



Unilever

Sustainable  
Development  
Report 2007:  
Economic  
development



# Economic development

**Unilever has a presence in over 150 countries around the world.  
Developing economies are an area of growth for our business.**

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This section of the online Sustainable Development Report 2007 is available at: [www.unilever.com/ourvalues/environment-society/sustainable-development-report/economic-development](http://www.unilever.com/ourvalues/environment-society/sustainable-development-report/economic-development)

# Economic development

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## Creating & sharing wealth

The presence of multinationals in developing economies has been a subject of debate for many years.

Some national governments and campaigning organisations have expressed concerns about the role multinationals play in local economies and whether they are ultimately a force for good.



We believe that business is an important generator of wealth and jobs. Multinationals in particular play a vital role in sharing technology, developing best practice and setting standards of behaviour. But we also recognise that they have broader social, economic and environmental impacts, both positive and negative.

The challenge for businesses like ours and the partner organisations we work with is to identify and measure these impacts, and to find ways to maximise the positive impacts and minimise the negative. Recently we have worked on two studies to explore these impacts, one with Oxfam and the other with Professor Ethan Kapstein of leading European business school, INSEAD.

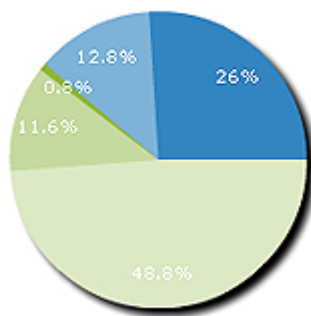
These research projects have supported our views on the role business can play in society. They have also raised useful insights on where we can enhance our local impacts.

### **Our economic impacts**

We generate wealth by adding value to the raw materials we purchase, manufacturing our products to exacting standards and marketing them to consumers. Employees, governments, investors and many others in the communities where we operate benefit economically from our activities (see chart).

### Unilever Group distribution of cash value added 2007

% of total (€11 351 million)

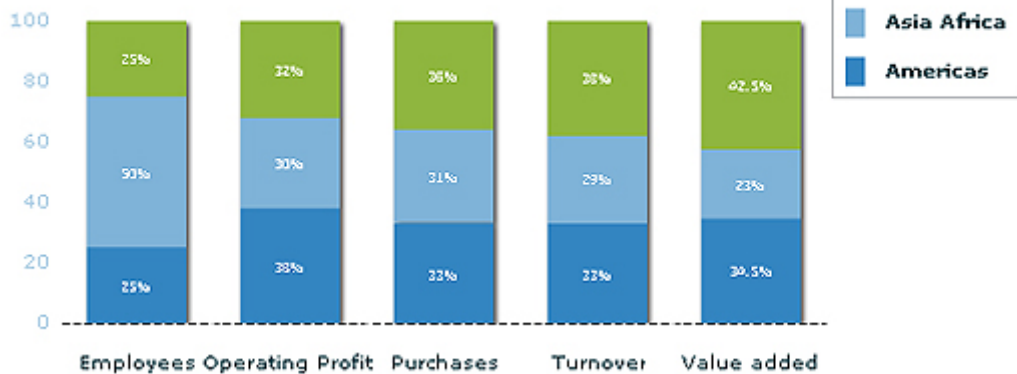


\*Excluding the one-off effect in 2007 of share buy-backs totalling €1.5 billion.

In 2007, out of €40.2 billion sales income (turnover), we spent over €28.8 billion with suppliers and so created €11.4 billion value added through our operations. Our employees gained the largest share, earning €5.5 billion or 48.8% of the total. The providers of capital who finance our operations gained the second-largest share (26%), from dividends paid. This group includes both individual shareholders as well as large holdings by pension funds on behalf of individual policyholders. Total shareholder return, which reflects the value of dividends and changes in share price, is calculated on a three-year rolling basis. By the end of 2007, Unilever ranked eighth against a peer group of 20 international consumer goods companies.

### Turnover, operating profit, employees, purchases & value added 2007

% by region



Our operations create value in the countries where we source our raw materials and manufacture and market our products. The proportion of added value we create locally is highest in developing and emerging markets. While only 29% of our sales are created in Asia and Africa, 46% of our employees are in these countries and 31% of goods and services are purchased by these regions.

