever employees were proud of its heritage as an ethical company, claiming to enjoy an unusually close relationship with its customers, whom the company sought to serve with high-quality, affordable products. Unilever was established in 1930 by the merger of the Lever Brothers soap company with Margarine Unie of the Netherlands, a company with many similar values, which produced vitamin-enriched margarine. Unilever was from its inception an international company with headquarters in London and Rotterdam.[1]

Over the next 70 years, Unilever grew into one of the world's largest companies, with operations in over 100 countries. It specialised in nutrition, home care, and personal care products. Every day, approximately 150 million consumers worldwide purchased a Unilever product from among its approximately 400 brands, such as Surf washing detergent, Bertolli olive oil, Hellman's mayonnaise, Knorr soup, Lipton tea, Sunsilk shampoo, and Dove soap. Eleven Unilever brands each had sales in excess of €1 billion while food accounted for more than 50% of total sales. By 2005, Unilever had a worldwide revenue of €39,672 million, an operating profit (before tax) of €5,314 million and 206,000 employees.

The 21st century had started with the launch of *Unilever's Path to Growth* – a strategy to transform the business (e.g., by simplifying the brand portfolio and increasing margins and capital efficiency). Five years later, Unilever admitted that the company was "not where we set out to be". It launched another five-year strategy, *Unilever 2010*, and a new mission statement with an emphasis on adding vitality to life (see Exhibit 1: Unilever at a Glance). Unilever explained: "Vitality is at the heart of everything we do. It's in our brands, our people and our values… Vitality defines what we stand for: our values, what makes us different, and how we contribute to society. It's the common thread that links our brands and it's central to the unique way we operate around the world." Unilever management was keenly attuned to consumer trends reflecting this view of vitality – and to the opportunities in developing and emerging markets, which would account for 90% of the world's population by 2010.

Unilever characterised itself as a "multi-local" MNC. Rather than a unified global system, the various Unilever companies sought to satisfy local demand with particular sensitivity paid to the local cultural context. This meant that, in addition to seeking profits through the sale of products tailored to local conditions, the company viewed itself as an active participant in efforts to improve the lives of those living in developing countries, where Unilever considered that its success "depends on the economic health of the countries in which it operates".[2] According to its *Environmental and Social Report*, "Unilever generates wealth by meeting consumer needs: we add value to the raw material and other supplies we buy in as we

1 See the Unilever website, www.unilever.com/ourcompany
2 Annual Report, 2005

process them into branded goods, market them to consumers and sell them through our retail customers."[3]

In 2005, out of €39.7 billion in turnover (sales), over €27 billion was spent with suppliers, creating €12.2 billion in value added; this directly benefited employees, the company contended, but also diffused into the wider economy in a positive way. In Africa, for example, Unilever operated in 18 countries, with sales of €2 billion (5% of company total). The majority of the products it sold in Africa were manufactured and supplied locally. The company had a total of 40,000 employees there, with 90% of its managers of African origin. The company prided itself on the affordability and quality of its products, and its attention to environmental and health concerns in Africa.[4] In the new millennium, Unilever's leadership remained concerned with poverty in developing countries.

Poverty & MNCs

While the nature and causes of poverty had long been debated, some agreement was emerging regarding how to define it. Three levels of poverty were identified. First, there was *extreme poverty*, where a household often lacked the most basic survival requirements, including nutrition, safe drinking water, sanitation, and health care, but also education, shelter, stable employment and income. The World Bank estimated that this group was living on less than US$ 1 per person per day (more precisely US$ 1.08 in 1993 Purchasing Power Parity terms). This group comprised 1.1 billion people worldwide (2001 estimate). The overwhelming majority lived in Africa and Asia, with those in Asia declining in relative and absolute numbers, while those in Africa were increasing in both relative and absolute terms. Second, those people living in *moderate poverty* had many of the basic needs satisfied, but only at minimum levels. They were estimated by the World Bank scale to be living on between US$ 1 and US$ 2 per person per day (US$ 2.15 in 1993 Purchasing Power Parity terms). This group comprised 1.6 billion people worldwide (2001 estimate). Third, *relative poverty* referred to individuals whose living standards were below the national average, if higher than those in the first two categories. In spite of the accepted definitions of poverty, little agreement existed as to its causes and what the remedies should be.[5] (See Exhibit 2: Map Showing Percentage of the Population Living on Less than US$ 2/day.)

The impact of MNCs on poverty in developing countries had also long been a subject of debate. Proponents of globalisation tended to argue that MNCs played a vital role in the continual improvement of the efficiency of the international economic regime: they created jobs, diffused wealth into the local economy via a multiplier effect, generated tax revenues, allocated resources efficiently in accordance with the comparative advantage of trading nations, and implanted higher international environmental, safety, and health standards in developing countries.

However, critics in the anti-globalisation movement believed that MNCs caused (or exacerbated) poverty. Oxfam was somewhat unique among NGOs in that it acknowledged the

3 Unilever, Environmental and Social Report 2005, p. 16.
4 Ibid., pp. 17–18.
5 See http://go.worldbank.org/RQBDCTUXW0 and Jeffrey D. Sachs, The End of Poverty: Economic Possibilities for Our Time (New York: Penguin, 2005), pp. 20-22.

potential contribution of MNCs to poverty reduction. Oxfam's stated position on the private sector was: "In theory, TNCs have the potential to offer valuable assets that developing countries need: capital; technology; a skills and knowledge base; managerial experience and access to markets. However, these same companies, while spurring growth, can also harm the poor. Oxfam's work at local, national and international level questions the disproportionate price paid by the poor in the trade-offs required when developing countries attempt to attract investment and trade on equal terms with the north."[6]

Oxfam levelled some heavy criticisms at MNCs for their potential to increase poverty:

- while jobs may have been created by MNCs, they were usually bad jobs in which the workers suffered abuse of their human rights;
- while MNC jobs brought poor workers into the value chain, they were unable to capture sufficient value from it;
- the provision of services to the poor by MNCs, while on the increase, were often unevenly distributed and hence compounded inequalities;
- MNCs have not always transferred technology, in effect locking the poor into low-value-added jobs that continue to pay poorly;
- with aggressive marketing and predatory pricing of goods, MNCs frequently increased poverty as they promoted goods for which the poor had little need;
- because of lax industrial standards, MNCs contributed to the degradation of the environment;
- while MNCs invested in poor countries, they often did so by forcing local governments to bargain away tax gains, environmental and other standards that in aggregate worsened poverty.[7]

As well as Oxfam, critics of globalisation and MNCs included many other non-governmental organizations.[8] There were literally thousands of NGOs, many of them local, which were adept at forming international networks that could be mobilised quickly for protest movements, lobbying of politicians and leaders in MNCs, and reporting on highly specialised issues and far-flung incidents.[9]

The United Nations and the Millennium Development Goals

In September 2000, the United Nations convened the Millennium Assembly at its headquarters in New York City. With 147 heads of state in attendance, it was touted as the largest summit of leaders in history. The purpose of the meeting was to forge an agenda to end extreme poverty, eliminate treatable diseases, and alleviate environmental degradation in the 21st century. After deliberation and discussion of a UN report, *We the Peoples: the Role*

6 Source: Oxfam Council of Trustees – "Oxfam GB's Private Sector Strategy: Update", 16 October 2000.
7 Source: http://www.oxfam.org.uk/what_we_do/issues/private_sector/introduction.htm
8 Defined as groups that mobilised resources, provided information, and advocated for change. See Debra L. Spar and Lane T. LaMare, "The Power of Activism: Assessing the Impact of NGOs on Global Business," California Management Review, Spring 2003, p. 79.
9 See Michael Yaziji, "Turning Gadflies into Allies," Harvard Business Review, Feb. 2004, pp. 110–115.

of the United Nations in the 21st Century, the leaders adopted the Millennium Declaration, which set concrete and quantifiable goals – the Millennium Development Goals (MDGs) – as well as specific deadlines to accomplish them.[10] One of the business leaders who followed these developments carefully was Unilever's CEO, Niall FitzGerald. He resolved that Unilever's contribution to international development should be more widely understood and appreciated. (See Exhibit 3: UN Millennium Development Goals.)

