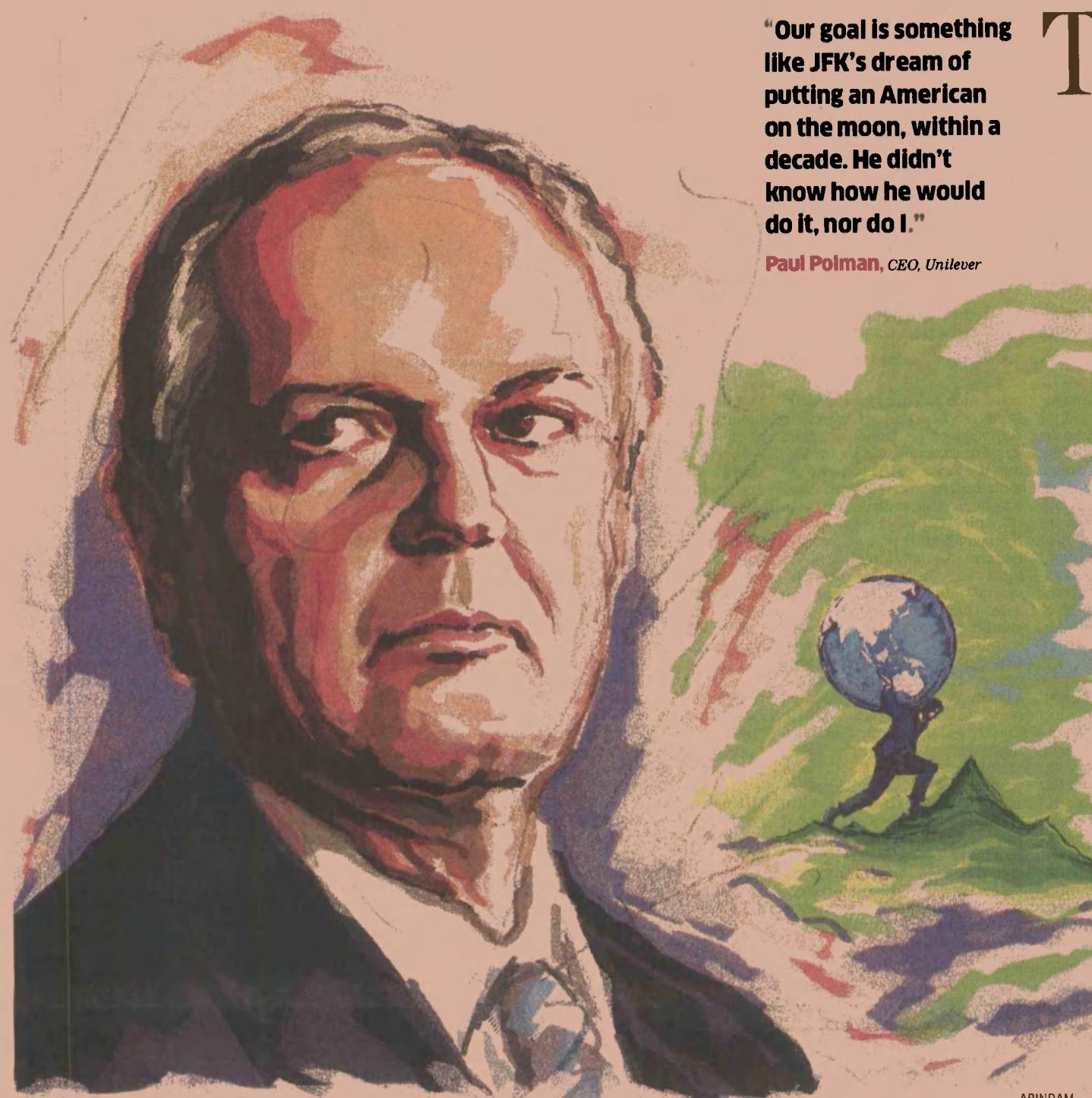


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Sustainability Leaders: Unilever **Special Feature** 13

Unilever has done business largely the conventional way. But now, CEO Paul Polman has a 10-year plan to turn the leviathan multinational into a sustainability champion. And even though the plan sidesteps significant markers because they could hurt its business, it's an important step forward, reports **Naren Karunakaran**

An Earthy Touch



"Our goal is something like JFK's dream of putting an American on the moon, within a decade. He didn't know how he would do it, nor do I."

