

# Sustainability and growth, the Unilever way

**Paul Polman, CEO, Unilever, on the way forward.**

## GOKUL KRISHNAMURTHY

*Paul Polman, CEO, Unilever, is as serious about sustainable sourcing, reduced emissions and saving water as he is about doubling the consumer products giant's global turnover by 2020. It's obvious that India, one of the emerging markets that collectively contribute 53 per cent to Unilever's turnover, is expected to be a driver of this growth.*

*In conversation with the media on a four-day visit to India, Polman reiterated his commitment to Unilever's 'Sustainable Living Plan', and outlined his road-map for growth. He foresees consumers embracing products and brands from responsible companies, especially in a highly volatile environment. Surely, he couldn't have foreseen the quake and tsunami that have ravaged Japan when he spoke about climate change. But the relevance of what he said is better understood now, after the disaster. Excerpts:*

### A SUSTAINABLE LIVING PLAN

Last year's results were the best in about 30 years. As we got these results, we also launched the new vision, the Unilever Sustainable Living Plan, which is very relevant for India as well.

We are using resources well beyond the capacity of what the earth can generate. The WWF estimates that we are using 1.3 times the capacity of this earth. And this is before two billion new people come in, mainly in this part of the world (emerging markets), before living standards improve. The stress on the system is enormous. Also, the system has never suffered so many shocks –



**Paul Polman, CEO, Unilever**

of droughts, floods, the events happening in West Asia ... These are only going to increase the volatility unless companies wake up to these problems: of climate change, poverty, malnutrition.

The Unilever Sustainable Living Plan sets a very audacious ambition of doubling our turnover, while minimising our environmental im-

pact. The agricultural materials that we buy will be sustainable over the next 10 years. A billion people more than currently will have access to health and nutrition by our brands and our activities. Our environmental impact, across the entire supply chain, will be the same or less than what it is today. I believe it will be increasingly relevant, not just for the world, but also for consumers basing decisions on which companies they want to buy their products from. Increasingly, that will be a driver of choice.

With the inability of governments to take charge of the issues we have, consumers will take charge. We see it happening with social networks, we see it happening in West Asia.

### ON RISE IN INPUT COSTS

What we must do is separate the short term, which is the coming six months, from the long term. Our long-term strategy is solid; we don't see any reason to change that.

I'd say input cost fluctuation is not as bad as 2008. There is going to be six months of uncertainty. I call Harish (Manwani, President, Asia Africa, CEE, Unilever, and Chairman, Hindustan Unilever Ltd) Mr CNN. Every time I switch on television, one of his countries is on there. And it's always something you didn't expect. An earthquake here, a flooding there, a government moved out without anyone expecting that – we live in a very volatile and uncertain time. But our company, with its agility, with its solid strategy, strong brands, is well placed to deal with it.

**Needs a joint effort: See Page 3**

# 'It cannot work if one company alone takes it up'

**Paul Polman, CEO, Unilever, says governments and other stakeholders need to get involved in the mission for sustainable growth.**

## GOKUL KRISHNAMURTHY

*Paul Polman, CEO, Unilever, shares his views on responsible sourcing and emerging opportunities*

**I**n ice creams, we have two million ice cream cabinets around the world. We are already converting about 500,000 of them to natural refrigerants. In India, where we are growing the ice cream business very fast, the cabinets will be natural refrigerants. By 2015, all of our cabinets will be natural refrigerants. If you take all the cabinets of beverages and all categories of cabinets (including ice cream which is a small part), that is six per cent of global warming.

We have created an organisation that is called the Global Consumer Goods Organisation. It has the biggest retailers in there from all over the world, and the biggest manufacturers. We were the only ones that got a declaration in Cancun to not buy any material anymore from illegal deforestation – palm oil, soy, beef, paper ...

By 2020, we will only do sustainable sourcing. If the biggest companies that serve the consumer say they won't buy unsustainable produce anymore, you're sending an enormous signal to the supply chain. We've worked with the Indonesian Government, which has given a moratorium on deforestation for two years.

Malaysia and Indonesia are among the biggest palm oil producers. Unilever alone is buying almost 50 per cent of the palm oil that is sustainably produced in the world.

