



**Unilever**

**CORPORATE COMPLIANCE - FROM A SOUTH AFRICAN AND  
AFRICAN PERSPECTIVE**

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The health of a seedling is determined by the soil in which it is planted. Its well being is by no means automatic, but is a direct outcome of the quality of the sustenance it receives. Similarly businesses, much like state and public institutions, do not automatically promote and encourage ethical behaviour, and to assume so would be a mistake.

It depends on the soil in which they are planted.

African soil is sadly lacking in terms of the value base from which we've come. Many young people entering the business arena are products of an era bereft of the most fundamental recognition of their rights, and indeed of acting *for* what is right and *against* what is wrong. In this environment Business has a vital role to play in helping to close the values gap, to demonstrate moral standards that are a way of life...in short, to become a role model.

Lever Brothers forged its links with Africa and South Africa in the late 1800's with the export of soap to Africa and the sourcing of palm-kernel oil from the Belgian Congo. The formation of the United Africa Company heralded an important phase in the group's history. With the merger of the Margarine Unie of Holland and Lever Brothers to form the Unilever Group of today, business with Africa has increased substantially. Today, one of the biggest investors in Africa, we are optimistic that the movement we have seen toward greater participation and political stability will nurture conditions in which our business will flourish. We have no illusions however that this will not be without enormous challenge, particularly in the area of business morals and ethics.

Corporate Compliance is formalised in Unilever's Code of Business Principles, a formalised document required to be signed and accepted by all its managers and employees.

To illustrate the content and tone of the document I quote: "***Unilever does not give or receive bribes in order to retain or bestow business or financial advantages. Unilever employees are directed that any demand for an offer of such bribe must be immediately rejected.***"

It continues to state that it is the responsibility of the Board of Unilever to ensure that the principles embodied in this Code are communicated to, understood and observed by all employees. An independent Internal Audit function supports the Board in monitoring compliance.

The Code also covers such issues as *Standards of Conduct, Obeying the Law, Conflicts of interest, Product Assurance, Environmental Issues, Competition and Reliability of Financial Reporting*.

Conducting business with integrity and the highest moral standards is not however a policy, procedure or process - it fundamentally defines the way that Unilever goes about its activities, and is at the very core of what the business stands for. We regard our reputation for the highest standards of corporate conduct as much an asset to the company as any one of our people, brands, factories or technologies.

Organisational integrity makes good business sense, as it's a pre-requisite for growth and thus sustainability and success. Unilever's Code of Business Principles provides a simple, solid foundation for Corporate Governance. These core guiding principles are published throughout the business, across countries and continents. They are regularly revisited as Managers are requested to commit to the fact that they have made their staff aware of what they are, and what they mean in their particular area of the business.

Standards of *honesty, integrity and respect* for the interests of those with whom the business has relationships are the cornerstones of the Code.

In pursuit of maintaining compliance with Unilever's Code of Business Principles, steps are initiated to:

- Install systems and controls that expose non-compliance (supported by internal and external audit, including Information System security)
- Regularly reinforcing by re-stating the rule that Unilever will not tolerate any director, Manager or employee participating in bribery or corrupt practices such as "facilitating payments", or the acceptance of presents, favours or gifts.
- Where tangible evidence comes to our attention, persuade the authorities to take action against businesses flaunting the laws surrounding that particular activity. This includes the evasion of income and other taxes as well as customs duties. I include here action against parties participating in "round-tripping", or the re-importing of goods, evading VAT and customs duties. Product counterfeiting is another major local problem in this area.

We also...

- Report corrupt officials to the authorities whenever we have clear proof, and
- Report the lack of level playing fields or sharp practices to the relevant authorities.

Compliance to Unilever's Code of Business Principles is not a passive phenomenon. In fact, if there is a distinguishing hallmark to Unilever South Africa's corporate integrity and moral intention it is that it is *alive, active and evident* in many initiatives both internal and external. In an environment of increased competition, corruption and moral tensions, *acting* on what you believe in has never been as important...

We need to *live up to the standards* we set for ourselves.

We need to *act publicly*, whether this means disciplining or dismissing employees who have transgressed, or helping to develop initiatives that echo our values. Under the banner of the Unilever Foundation for Education and development we sponsor the *Unilever Centre for Comparative and Applied Ethics* at the University of Natal. In recognition of the fact that our society is in serious ethical trouble, the centre is a positive force. Comprehensive education should include an ethical component, which the centre will seek to present to students in a way that has clear relevance to their career and the personal challenges they will face. They are after all our future employees.

Another example of Unilever *acting publicly* on ethics is the work done by Lady Lynda Chalker. An Advisory director on Unilever's main board, she travels throughout Africa speaking and writing extensively on corruption, in an effort to educate and instil public awareness of unacceptable business practice.

As well as acting publicly, we need to *participate* in business and community initiatives that serve higher values. To this end Unilever actively supports Business against Crime with both funding and the temporary secondment of staff. The operating companies and many Managers within the group are also actively involved in various community, industry and environmental organisations. An example of this is the "Living Lakes" partnership. Given our product range, the importance of quality and availability of water is a key issue for us. In the interests of water conservation we sponsor the beautiful Lake St. Lucia on Kwa Zulu Natal's North Coast, under a global "Living Lakes" initiative. The list of associations we have sought out and are involved in is long and includes *The Marine Stewardship Council*, the *African Council of Hawkers and Informal Business*, the *Association of Marketers* and the *SA Foundation*, among many others.

We believe its our duty to stand up and help, to act rather than to be passive, to live our credo.

With a new process oriented approach to our operations we are involved in actively empowering employees in our factories and offices. Teams take responsibility for their decisions and are accountable, as much to one another as they are to any higher authorities. Personal integrity and a developed sense of what is right and wrong are critical in this new work place.

With Employment Equity being legislated and companies experiencing pressure to be transparent and accountable for the contribution they're making back into society, the collective conscience of business is under the spotlight. Ethics is both vital and practical.

I would contend that to pass this inspection, a corporate culture needs to embody ethical behaviour, at every possible level, as nothing less than the guiding light used to illuminate every decision taken, every consequence caused and every future course considered.