Paul Polman, CEO, Unilever

The Uhuru Peak of Mt Kilimanjaro in Tanzania is 19,341 feet above sea level. In September 2005, a group of 27 climbers, eight of them blind, attempted an ascent to the summit. Among this group was Paul Polman, who, at the climb, gravitated towards the educational needs of blind, underprivileged children across eastern Africa. The Kilimanjaro Blind Trust (KBT) thus came into being. Polman has since become the CEO of Unilever, the 44.3 billion Anglo-Dutch foods and consumer goods giant, but he continues to engage with the KBT.

Polman now wants to climb another peak, turning a leviathan multinational, which is doing business largely the conventional way into a sustainability champion, in sync with society's needs, aspirations and challenges. In doing so, he seeks to alter the very DNA of Unilever. Within 10 years, that too while doubling its turnover. A roadmap — the Unilever Sustainable Living Plan (SLP) — is already in place. Polman's initiative is not merely the angst-ridden call of a business executive who has discovered, first hand, the deep divides in society or its climate-change challenges. It's a hard-nosed approach to business. Of growth and profits. Of taking on his large peers, as well as smaller, nimbler FMCG groups from emerging markets, where a bulk of his company's future revenues are expected to come from.

While CEOs talk of sustainability issues and its relevance to business in debating fora, Polman has a plan to integrate sustainability into the very core of Unilever's business and strategy. It's a new business model in the making. "Our goal is something like JFK's dream of putting an American on the moon, within a decade. He didn't know how he would do it, neither do I," admits Polman, pointing to the enormity of the task ahead.

Some of the targets are indeed stiff. For example, by 2020, Unilever wants to buy all its agri raw materials from sustainable sources, it's 10% today. If it achieves this, it can bring about a significant change in global agriculture and livelihoods. Unilever already buys 12% of the world's tea, 6% of its tomatoes and 3% of its palm oil. By 2020, the company also wants to link over 500,000 marginal farmers and small-scale distributors into its supply chain; help a billion people change their hygiene habits; bring safe drinking water to 500 million; and halve the greenhouse-gas impact of its products, across the lifecycle. John Elkington of the London-based think tank SustainAbility, who has engaged with Unilever, is disappointed that the company does not address the consumption debate more directly, though he describes the SLP as "brave". "A lot of CEOs will be wary of saying they don't have all the answers," says Polman, "but what we are trying to do is make the world a better place to live in." Such candid clarity is rare, but Polman is now accustomed to breaking moulds of staid business conventions.

Much of the 45 million tonnes of palm oil produced, especially in Malaysia and Indonesia, is from plantations that have sprung up by destroying forests and peatland. In order to delink climate change, biodiversity loss and palm oil cultivation, Unilever helped found the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder initiative. And it is leading from the front. "In 2011, we will source 50% of the global sustainable palm oil produced," says Polman. Last year, 500,000 tonnes was sourced. Unilever has been harsh on those who refuse to fall in line. It cancelled a \$32 million contract with Indonesian palm oil company Sinar Mas. "I believe it was Polman's insistence that led to the suspension of all Unilever deals with Sinar Mas because they were not evidencing sustainable plantation practices," says Pavan Sukhdev, special advisor and head of UNEP's 'Green Economy' initiative.

"We are not against any company," explains Polman. "But if sustainability is our business model, we need suppliers who can help us." This perhaps is the only way for Unilever to 'decouple growth from environmental impact', the leit motif of the SLP.

But can growth be really decoupled from environmental impact? Isn't that a myth? By extension, is the Unilever's SLP as radical a document as it is made out to be? Tim Jackson of the UK's Sustainable Development Commission, in his seminal book 'Prosperity Without Growth', describes decoupling as a conven-

induce behavioural changes in consumers.

For example, one in three households worldwide use a Unilever laundry product, that amounts to 125 billion washes a year. Now, if they all switched to the new 'concentrated' variants of Unilever detergents, it would save four million tonnes of carbon per year. This is equivalent to taking one million cars off the road annually. The US has switched entirely to concentrated detergents. In India, there's Surf Excel Quickwash, which produces less lather and therefore requires less water for rinsing. "It saves up to two buckets of water per wash load," says Nitin Paranjpe, MD and CEO, HUL. That's a saving of 14 billion litres of water a year. Another product, Comfort Rinse in Vietnam, has yielded similar results.