In detergents, in developed markets where there is more of machine wash, we have introduced detergents that give a better performance at lower washing temperatures. In these parts of the world, where there is more water usage because it's hand-washed, we have introduced fabric softeners in detergents to reduce the need for rinsing.

By optimising logistics systems, in India we took off a few million miles of trucks on the roads.

We have worked our whole life to get our agricultural materials sustainably sourced. We're setting an objective that by 2020 we will source a 100 per cent.

It's not easy. I've also said that I don't have all the answers. I can't do it alone. But one thing I know is that if we really want to do it and if we're all serious about it, we can do it.

It requires the support of governments, monitoring systems, providing alternative livelihood for those people, sustainable farming techniques and more. It cannot work if one company alone takes it up. It has to be a multi-stakeholder partnership.

We measured the impact of every brand across the supply chain from sourcing to use – from water, waste, carbon, packaging, and more. For every brand, we have the hard numbers on what the impact is. It helps us see where we need to focus.

Today, every brand of ours has a global imprint, which not only has an economic and product mission, but also a social mission

tied in to the Unilever Sustainable Living Plan. If you don't tie it into your innovations, you're never going to get there. You need to innovate to find a fabric softener that uses less water, or a detergent that washes at lower temperature.

Because we set such an audacious goal for sustainability, it puts more pressure on our research department to provide solutions, and our innovations actually become bigger. Because our innovations become bigger, we grow faster. What we're doing is a catalyst for growth.

We're in the business to grow, but I'd rather have a company that grows responsibly.

## ON THE EMERGING OPPORTUNITIES

Growth in the developed markets is difficult. There has been a bigger shock there because of the financial crisis than in these parts of the world. Now the governments are going in for austerity measures that put more pressure on consumer spending. As a result, you see many of the companies looking for growth coming more aggressively or earlier to the emerging markets.

Fifty-three per cent of our global business is from emerging markets – higher than any other company. We have more people working in these markets. So we are better prepared to deal with the challenges here, but it is clear that the competitive environment is becoming more intense. Now you can think about that and say that it's a big issue, or say it's nothing to be worried about.

These markets have a very low consumption across many of the products. What we see is that when there is increased competitive activity, not only does the consumer benefit because you have to innovate faster, which we know how to do, but you also get the markets to develop.

## ON STRESS AND SHOCK POINTS

You should separate the next six months or so when you look at commodity inflation. Estimates from the FAO and World Bank are very clear that the underlying trend on input cost is up. There is a certain level of inflation that will be with us, which, by the way, is healthy. To get a better pricing structure across the supply chain, driven by an underlying demand – two billion people, improvements in standard of living, the food production in the world has to go up 70 per cent in the next 40 years. So the underlying price pressure of 2 to 3 per cent in food is a healthy one if it is fairly and equitably dis-

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tributed in the supply chain. I think that will be more and more the case.

What is a challenge to deal with in the short term is the spikes that we are seeing, and they are caused by many things that happen at the same time. The first one - the population increase and the inflation - I just call it the normal stress – you can forecast, you can plan your businesses around that. You can cover that with productivity and efficiencies.

What is new is that the world has more shock points. The shocks of climate change, geo-political uncertainty, of population growth and malnutrition, poverty, leading to discontent among people. They need to be addressed more aggressively. What is unfortunately happening, even after the crisis, is that governments are focused internally and have short-term views.

Institutions look like they are properly set up when everything is going well. As soon as problems hit, issues are there. International institutions are not working and the problems are getting bigger.



That's why I think there's a great opportunity – not a threat – for responsible companies to do something about them.

You have seen the power of the Internet and social networks, which are going to be bigger in this part of the world than anywhere else. Our two billion consumers who use our products everyday are an enormous force we can harness.

So if we as a company do the right things to address these problems, and hopefully other companies as well, we can make a big difference.

We have to stay close to the consumer because it's the consumer who suffers more. Especially in emerging markets where the consumer pays a higher percentage of income, often 70 or 80 per cent, especially at the bottom of the pyramid, on food.

That's why we see, in India as well, a lot of innovation happening – not only at the top end of consumption but also at the bottom of the pyramid.

**Hindustan Unilever's products**

– BIJOY GHOSH