The Rise of International Activism

In the late 1950s, consumers and activists began to play an increasingly direct role in questioning business, beginning with safety concerns at home and eventually moving to corporate ethics and global corporate citizenship. Activists like Ralph Nader, for example, who founded Public Citizen in Washington, DC in 1971, led lobbying and protest campaigns against powerful and entrenched economic interests for causes such as car safety and later against environmental pollution.[11] These pressure groups, as they were then known in Europe and the US, tended to recruit young idealists and operated largely through the provision of investigative information and media campaigns. With the rise of the internet in the 1990s, a new form of global activism arose. For the first time, independent agents and local observers had the means to find and publicise, instantaneously and at little cost, the incidents that concerned them. If an issue caught on, it could generate explosive interest worldwide, resulting in protest ranging from spontaneous outpourings to coordinated campaigns.[12] Key criteria often used by activists in formulating a campaign against companies were:

- a clear problem or solution or villain;
- a reasonable chance of success;
- the opportunity to form alliances with other groups, in order to leverage their knowledge and local connections;
- the possibility of generating passion via enhanced understanding.[13]

While the character of NGO-MNC interaction was predominantly adversarial, in the late 1990s a number of more cooperative relationships arose. The advantages they provided to MNCs reflected the inherent strengths of NGOs – their extensive networks, specialised expertise, heightened awareness of emerging social concerns, and political legitimacy – and included:

- Wider perspective. NGOs could give MNCs a perspective on issues that they might not have access to on their own, for example, in understanding the reasons behind the anger of social movements against MNCs, seeing their impacts beyond their immediate operations, and contextualising their business within a wider socio-political environment.
- Heading off trouble. Interest shown in an issue by an NGO was an early warning that it could become a wider political concern with alarming rapidity. NGOs could often signal

10 See Sachs, op. cit., pp. 210–213.
11 See Karen Croft, "Citizen Nader," Salon, Great Careers #11, 1999.
12 See Deborah Spar, "The Spotlight and the Bottom Line", Foreign Affairs, March/April 1998, pp. 7–12.
13 See Jill Klein, Ethan Kapstein, and Robert J. Crawford, "Oxfam and the Campaign to Bring Affordable HIV Treatment to South Africa", INSEAD Case Study, ECCH No. 703-018-1, 2003, pp. 9–10.

to MNC headquarters where operations on the ground might not be consistent with stated company policies and where there was potential risk.

- Accelerating innovation. Because NGOs often demanded improved product or environmental safety, MNCs that adopted their suggestions might gain a first-mover advantage in new markets, such as eliminating ozone-destroying chemical coolants from refrigerators.
- Foreseeing shifts in demand. Because NGOs tended to focus on a broader range of issues than MNCs, they often foresaw trends in consumer preferences earlier than businesses. An example of this in the 1990s was the unexpected opposition to genetically modified organisms (GMOs) that Monsanto experienced in Europe.
- Shaping legislation. With their growing legitimacy, NGOs enjoyed access to like-minded politicians, who took their concerns into consideration while formulating legislation. MNCs could learn from NGOs how public expectations were evolving and how this might play out in a legislative arena.
- Setting industry standards. NGOs were also increasingly influencing international practices in a wide array of areas and in a more global manner than national laws and regulations. For example, the World Wildlife Fund for Nature (WWF) worked with Unilever to found the Marine Stewardship Council (MSC) in the mid-1990s, to establish mutually agreed standards for sustainable fishing to inform consumer purchasing. The MSC standard was subsequently adopted by major retailers, including Wal-Mart, as part of their environmental strategies.

Not only was the number of NGOs rapidly increasing – they were reported to have quadrupled in number over the previous decade – but the sophistication of their campaigners was on the rise too. More NGOs were taking on campaign tactics as a key strategy for achieving wider, systemic change on issues about which they were concerned. Half of employees at larger NGOs had either masters' or law degrees and up to 20% had doctorates. This could only enhance their political savvy for protest campaigns as well as their ability to communicate new ideas in a language familiar to policymakers, corporate executives and the media.[14]

Oxfam's Approach to Overcoming Poverty

Founded as a development charity in 1942, Oxfam had grown into one of the world's most prominent NGOs, with operations in over 100 countries addressing poverty, suffering and injustice. The name Oxfam came from the Oxford Committee for Famine Relief, which was established in Britain during the Second World War. This group of Oxford citizens campaigned for grain ships to be sent through the allied naval blockade to provide relief for women and children in enemy-occupied Greece.

Oxfam International was a confederation of 13 organisations, including Oxfam GB and Oxfam Novib in the Netherlands, working with over 3000 partners worldwide as "a movement capable of global responses to global issues". As a federation of relatively autonomous groups, Oxfam advised governments and other organisations on farming

14 Spar, op. cit.., p. 12.

techniques and food distribution strategies, brought relief aid during local crises, and consulted on similar issues. According to its statement of purpose, Oxfam GB worked "with others to overcome poverty and suffering", by saving lives through emergency relief work, "developing programmes and solutions that empower people to work their way out of poverty", and "campaigning to achieve lasting change."[15] Oxfam's expenditure on poverty alleviation through worldwide programmes was £213 million in 2006.

Campaigning

Oxfam's commitment to campaigning came from the belief that the scale and urgency of poverty and inequality must be addressed through changes in the policies and practices – of governments, institutions and the private sector – that exacerbate poverty. Oxfam had an activist organisation to address issues related to globalisation and poverty. Run by a group of passionate advocates for developing countries with increasing sophistication and reach, they had developed tools to campaign against the practices of MNCs and the World Trade Organisation (WTO). Oxfam's campaign capabilities gathered momentum with the launch of the first global Oxfam International *Education Now* campaign. The goal of this campaign was to seek "basic education for all" by 2015, consistent with the UN Millennium Development Goals. Oxfam was also attempting to improve the livelihood of the poor in campaigns like the LDC (least developed countries) debt forgiveness initiative as well as seeking change in the procedures by which the WTO operated to better address the health needs and development requirements of developing countries.

A key moment of the anti-globalisation movement came during a meeting of the WTO in Seattle in November 1999. Not only were there violent protests in the streets, but for the first time the split along the North-South divide of developed and developing nations appeared irreconcilable. Seattle was the beginning of a new wave of developing country assertiveness in multinational negotiations that would set the campaigning tone for NGOs over the following years. At this stage Oxfam moved from a general call for fairness and transparency in WTO negotiations to more focused campaigns on specific issues that were of utmost importance to poor people, although a major problem for the activist groups was how to translate the highly technical issues of the global trade regime into a vocabulary and a campaign that could mobilise consumers to some kind of action. The *Cut the Cost* campaign for access to essential medicines, and the *Mugged* campaign for fair prices for coffee producers, exemplified this shift and consumer-relevant campaigning.

Cut the Cost and *Mugged*

Begun in 2001 by Oxfam with other NGOs, the *Cut the Cost* campaign targeted the pharmaceutical giant GlaxoSmithKline (GSK) in a call to leadership on access to medicines. Tickell, as head of the Private Sector team at Oxfam, was one its principal architects. While designed specifically to persuade GSK to take industry leadership on lowering the prices it charged for HIV/AIDS anti-retroviral treatments, Oxfam's deeper concern was reform of TRIPS (Trade-Related aspects of International Property Rights), the intellectual property protection clauses of the WTO. The campaign message – that GSK and the WTO via its

15 http://www.oxfam.org.uk/about_us/mission.htm and http://www.oxfam.org/en/about/who/

policymaking and standard practices were arrogantly ignoring a humanitarian crisis of unprecedented proportions -- quickly became a major story in the international press.[16]

With *Cut the Cost* and related pressures taking their toll on its reputation, GSK backed down and created an industry-leading policy of offering preferential (not-for-profit) pricing of HIV/AIDS and other medicines in LDCs.[17] Nonetheless, some GSK managers suggested that Oxfam, with whom they had engaged in discussions prior to the launch of the campaign, had turned on the company when it was to its advantage, violating their trust. Oxfam insisted that while GSK may not have agreed with what Oxfam had said, it had been transparent with the company at each stage of the campaign. "It was only when GSK refused to budge that we went public," according to Tickell, "and we told them we would do this."