FAIR TRADE

Ben & Jerry's ice cream, another Unilever product, is a good example of how a large global company can impact swathes of farmers, and create and foster a humane supply chain, globally. Ben & Jerry's is transitioning to a complete 'fair trade' product. Fair trade is a global movement in which small farmers are paid a higher price for their produce, irrespective of the commodity's market price. The 58 flavours of Ben & Jerry's ice-cream require several ingredients, including cocoa, bananas, vanilla and a range of nuts.

Unilever's transition led to a trebling of the world's supply of fair-trade almonds — the biggest fair-trade conversion ever. Converting to fair trade has taken Unilever to farmers' cooperatives with a combined membership of over 27,000. Ben & Jerry also avoids milk from cows injected with growth hormone rBGH. Polman says, in mirth, he would love to be a Ben & Jerry cow for the luxury in which they are reared; this includes regular massages.

Unilever says it won't pass on the extra cost of going fair-trade to the consumer, that said, Ben & Jerry's is already a premium ice-cream brand. "We won't charge more for doing the right thing," says Harish Manwani, President, Unilever, Asia Pacific, CEE. "The proposition is to induce and retain customer loyalty for a lifetime." This practice is reflected even in the pricing of the company's Lipton Yellow label and PG Tips teas. All of Lipton tea bags are sourced from Rainforest Alliance-certified farms, benefiting 58,000 marginal farmers and 175,000 workers, conserving water and protecting wildlife.

While these accomplishments are noteworthy, it is in palm oil that Unilever has displayed exemplary leadership in pushing the tenets of sustainable agriculture. Unilever buys around 1.5 million tonnes of palm oil a year — 3% of the world's total. Palm oil is used in margarine, ice-cream, soaps and shampoo. Much of the 45 million tonnes of palm oil produced, especially in Malaysia and Indonesia, is from plantations that have sprung up by destroying forests and peatland. In order to delink climate change, biodiversity loss and palm oil cultivation, Unilever helped found the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder initiative.

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tional response to the dilemma of growth with the usual accent on 'reconfiguring production processes and redesigning goods and services'.

Jackson's contention: "Simplistic assumptions that capitalism's propensity for efficiency will allow us to stabilise the climate and protect against resource scarcity are nothing short of delusional." He goes on to distinguish between 'relative decoupling' and 'absolute decoupling'. Evidence of the latter is much hard to find. Many of Unilever's initiatives would fall in the former.

More importantly, and more relevant to Unilever's accent on 'reconfiguring production processes and redesigning goods and services', Jackson talks about the 'iron cage of consumerism' driving the world to destruction. He says that unless the cult of runaway, conspicuous consumption is curtailed, no amount of measures, by governments or corporations, will succeed. "We are being persuaded (as consumers) to spend money we don't have, on things we don't need, to create impressions that won't last, on people we don't care about," he said at a TED conference recently.

John Elkington of SustainAbility would have liked Unilever to go further than just "modifying" consumption. Polman agrees that resource consumption by humans has increased to 125% of global carrying capacity, and that there are indeed "opportunities to consume less". But, for now, he would like to focus on "growing differently" or "consuming differently". "I don't think you can tell people what they should do," insists Polman. "You need to give people the choice and let the free market play itself out." Elkington too indicates half a solution is better than no solution at all.

CONTRADICTIONS WITHIN

No debate on Unilever will be complete without the numerous contradictions often thrown up by its approach to consumers in different parts of the world, especially when seen through the responsibility and sustainability lens. Its ambivalent stand on genetically modified organisms, or the Fair & Lovely cream conundrum, for instance.

Unilever is accused of propagating commodity feminism — the reduction of feminism to a commodity that can be bought and sold on the market. This phenomenon, says Julie E Dowsett, has "little to do with feminism or the material circumstances of women's lives". In a recent paper, 'How the Corporate Imagination Appropriates Feminism', Dowsett highlights contradictions in the Unilever approach. The company, through its Dove 'campaign for real beauty', sells and celebrates women empowerment in the developed west with the message that different sizes and colours of bodies are beautiful. But it also hawks Fair & Lovely, a skin-lightening cream in India and developing countries, with the message that lighter coloured skin is more beautiful and desirable.