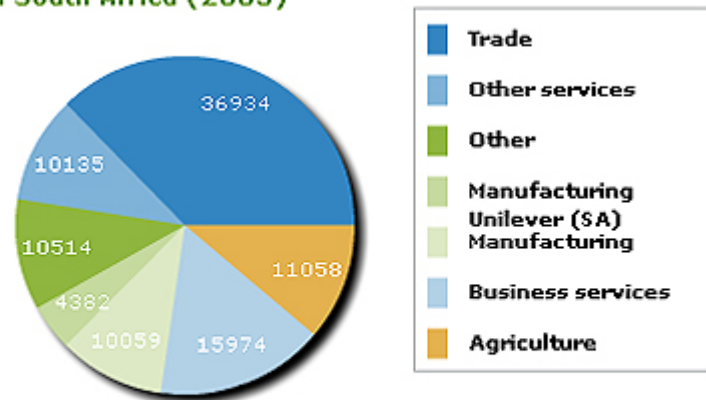
### Advancing the debate

Developing and emerging markets are a priority for Unilever. We have recently worked on two studies to understand our wider impacts in such countries. The first was a joint study with Oxfam GB and Novib (Oxfam Netherlands) on our impact in Indonesia. The second, carried out for us by

Professor Ethan Kapstein of INSEAD (a leading European business school), looked at our footprint in South Africa. This study builds on the Indonesia research with a more formal way of measuring the economic impact on jobs and incomes, using an 'input-output' analysis.

The study found that every person employed by Unilever South Africa supported another 22 people up and down the supply chain (see chart).

### Unilever impact on jobs in South Africa (2005)



Total jobs: 99 056  
Unilever South Africa jobs: 4 382

This impact on jobs is very important to South Africa as it has extremely high unemployment.

For every Rand (R) 100 of sales by the company a further R45 of value added is created in the wider economy. The economic activity associated with Unilever's operations in South Africa generated nearly 1% of the country's tax revenues. Of the company's total sales revenue in 2005 of R8.5 billion, two-thirds was spent on payments to suppliers of goods and services while employees received 13% of the share.

### Wider social & environmental impacts

The report also gave an overview of wider social and environmental impacts. Unilever South Africa provides comprehensive benefits to its employees in addition to paying considerably more than the average for South African listed companies. Training for employees and suppliers is a key focus. The company also operates to higher environmental standards than required by local legislation, with a declining footprint in terms of water use, CO2 emissions and energy per tonne of production.

Professor Kapstein also identified areas for improvement – more help to suppliers to improve their productivity and competitiveness, greater investment to improve R&D capability locally, more attention to environmental issues and especially packaging waste, and a more focused corporate social investment programme that uses Unilever's skills.

Unilever South Africa has responded to the report by committing itself to step up training of employees and suppliers and to devote more attention to energy use, water scarcity and the needs of low-income consumers.

"The scope and depth of Unilever's economic 'footprint' demonstrates the value of large corporations to the country, the economy and the broader society."

Andre Fourie, CEO, National Business Initiative South Africa.



### **Economic development through micro-enterprise**

As well as meeting consumer needs, our businesses can make a difference to the poorest communities through job creation. Project Shakti in India continued to grow in 2007. This programme creates micro-enterprise opportunities for rural women in India to sell Unilever products door to door. By the end of 2007 there were more than 45 000 Shakti entrepreneurs covering 3 million homes in 100 000 villages in 15 states. For Hindustan Unilever the initiative has significantly increased rural distribution, doubling direct rural reach since it started. For the women, it has provided a significant increase in their incomes as well as giving them a sense of pride and self-worth.



We are rolling out similar initiatives in Sri Lanka and Bangladesh. By the end of 2007, Sri Lanka had over 3 500 entrepreneurs covering 275 000 households in 4 000 villages, and Bangladesh had 4 250 entrepreneurs covering 400 000 households in 8 000 villages.

Spin-off projects include Shakti Vani, health awareness campaigns, and i-Shakti, online community information portals for villages.

In the Philippines, we have been working in partnership with the Philippine Federation of Local Councils of Women to help tackle poverty. Together in June 2006 they launched Kabisig, a neighbourhood seller programme which enables previously unemployed people to earn a living by selling our products directly to households in their local communities. Kabisig members are supported by the Federation which lends them the capital needed to purchase Unilever products and start their own small businesses. By the end of 2007, the programme had 380 sellers reaching over 100 000 households, resulting in turnover of 3.2 million Filipino pesos.



### **Africa**

In Tanzania, Ghana and Nigeria we have been working on an initiative which aims to establish a locally owned supply chain for Allblackia oil, a

