While the official position of the WTO remained unchanged, it made a number of moves to open up its decision-making process about trade rules to representatives of developing countries, and indicated that the next round of trade negotiations (Doha) would seek to better represent the interests of developing countries. This was regarded by many in the anti-globalisation movement as a major policy triumph and a hugely important change that would potentially save hundreds of thousands of lives.

The next major stage in Oxfam's Trade Campaign in 2002 was to examine how coffee was bought and sold within the international trade regime. This resulted in the report, *Mugged: Poverty in Your Coffee Cup*, co-authored by Tickell, which called for a "coffee rescue plan", initiating a new campaign against a number of MNCs.[18] The coffee market, according to *Mugged*, was undermining the livelihood of 25 million farmers around the world. It claimed that while the price they received for coffee was falling to 30-year lows, the profit margins of the biggest food-processing companies in the world remained high:

> *The big four coffee roasters, Kraft, Nestlé, Procter & Gamble, and Sara Lee, each have coffee brands worth US$ 1 billion or more in annual sales. Together with German giant Tchibo, they buy almost half the world's coffee beans each year. Profit margins are high – Nestlé has made an estimated 26% profit margin on instant coffee… a very high figure compared with other food and drink brands. If everyone in the supply chain were benefiting this would not matter. As it is, with farmers getting a price that is below the costs of production, the companies' booming business is being paid for by some of the poorest people in the world.*

The reason for this, the report argued, was a shift from a managed market to a free market and "market failure" – production was exceeding demand, leading to catastrophically low prices being paid to farmers in developing countries. As the report observed:

> *Until now, rich consumer countries and the huge companies based in them have responded to the crisis with inexcusable complacency. In the face of human misery, there have been many words yet little action. Existing market-based solutions – Fair Trade and the development of speciality coffees – are important,*

16 See Klein, Kapstein and Crawford, op. cit., pp. 16–17.

17 See N. Craig Smith and Anne Duncan, "GlaxoSmithKline and Developing Country Access to Essential Medicines (B)", Journal of Business Ethics Education, 2 (1) 2005, pp. 123-132.

18 http://www.maketradefair.com/assets/english/CoffeeSummary.pdf

> *but only for some farmers. They can help poverty reduction and the environment. However, a systemic, not a niche solution, is needed… The challenge is to make the coffee market work for all… The low coffee price creates a buyers' market, leaving some of the poorest and most powerless people in the world to negotiate in an open market with some of the richest and most powerful. The result, unsurprisingly, is that the rich get richer and the poor get poorer.*

Mugged called for a number of measures to raise prices as well as to provide alternative livelihoods, including "roaster companies paying farmers a decent price (above their costs of production) so that they can send their children to school, afford medicines, and have enough food" and "increasing the price to farmers by reducing supply and stocks of coffee on the market." Longer term, as part of a "commodity management initiative", the report urged that companies pay "a decent price" for all commodities. This was particularly germane to Unilever as one of the world's major tea processors.

This campaign helped to make coffee "a big testing ground for what it means to be an ethical consumer" and sales of Fair Trade coffee increased dramatically.[19] If the coffee-processing companies refused to take certain measures – in effect "managing" the trade in one of the world's most visible commodity products – they risked seeing their reputations tarnished in media campaigns similar to that against GSK. While Oxfam sought to negotiate with the coffee MNCs, the process remained far more adversarial than cooperative because of continuing mutual mistrust. In the end, according to Oxfam activist Phil Bloomer (Tickell's supervisor), the coffee MNCs made a number of potentially positive changes, including a voluntary code – agreed to by producers and coffee MNCs – to improve working conditions and environmental standards.[20]

While Oxfam might have been better known by the public for its campaigning against MNCs, from 1999 its newly created Private Sector team, under the leadership of Tickell, began to engage in new ways of working with the private sector. Oxfam's new Director, Barbara Stocking, encouraged her staff to seek new kinds of relations with MNCs, through participation in events like the talk at Chatham House. According to Becky Buell, then Oxfam's Head of Programme Policy, Campaigns and Policy Division: "We were challenged to look at how we might work *with* certain MNCs and not *on* them," in dialogue and engagement in addition to an on-going campaigning approach. The idea, Buell explained, was "to see what we could achieve through networks and collaboration. We came from the standpoint that the problems were so big, there was no way we could resolve them on our own." Buell recognised that there was internal resistance to this notion: "we were used to challenging the private sector and had a sense of our own moral purity on the issues. People were worried that we would be selling out if we worked with [the MNCs]". Some worried that Oxfam might become too deeply involved with the MNCs, perhaps even becoming dependent on their financial contributions. It was seen as a potential slippery slope along the way to becoming co-opted, eroding the passion of Oxfam staff and ultimately undermining its

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19 Economist, "Oxfam versus Starbucks", 7 November, 2006, p. 1. Certified Fair Trade coffee sales in the UK doubled between 2002–2004 to £49 million. See: http://www.fairtrade.org.uk/about_sales.htm

20 Jimmy Burns, "Oxfam's Deal with Starbucks Comes to an End," Financial Times, 4 March, 2005, p. 2.

mission by turning them into public relations adjuncts. The result was a vigorous debate within Oxfam on what form, if any, such collaboration should take.[21]

Unilever Reaches Out

For Unilever the 1990s had seen a number of difficult corporate relations events. The company, which had traditionally relied on its ability to communicate via its brands, found itself in a sceptical and at time hostile public environment, managing a number of corporate communications challenges without the infrastructure, in-house capabilities or external networks to be able to manage communications effectively. The company's response was to start to build a professional corporate relations function, drawing in experts from around the business and recruiting from the company's outside advisors, including Cormack. This newly created team drew on the successful activities of their environmental colleagues, notably the work involved in the establishment of the Marine Stewardship Council and the effective outreach to GMO activists, and began to build a base from which to develop a proactive stakeholder engagement strategy.

Rather than wait for something to happen to Unilever, Cormack argued, the corporate relations team should attempt to *anticipate* contingencies or trends and begin to put policies in place to address them in advance. In particular, this meant that the company should cultivate relations with critics, such as the activist NGOs. "There was a blinding recognition," she said, "that once something goes critical, it is too late to change the public perception of it. At that point you can only contain it, wait for the heat to die down, and then re-approach it. If you want a conversation *before* the heat, you need to be pro-active – because you know that eventually, if you are big, they will find something."

A pro-active approach, Cormack believed, was entirely compatible with the company's identity and brand, and would take advantage of certain aspects of it. "The Unilever culture respects differences of perspective," Cormack said, "so we wanted to gain a better understanding of how NGOs thought. We wanted to open a dialogue that would be mutually beneficial." However, she acknowledged that there were some within the company who did not share this view, suspecting instead that certain NGOs were too adversarial to be relied on as constructive partners. They argued that opening up to NGOs might merely provide ammunition to be used against Unilever in some future campaign. Nonetheless, Cormack knew that many Unilever employees sincerely believed that the company was good and deserved recognition for its everyday good business practices. In this view, it had important stories to tell. To test this hypothesis, Cormack decided to investigate a number of them in depth. She enjoyed the support of Unilever's CEO, Niall FitzGerald, who in the late 1990s had been strongly supportive of the work Cormack had done on Unilever's approach to corporate social responsibility (CSR). Unilever's first CSR report appeared in 2000.[22]

21 This debate over the merits of conflict versus collaboration with corporations was also taking place in other NGOs. See Halina Ward and N. Craig Smith, Corporate Social Responsibility at a Crossroads: Futures for CSR in the UK to 2015, London: International Institute for the Environment and Development, 2006.

22 http://www.unilever.com/ourvalues/environment-society/publications/previous-years.asp

A Learning Project

In February 2003 Barbara Stocking and Niall FitzGerald met at the World Economic Forum Conference in Davos, Switzerland. Although they came from very different backgrounds, the two leaders knew they shared common ground: both organisations were founder members of the UN Global Compact (UNGC) and both were supporters of the UN Millennium Development Goals. (The UNGC of 2000 advanced a set of core principles in the areas of human rights, labour standards, the environment, and anti-corruption, to which companies were asked voluntarily to adhere—of more than 6,000 participants, 4,700 were companies from 120 countries around the world; see Exhibit 4: The Ten Principles of the UN Global Compact.) The UNGC committed its members to a willingness to learn from each other and to share good practice. After an informal conversation about the UN MDGs and what they might do to further them, Stocking and FitzGerald decided that Unilever and Oxfam should engage in a more in-depth discussion with a view to a collaborative project. However, their plans were no more more specific than that; it would be up to their colleagues to negotiate a precise scope of work and a clear set of rules of operation.