These contradictions apart, the SLP is beginning to influence the lives of Unilever's stakeholders — shareholders, suppliers, consumers and employees — and have a balancing effect on the environment. More importantly, Polman is attracting CEOs — across sectors, even competitors — wanting to know how he is infusing sustainability into his business.

A coalition of the good appears to be coalescing. Big retail is already behind him. Companies like Walmart and Tesco are pushing the sustainability agenda in their own ways. Civil society organisations are also beginning to pitch in. Unilever works on a number of projects with Oxfam, the British NGO coalition.

The Consumer Goods Forum — a global network of over 850 retailers and manufacturers across 70 countries, with combined sales of over 2.1 trillion — is now speaking Polman's language. The Forum has committed to buy all palm oil, soy, beef, and a range of produce from sustainable sources by 2020. "There are changes in the financial community too," says Polman. The confrontation is waning. The Kilimanjaro ascent impacted Polman in a deep, visceral way, and it is benefiting a small portion of the African continent. The sustainability challenge is much more daunting, much more difficult to ascend, but its impact will be felt across the world, across Unilever's large flock of consumers and stakeholders.

Unilever 2020 Sustainability Plan

Polman's Sustainable Living Plan looks to integrate sustainability into the very core of Unilever's business and strategy

Health
Improve the health and well being of more than a billion people.

GLOBAL TARGET
Bring clean, drinking water to 500 million people. Improve levels of four nutrients in products: salt, sugar, saturated fat and trans fat.

INDIA INITIATIVES
Pureit water-purifier homes (about 4 million) show 50% lower incidence of diarrhea. Brooke Bond's sehatmand tea, with vitamins, launched to address the nutrition needs of low-income consumers. Salt content in Knorr soups reduced by 7-35%. Lifebuoy's Swasthya Chetana health and hygiene education programme has touched 150 million people.

Environment
Decouple growth from environmental impact; halve the environmental footprint of making and using products.

GLOBAL TARGET
Help 400 million consumers reduce greenhouse gas (GHG) emissions while washing and showering. Concentrate liquids for laundry process to reduce GHGs by 10-15% per dose. Halve water associated with consumer use of products. Source 100% of agri raw materials from sustainable sources by 2020.

INDIA INITIATIVES
Reduced CO2 from energy in manufacturing operations by 28%, water usage by 31%. Ice-cream business now replacing HFC-based freezers with advanced hydrocarbon refrigerant freezers. Reduced potential packaging waste by 900 tonnes in 2009. Nine tea estates in Nilgiris and 10 in Assam certified 'sustainable estates' by Rainforest Alliance.

Livelihoods
Improve livelihoods of farmers and distributors.

GLOBAL TARGETS
Link 500,000 small farmers and small-scale distributors into supply chain. Increase number of Shakti entrepreneurs from 45,000 to 75,000 in 2015. Shakti present in Bangladesh, Sri Lanka and Vietnam; expand it to more countries.

INDIA INITIATIVES
Funding eight drip-irrigation trials with gherkin farmers; yields increased by 84%, profits by 245%, and water use reduced by 70%. Kwallity Walls mobile vending operations support 5,500 migrants in cities, generating over ₹16 crore in commission for vendors.

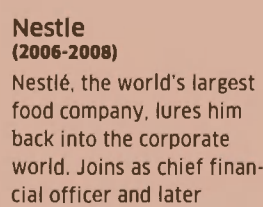
Paul Polman at Work



Procter & Gamble (1979-2005)
Begins his career at the FMCG major in 1979 as a cost analyst and rises to become the group president (Europe) in 2001.



Kilimanjaro Blind Trust (2005)
Briefly leaves full-time work to set up a trust that supports the educational needs of blind, underprivileged children across eastern Africa. Still remains involved as president.



Nestle (2006-2008)
Nestlé, the world's largest food company, lures him back into the corporate world. Joins as chief financial officer and later becomes executive vice-president for the Americas.



Unilever (2009-)
On 1 January 2009, Polman becomes the first outsider to be appointed CEO of Unilever. He is also a member of the executive committee of the World Business Council for Sustainable Development.