On returning to their respective organisations, FitzGerald and Stocking sent follow-up requests to Cormack and Tickell. It would be their job to plan and then carry out the project as collaborators. On the one hand, Cormack and Tickell saw this as an opportunity to learn about each other and how their organisations operated, and for both organisations to fulfill their commitments to the UNGC and support the UN MDGs. On the other, both recognised the risks. From Cormack's point of view, in opening itself up Unilever might enable what many regarded as a highly adversarial NGO to turn round and attack her company, as some claimed had happened with GSK. Oxfam activists were equally worried; not only could this collaboration be misconstrued by the activist community, perhaps irrevocably damaging Oxfam's reputation, but it could be used by Unilever as a public relations tool. As they made an appointment to meet, Cormack and Tickell knew that they would have to negotiate carefully. Should a project be initiated, they both knew it could become very costly in terms of the resources allocated to it.

Getting Started

In early 2003, with a mandate to jointly investigate the impact of Unilever's business operations on poverty, Cormack and Tickell agreed to meet for initial discussions. Their respective agendas appeared far apart.

First, while Oxfam sought an open-ended enquiry of Unilever's global supply chain, which Cormack felt could lead virtually anywhere, Unilever hoped to focus on the entire value chain of the company's activities in a chosen national economy. Second, Oxfam argued that contract workers should be included in the study, greatly expanding the scope of the research into areas over which the company lacked direct control, whereas Unilever preferred to focus on its own employees. Third, each proposed a different scope of work for the study, in particular what product line(s) the study should investigate and the geographical area to cover. With the many issues surrounding palm oil, including the destruction of rain forests and other environmentally sensitive areas to clear land for planting purposes, Oxfam made the case that palm oil was a natural fit for the project. Unilever did not support this, as its palm oil operations were already engaged in dialogue with WWF and other environmental NGOs in the incipient Palm Oil Round Table. Fourth, there were also a number of semantic issues.

Was the project a "collaboration" (Oxfam) or a "partnership" (Unilever)? Was the project an "audit" by Oxfam, implying some kind of official approval or agenda for change? Or was it a "joint study" for educational purposes? This was by no means an exhaustive list of the potential conflicts between the two parties' agendas.

The initial conversations were sketchy as each side sought to map out a brief that would be acceptable internally and to the other side. To facilitate relationship building, Cormack enlisted the support of her colleague Anne Weir, who had trained in managing cross-sector partnerships. Weir worked on sustainable development issues and had considerable experience, having managed Unilever's environmental stakeholder engagement. According to Weir, a large part of what she did was to get the participants to "sit around the table and talk in the most open and transparent manner possible". The goal, she explained, was to understand the other's perspective, acknowledge the legitimacy of her concerns, and treat each other equitably. Weir used ice-breaking techniques, such as asking each to "introduce" the other, expressing what she believed the other was "hoping to get out of the process". According to Cormack, this exercise "humanised the process right away and oriented our relations".

Weir challenged both sides to question what they understood about the other. While Oxfam pushed to expand the scope of the research, Unilever resisted, insisting that the agenda would become unwieldy. In summer 2003, they finally agreed a Statement of Intent (SOI). The SOI performed a pivotal role (see Exhibit 5: Statement of Intent). As Cormack explained: "Not only did it set the project in the context of the aims of the first MDG, it also provided a framework for the project that was active, that is to say, the research project was not a static, point-in-time critique of Unilever, but an attempt to answer the question: how do international companies interact with people living in poverty (for good or bad)? If we understand the impacts better, we know what international companies can do to play their part in poverty reduction strategies. Unilever can then tackle these tasks better and Oxfam can campaign more effectively to achieve the MDGs, in particular MDG 1 (to halve the number of people living in poverty by 2015). This dynamic, results-oriented approach was very important and helped everyone to stop being precious when in close debate." The outline of a Memorandum of Understanding (MOU) that would lay the ground rules for the process to follow, was also drafted. At this point, Weir left the negotiations to a facilitator, David Logan, CEO of the Corporate Citizenship Company (CCC), a consultancy retained by Unilever that specialised in the development of corporate social responsibility policies. Logan, whose career had started in the trades union movement, had a deep understanding of the impact of MNCs and their role in international development, having worked for many years with Levi Strauss and the International Finance Corporation, as well as a number of other companies and institutions.

There was also a change of personnel representing Oxfam: Tickell left to work at the UK Social Investment Forum, and to found the Pharma Futures investor-led dialogue, aiming to achieve a better balance between shareholder and societal needs. Her colleague Heather Grady continued as Oxfam's project manager on the Unilever project, supported by Becky Buell, a long-standing Oxfam employee. Buell had joined Oxfam in Central America in 1992 and had previously worked at aid agencies specialising in economic development, including the Peace Corps.

The Scope of Work

During the autumn of 2003, Oxfam and Unilever arrived at agreement on a number of provisions. First, Oxfam agreed to limit the scope of the study to one country and to take for in-depth study one product line in the fast-moving consumer goods market with a clear agricultural supply chain that was typical of Unilever products. Unilever had argued that without this focus the project might expand indefinitely, which Buell acknowledged was a valid concern. This was a major compromise for Oxfam, while Unilever conceded that the study should include contract workers. Second, in assessing the company's positive or negative impacts on poverty, they agreed to four areas of research:

- the macroeconomic level, including employment generation, public-sector investment, productivity improvements, and macro-level stability;
- the impact on employment in terms of worker treatment and poverty reduction, including not only direct employees, but also contractors hired by Unilever but not formally part of its workforce;
- the entire value chain, from supply (including small-scale producers), to manufacturing, distribution and retailing (including street vendors) and through to final consumers;
- the impact on low-income consumers in the marketplace, including an inquiry into Unilever's marketing and advertising practices.

Third, the project was designed as a "learning" opportunity – to share best practices – rather than an "audit" of Unilever by Oxfam, which might also be misconstrued as a search for endorsement or as a form of pressure to change Unilever's business practices. As Buell put it, "There was no advocacy agenda, which was a first for us." Both organisations hoped that it would lead to improvements that could benefit poor people, but knew they had to enter the project with an honest desire to learn on both sides. Finally, while Vietnam had been discussed as the subject country, both parties agreed that Indonesia offered better information resources as well as a longer history of Unilever involvement: the company had been operating in Indonesia since 1933.

Unilever Indonesia

Indonesia was one of the countries hardest hit by the Asian currency crisis of 1997–98. As GDP shrunk below pre-boom levels and unemployment more than doubled to nearly 10 million, violence spread against foreigners and the local Chinese population, and civil strife threatened to turn into civil war. Half the population lived in either extreme or moderate poverty. It was in the midst of this crisis, in November, 1998 that Nihal Kaviratne took over as CEO of Unilever Indonesia (UI), which then had approximately 2,100 employees. Rather than cut back production in the face of falling sales and margins, Kaviratne decided to purchase, or invest in, struggling local companies, reasoning that once the crisis had passed, UI would be ready to cater to the pent-up demand of local consumers -- UI mostly served the Indonesian market.

Kaviratne also changed the packaging and pricing policies of UI, introducing small sachets of many basic hygiene products (e.g., shampoo) to make them available to less affluent consumers. As Indonesia's economic growth revived (going from -13.3% in 1998 and

+0.79% in 1999 to +4.5% in 2003). UI's sales increased from a low of US$ 534 million in 1999 to US$ 948 million in 2003, and pre-tax profits doubled from US$ 100 million to US$ 212 million. Home and personal care items (soap powder, household cleaning products, hand soap and shampoos) made up 84% of sales, with food (tea, margarine, ice cream) comprising the balance. UI was ranked as the 13th largest company by sales in Indonesia and the fourth largest in the FMCG sector. According to Kaviratne, some UI brands, such as Pepsodent toothpaste and Blue Band margarine, enjoyed 70% market share in Indonesia, and Unilever products were found in 95% of Indonesian homes. Ninety per cent of poor people bought UI products in the course of a year. As well as global brands such as Sunsilk shampoo, Huggies diapers, Lux soap, Lipton tea and Wall's ice cream, UI marketed local brands such as Taro snack foods and Kecap Bango soy sauce. In 2003, UI had 5,000 employees, 40% of whom were contract workers. Contract employees provided increased labour force flexibility to meet project objectives and generally received lower pay and fewer benefits. (See Exhibit 6: Unilever Indonesia Purpose and Principles; Exhibit 7: Unilever Indonesia Structure of Operations from Sourcing to Marketplace**.**)

Indonesia remained a poor country despite the economic recovery and abundant human and natural resources. Half the population of 213 million still lived on less than US$ 2 per day, with 7.4% on less than US$ 1 per day (2002); more than a quarter of children under five were moderately or severely underweight, with 8.6% severely underweight (2003); 21 million or 23% of the urban population lived in urban slums (2001).[23] Unemployment was 9.7% (2004) nearly double the pre-crisis rate of 4.9% (1996). Poor Indonesians faced insecure livelihoods, lack of access to basic services, limited opportunities for economic advancement, and little scope to change their situation.

In summer 2003, Kaviratne expressed misgivings about the risks he faced through involvement in the learning project. First, he was concerned that the participants would become mired in disagreements about definitions, particularly in view of the different rhetorical styles of Unilever and Oxfam. This threatened, he said, to "signal an end to similar projects" that UI had undertaken. Second, he worried that UI had spent 70 years building its *bona fides* with Indonesians, through the usefulness of its products, as well as its CSR performance and its community programmes. For example, UI had developed its Supplier Quality Management Programme, which promoted sustainable manufacturing and other practices (UI would certify contractors that did so successfully) and UI spent US$ 1 million on community activities in 2003. "We have a very good reputation there with the press, consumers and politicians," observed Kaviratne. "So the report could damage us, particularly if it was full of anti-globalisation talk. We didn't need that." In particular, he knew his single-use packaging strategy already had come under criticism as "exploitative" and "frivolous". Third, he argued, there were internal issues to UI. "There was the winning spirit of the employees," he explained, "which the report might disrupt with doubts. It could shake our faith." After the Asian financial crisis of the late 1990s, he said, UI "had achieved a good recovery. Morale was high."

Cormack telephoned Kaviratne to discuss his concerns. They knew and respected each other from previous work on CSR issues in Indonesia as well as the development of a self-assessment tool based on TQM (Total Quality Management) techniques and the CSR reporting work they had done together. Their shared experience helped to convince Kaviratne

23 http://mdgs.un.org/unsd/mdg/Data.aspx?cr=360

to ask his board for permission to do the report. “I felt confident,” he said, “that UI practices could withstand sustained outside scrutiny… I genuinely believed that we had a robust case that would stand the sharpest, and even the most prejudiced, scrutiny.” Indeed, he believed not only that UI would learn from the exercise, but also that the company’s image and brand would be enhanced in the long run. Nonetheless, the project was the first time that UI – and indeed Unilever – had invited an NGO into the company to review documents and interview employees in such a sustained manner.

Rules of Engagement

As the dialogue progressed during the autumn of 2003, Unilever and Oxfam worked to establish a kind of safety net for themselves in the form of the rules they would follow to carry out the investigation, to be formalised in a Memorandum of Understanding (MOU) and Confidentiality Agreement. The MOU was signed early in 2004 (see Exhibit 8: Memorandum of Understanding). To enable the parties to operate in as transparent a manner as possible, they agreed to keep the contents and results of their investigations confidential prior to a joint official publication. Furthermore, both sides agreed that as far as possible public documents (corporate as well as those from outside sources) would serve as the baseline for the research, to be supplemented by internal documents as required (internal assessments, memos, and e-mail messages), interviews in Indonesia with local workers and managers, and survey work by local researchers, who would write background reports. That way, Cormack explained, they would “have as consistent a database as possible, a basis from which to work back”.

The parties also agreed to retain an independent report writer to write up the outcome of the research and their dialogue around the results. The report writer would be briefed to set out clearly where the two organisations agreed and disagreed, and what they learned about each other, and then, if necessary, they would draw their own lessons in separate sections.

Outside parties were also to participate. In the case of a serious disagreement, Unilever and Oxfam created a dispute-resolution mechanism: should Oxfam find something that Unilever refused to make public, two designated individuals were empowered to arbitrate the matter, one a Unilever Advisory Director and the other an Oxfam GB Trustee. For expertise and review, there would also be a reference group of independent advisors from Europe and Indonesia, drawn from business, academia and NGOs. Finally, Oxfam insisted that it should be able to hire local researchers who knew the Indonesian economy and society and who could function independently of UI. In the end, both sides felt, after each had made significant concessions to the other, that the safeguards would create an acceptable level of security for both organisations.

Getting it Done

The participants believed the project would take about a year to complete, perhaps concluding with a public conference in late 2004 to discuss the report. Together, Oxfam and Unilever selected the members of four teams in Indonesia, one for each subject area (the participants split the costs of the research teams and the independent report writer). The external reference group was also assembled. In the meantime, UI aligned its internal resources to supply information as requested. In order to develop a detailed case study of an agricultural supply chain, the participants agreed to examine in depth a sweet soy sauce, Kecap Bango, important because of its two key ingredients, sugar cane and black soya bean. Other Unilever products of interest to Oxfam, such as tea and palm oil, were not included as they were already the subject of separate stakeholder dialogues through the Palm Oil Round Table and Tea Sourcing Partnership; further study was deemed potentially disruptive of these existing efforts. The researchers began to interview employees, contractors, and suppliers.

The Research

To kick off the research portion of the project, UI invited participants from both Oxfam and Unilever headquarters to UI headquarters in Jakarta, 27–30 January 2004. The team met a number of UI managers and employees, who made themselves available for the project in a frank and open-ended way that surprised the Oxfam team. According to Cormack, "the Oxfam team was allowed to approach whomever its members wanted. Kaviratne, and his deputy chairman, Maurits Lalisang, gave them a great degree of freedom." They also toured UI manufacturing sites as well as those of UI contractors, including soybean farmers. At a detergent factory, Unilever employees introduced the Oxfam team to the total quality management (TQM) techniques that the company had developed. These had been used as the basis for a CSR review in which managers assessed their own performance in a number of areas, gradually involving their employees and then outside observers and critics. This project, Unilever managers stressed, was part of UI's efforts to expand their TQM criteria to assess the social impact of company practices. While Oxfam remained suspicious of the ability of MNCs to evaluate their own performance on CSR issues, its team agreed that these data could be included in the project. Finally, the Oxfam team also visited a number of UI projects related to CSR, including the development of black soy seeds at the University of Yogyakarta.

From February to June 2004 the researchers conducted interviews and led surveys, while Oxfam employees concentrated on UI's internal documents. The research teams, taken from local universities and NGOs, prepared background papers on the four research areas, although it became apparent to the Unilever and Oxfam teams that the agenda was too open-ended to cover all of the areas they had intended to include. The teams interviewed a total of over 400 individuals, including UI managers, UI joint venture partners, contractors, raw material providers, and distributors and retailers of Unilever products. They also reviewed dozens of internal documents, including CSR self-assessment documents, as well as secondary sources. The Corporate Citizenship Company supported the interpretation, analysis and evaluation of all the information gathered. It was an exhaustive process in which the Indonesian managers and employees researched and answered many questions and requests for data.

During this process, the original independent writer announced his resignation in order to pursue other career opportunities. Because of his intimate familiarity with the issues from the project's inception, his departure was deeply regretted. His replacement, Jason Clay, who worked for WWF, was hired as a freelance writer (outside his duties at the WWF). Clay was enthusiastic and supportive of the project, but it proved extremely difficult for him to reconcile some of the teams' positions and conflicting interpretations of the data, a responsibility that was inevitably relegated to the principals, Cormack and Buell.

Interpretations and Contention

In July 2004 Cormack and Buell held a workshop to interpret the research data that had been collected. There were many areas of agreement, such as the stabilising impact that UI had during the turbulent period that followed the financial crisis in the late 1990s or the need to pay more attention to workers at the farther-removed ends of the value chain. While they agreed that the data were not sufficient to provide a comprehensive picture of the overall economic impact of UI, they felt that the report would offer many valuable perspectives.

However, several areas of basic contention emerged. First, calculating figures to approximate the total employment generated, in particular downstream in the distribution and retail sectors, proved difficult. Much of this hinged on definitions; for example, a *contractor* ranged from companies in direct contract with Unilever, to subcontractors, to organisations or individuals who in some way added value in the provision of related services, such as retailing. The participants were aware that the solution they settled upon – full-time equivalents – was a flawed, if useful, aggregate. “We realised,” Buell said, “that it would have been better to do more survey work earlier on. We all knew that this just scratched the surface, but we felt in the end that it gave an indicative picture of Unilever’s reach that could serve for exploring a range of poverty issues.”

Second, there were strong disagreements as to what “fair prices” should be, especially for low-income consumers. This disagreement extended to such practices as the sale of micro-packets of staple goods, such as sachets of shampoo or clothing detergent. While Unilever argued that they allowed Indonesians to purchase high-quality staple items for basic hygiene, some in Oxfam believed that their higher unit cost and higher retail price by volume gouged poor consumers, *lowering* their standard of living as well as polluting the environment by increasing packaging. Kaviratne disagreed with this, arguing that poor consumers “were very discerning and went for higher quality”, which the smaller sachets enabled them to purchase, albeit less frequently than lower-quality, cheaper alternatives. In the end, he said, “95% of our washing powder was sold in small sachets and 90% of our shampoo in PET biodegradable packets. It sold like that because the brand is better.”

Finally, and perhaps most difficult, Oxfam disputed the utility of Unilever’s marketing and advertising strategies, which the former regarded as wasteful and perhaps even misleading, while the latter argued that they provided useful information about product quality, personal hygiene and health. According to Buell, “We at Oxfam reaffirmed our sense that the poor consumer is powerless in the face of advertising. In many cases, we didn’t see much of a free-market choice or [we saw] even products of limited utility, such as skin-lightening cream”, which was marketed to Indonesian women who wished to appear more like Europeans. “It was hard to draw the line between where UI was meeting needs or creating them,” she concluded.

How would they resolve these differences? In Cormack’s view, the research had “forced both Oxfam and Unilever to look at issues and assumptions we hadn’t wanted to talk about, like the contention that ‘advertising is bad’. The discussions got the issue on the table. We expressed our view that [advertising] is part of the spectrum of communication, so the question became ‘how can you make it positive?’”

Doing his best to reconcile Oxfam and Unilever interpretations, Clay produced a draft report in September 2004. Cormack and Buell immediately recognised that his draft would be unacceptable to both their organisations. "It was an impossible task for Jason," Buell said, "patching together a text when there were so many institutional sensitivities on both sides." According to Cormack, "A lot of the discussion revolved around drop-dead phraseology and negotiating what we could both endorse and what would have to be put in separate sections." Oxfam remained concerned that it would be viewed as an exercise in corporate public relations. "Throughout the entire process," Buell said – speaking for Cormack's team as well as her own – "our harshest critics were internal." Logan and Grady set to and line-by-line worked through the text, resolving questions where they could, deferring to others for broader discussion, or reference to Buell and Cormack. It was a long slog.

At the beginning of 2005, Cormack and Buell consulted the reference group, circulating a provisional draft report to members. The pressure to finish the report curtailed the period available for review and dialogue with the group, but members returned a range of helpful comments and suggestions. Meanwhile, major changes at Unilever, including the appointment of a new CEO, meant that pressures on Cormack were mounting. Not only did she have 30 employees to manage, but she was supposed to be focused on rolling out CSR as a major plank of corporate strategy for the next year and through to 2010. Buell also had other commitments to address. Both Cormack and Buell wondered if, for all their work and the vital importance of the poverty issue, a project report would ever see the light of day.

Exhibit 1

Unilever at a Glance, 2005

Mission

Unilever's mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good, and get more out of life.

Key Facts

In 2005…

Our worldwide turnover was €40 billion.

We employed 206,000 people in around 100 countries worldwide.

Every day, 150 million people chose our brands to feed their families and to clean themselves and their homes.

Over half of our sales were generated by our eleven €1bn brands: Knorr, Flora/Becel, Hellmann's, Lipton, Omo, Surf, Lux, Dove, Blue Band/Rama, Sunsilk and our Heart ice cream brand.

We were the global market leader in all the food categories in which we operated: Savoury and Dressings, Spreads, Weight Management, Tea, and Ice Cream.

We were also global market leader in Skin and Deodorants, and have very strong positions in other Home and Personal Care categories.

We invested around €1 billion in research and development, for example at the Unilever Food and Health Research Institute, which has a worldwide reputation for scientific excellence.

We spent over €79 million on a wide range of community projects.

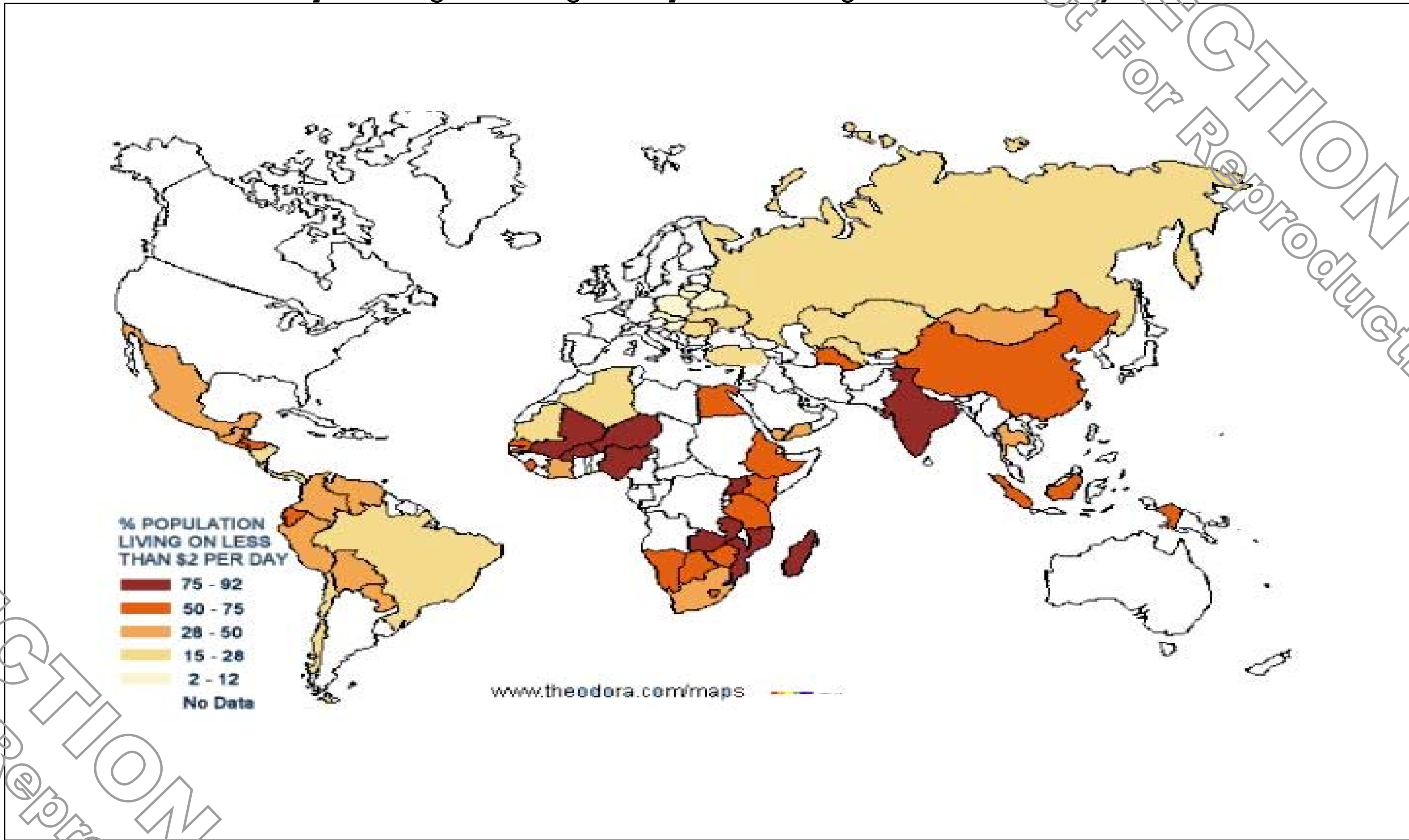
We had 337 manufacturing sites across six continents, all of which strived for improved performance on safety, efficiency, quality and environmental impacts, working to global Unilever standards and management systems.

We invested €5 billion in advertising and promotions.

Source: www.unilever.com/

Exhibit 2

Map Showing Percentage of Population Living on Less than $2/day[24]



24 Map courtesy of www.theodora.com/maps, used with permission.

Exhibit 3

UN Millennium Development Goals

- Eradicate extreme poverty and hunger. By 2015, halve the proportion of people living on US$ 1 per day as well as those who suffer from hunger.
- Achieve universal primary education by 2015.
- Promote gender equality and empower women, in particular in all levels of education by 2015 (and hopefully in primary and secondary education by 2005).
- Reduce child mortality (under 5 years of age) by two-thirds by 2015.
- Improve maternal health. By 2015, the maternal mortality ratio should be reduced by three-quarters.
- Halt the advance and reverse the spread of HIV/AIDS, malaria, and other diseases by 2015.
- Ensure environmental sustainability. All countries should integrate sustainable development principles and programmes into their national policies as well as reverse the loss of environmental resources. Halve the proportion of people without access to safe drinking water and basic sanitation by 2015. Achieve a significant improvement in the lives of 100 million slum dwellers by 2020.
- Develop a global partnership for development. [25]

Source: http://www.undp.org/mdg/basics.shtml and Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time,* New York: Penguin, 2005, pp. 210–213.

25 The eighth goal represented a commitment to develop a global partnership that would implement goals 1–7. It called for: a) the development of good governance practices in an open, rule-based, predictable, non-discriminatory trading and financial system; b) special consideration for the needs of LDCs, including the reduction of tariffs and quotas on their exports and increased development assistance; c) addressing the special needs of landlocked countries and small islands; d) long-term debt relief via national and international means; e) development and implementation of strategies for decent and productive work for youth; f) pharmaceutical companies cooperating to provide access to affordable, essential drugs; g) in cooperation with the private sector, dissemination of the benefits of new technologies, in particular those of information and communication.

Exhibit 4
The Ten Principles of the UN Global Compact

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

The Universal Declaration of Human Rights;

The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work;

The Rio Declaration on Environment and Development;

The United Nations Convention Against Corruption.

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:[26]

<u>Human Rights</u>

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

<u>Labour Standards</u>

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

<u>Environment</u>

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

<u>Anti-Corruption</u>

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

26 This adherence procedure involved: 1) a letter from the CEO, with board approval, to the UN General Secretary expressing support; 2) changes in business practices to incorporate the principles into the strategy, culture, and day-to-day operations of the company; 3) public advocacy of this process and its principles; 4) the production of an annual report on the company's progress in implementing them. If the company failed to produce the annual report and refused attempts by the UN Global Compact Office to discuss the reasons for this failure, its voluntary adherence could be annulled.

Exhibit 5

Statement of Intent

Statement of Intent

Unilever: Oxfam GB

The Challenges of Pro-Poor Investment in the Developing World

The Millennium and Johannesburg Declarations (2000, 2002) place poverty eradication at the centre of global strategies for sustainable development. Wealth creation, through the provision of goods and services, is vital for poverty reduction and business has a key role to play. But wealth creation alone is insufficient as a prerequisite for poverty reduction. It needs to be accompanied by public policies and incentives that enable poor people to participate successfully in markets.

Unilever, through its worldwide operations meeting everyday consumer needs for nutrition, personal and home hygiene, has extensive experience of working in developing economies with low-income consumers. This brings understanding and insight into the opportunities and barriers for business to extend the wealth creation benefits it offers to the poor.

Oxfam's work in more than 70 developing countries brings day-to-day contact with some of the poorest people in the world and a deep knowledge of the challenges they face. Through its support to local communities, advocacy and policy work, Oxfam is highly influential in shaping national and international poverty reduction strategies.

Unilever and Oxfam GB believe that the combination of their insight and expertise in business, participatory development and public policy can make a valuable contribution to addressing the challenge of sustainable poverty reduction.

Unilever and Oxfam GB intend to undertake, in partnership, an applied research project to explore the links between wealth creation and poverty reduction. The project will look at this through the experience of the local operations of a multinational company in a specific location. The findings and recommendations from this research will be published and shared with all stakeholder communities.

Unilever   Oxfam GB

August 2003

Exhibit 6

Unilever Indonesia Purpose and Principles

Our corporate purpose states that to succeed requires "the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact".

Always working with integrity

Conducting our operations with integrity and with respect for the many people, organisations and environments our business touches has always been at the heart of our corporate responsibility.

Positive impact

We aim to make a positive impact in many ways: through our brands, our commercial operations and relationships, through voluntary contributions, and through the various other ways in which we engage with society.

Continuous commitment

We're also committed to continuously improving the way we manage our environmental impacts and are working towards our longer-term goal of developing a sustainable business.

Setting out our aspirations

Our corporate purpose sets out our aspirations in running our business. It's underpinned by our Code of Business Principles, which describes the operational standards that everyone at Unilever follows, wherever they are in the world. The code also supports our approach to governance and corporate responsibility.

Working with others

We want to work with suppliers who have values similar to our own and work to the same standards we do. Our Business Partner Code, aligned to our own Code of Business Principles, comprises ten principles covering business integrity and responsibilities relating to employees, consumers and the environment.

Environment and society

We aim to manage our social and environmental impacts and play our part in sustainable development.

Science and technology

Innovation enables us to meet people's needs and aspirations in ways that engage and appeal.

Nutrition, hygiene and personal care

We're constantly striving to create more foods that make a positive contribution to health.

Our people

The Unilever community is shaped and led by its people, who operate creatively within a framework of shared values and business goals.

Source: http://www.unilever.co.id/ourvalues/

Exhibit 7

Unilever Indonesia Structure of Operations from Sourcing to Marketplace

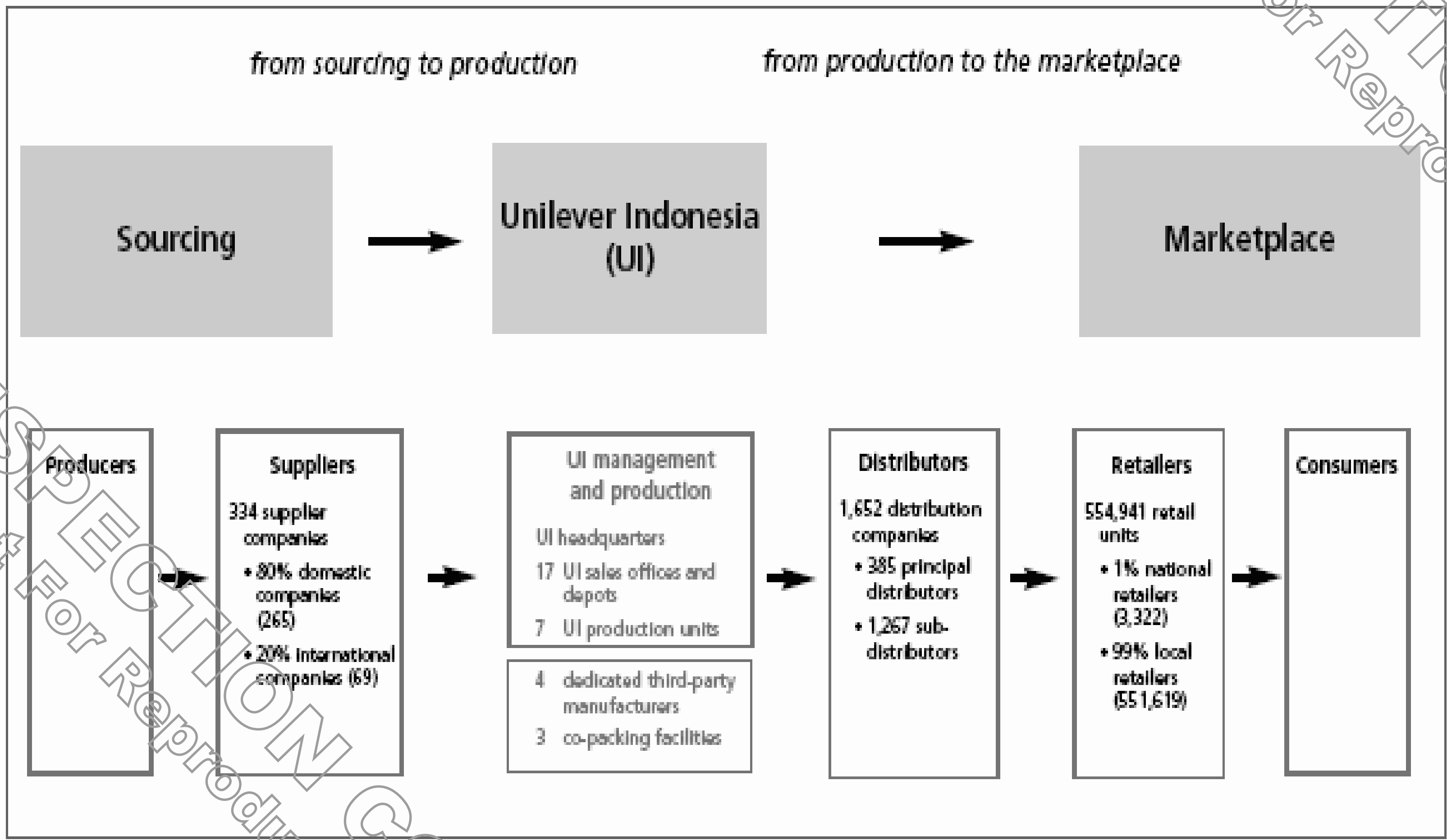


Exhibit 8

Memorandum of Understanding (key extracts)

17 January 2004

Memorandum of Understanding
Oxfam and Unilever

The Challenges of Pro-Poor Investment
In the Developing World: an Applied Research Proposal

1. Statement of Intent

The Millennium and Johannesburg Declarations (2000, 2002) place poverty eradication at the centre of global strategies for sustainable development…

2. Objectives of the Partnership

Unilever and Oxfam GB intend to undertake an Applied Research Project (the "Project"). The research will seek to explore the links between wealth creation and poverty reduction through the experience of the local operations of Unilever Indonesia. The findings and recommendations from this research will be published in a report, and shared with all members of the Stakeholder Reference Group.

The research will incorporate the following areas of investigation:

- Value Chain Analysis;
- Exploration of Unilever Indonesia's Policies and Practices (including commitment to labour standards);
- Mapping macro-economic indicators of Unilever Indonesia; and
- The Poor and the Marketplace.

3. Composition of the Project Team and the Project Board…

4. Decision-Making Principles

1. The Project Board will manage the Project.
2. The Project Leaders in Unilever and Oxfam, respectively, will be responsible for informing and managing the members of the Project Team.
3. The Project Board will attempt to meet on a quarterly basis during the Project to make decisions about the aims, objectives, timeline, implementation of the Project and the Report and dissemination.
4. The Project Board meetings will take place in Jakarta and London and consideration will be given to the possibility of undertaking meetings on conference call.
5. Notes of the meetings will be taken by the Research Coordinator, and circulated to the Project Board for agreement within two working days. The final version will be circulated to the extended Project Team.
6. Each Project Team member will work to agreed objectives and clear reporting requirements.
7. The Project Board will have joint editorial control over the Report.
8. The Project Board will be responsible for a joint strategy for the dissemination of (i) pre-report publication finding (ii) the final Report, including media coverage and external representation of its findings by the partner organisations.
9. In the event of a strong difference of opinion concerning the conclusions of the research, both parties will have recourse to the Grievance mechanism (as per Section 9).

5. Confidential Information

The Partners recognise that some information concerning Unilever's business is by its nature confidential, and have executed the Confidentiality Agreement in Schedule 3. Unilever Project Leaders shall have the opportunity to review the final Report for such information, and request the removal of the information, if felt appropriate, in accordance with Section 9. As the Project is intended to be transparent, the parties shall endeavour to be as open as this Section and Section 9 permit.

6. Timetable…

7. Joint Work plan…

8. Funding Arrangements…

9. Grievance Mechanism

1. The Project Board shall endeavour to resolve any differences between Unilever and Oxfam.
2. In the case of a difference of opinion between Oxfam GB and Unilever, the issues shall be escalated to the Unilever Advisory Director, who chairs the External Affairs and Corporate Relations Committee, Baroness Chalker of Wallasey, and Norman Sanson, who is a Trustee of Oxfam GB, or failing him another Oxfam GB Trustee nominated by the Chair of Oxfam GB, who shall, as soon as reasonably practicable after a written request from either party to the other, meet in good faith to resolve such dispute or difference without recourse to legal proceedings.
3. Any subsequent dispute will be subject to English law and the exclusive jurisdiction of the English courts.

10. Procedures for Transparency and On-Going Communications Between Partners

1. The Project Board will agree written plans and notes from each meeting that will be shared with all members of the Project Team. These plans will form the basis of the research activities and can be shared with the Stakeholder Reference Group.
2. The Project Board will be responsible for interim communications concerning progress review and adjustments throughout the Project's life.
3. The first draft of the Report will be made available to the Project Board and, with the Project Board's agreement, will be circulated to all members of the Project Team. The draft Report will then be submitted to a review and a revised version will be sent to the Stakeholder Reference Group for comment. A final draft of the Report will be sent to the Project Leaders for sign-off. Timings on the above activities will be defined in the Project Brief.
4. The Project Board will be responsible for interim communications concerning progress review and adjustments throughout the Project's life, with each other and with others within the respective organisations.

11. Measures to Mitigate External Risks and Threats to the Partnership

1. The Memorandum Of Understanding will be available to the public (and announced publicly if deemed to be appropriate by both parties).
2. A reactive media line should be identified and agreed. It should be transparent and available for use by the Project Team.
3. The parties have executed the confidentiality agreement in Schedule 3 concerning rights of disclosure and dissemination.
4. The parties should endeavour to ensure the expectations of the members of the Stakeholder Reference Group are realistic, clear at the outset, and the Project should be managed to ensure that these expectations are met.

12. The Stakeholder Reference Group

1. Agreement of the Members of the Stakeholder Reference Group:

   The Project Board will agree a list of people, selected from the following groups, to be invited to participate as a member of the Stakeholder Reference Group:

   a) employees of Unilever and Oxfam and their representative organisations;
   b) suppliers of goods and services to Unilever;

c) representatives of Indonesian civil society organisations with expertise in participatory development; and
d) relevant academics and/or researchers involved in this research Project.

Should it be deemed desirable to include additional members in the Stakeholder Reference Group at a later stage, then the Project Board will agree in writing who should receive an invitation to join prior to their being contacted.

2. Functions of the Stakeholder Reference Group

a) The Research Brief will be shared with the Stakeholder Reference Group, and their input will be invited at relevant stages of the Project's Implementation.
b) The Stakeholder Reference Group will be invited to participate in discussions, where felt to be appropriate by the Project Board.
c) The draft Report will be sent to the Stakeholder Reference Group for comment. Unilever shall review the draft in accordance with section 5 of this agreement with respect to confidential information before it is sent to the Stakeholder Reference Group.

13. End-of-Project Evaluation and Application of the Research Findings

1. Unilever or Oxfam may use learnings from this Project for educational purposes, with the consent of the Project Board.
2. The Project shall end on the date indicated in the Project Brief. Thereafter, Oxfam and Unilever may decide to host a concluding workshop to evaluate how the findings could be progressed (based on the agreement of both parties at that time).

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