

Courage and commitment steers change to a more sustainable future

Sustainability is one of the keys to growth and profitability. So claims Paul Polman, recipient of the 2014 Gothenburg Award for Sustainable Development. After he took over as CEO of global consumer goods company Unilever in 2009, the company commenced a pervasive change of course towards more sustainable operation. The rewards have not been slow in coming.

“It proved possible to implement the plan more rapidly and to generate more positive results than many had anticipated. Hopefully, it will encourage other corporate boards and CEOs to make sustainability central to their business operations,” says Paul Polman.

A vital element of this change in corporate focus was the launch of Unilever’s Sustainable Living Plan.

“It forms the core of our business model,” states Paul Polman.

His simple and logical thesis is that you cannot grow a healthy business in an unhealthy society. It is therefore in companies’ own interests to contribute to positive development in terms of sustainability, something that Unilever has taken to heart. Unilever’s Sustainable Living Plan aims to halve the company’s environmental footprint by 2020 and to increase its positive influence on global health, as well as prosperity and working and living conditions, while simultaneously promoting company growth.

Long list of improvements

Unilever is already well on the way to achieving these targets. Between 2008 and 2013, it cut carbon emissions from its production facilities by 32 percent per ton produced. During the same period, the company reduced overall water consumption by 29 percent and the amount of disposable waste by 66 percent. Furthermore, the 2013 Unilever Annual Report tells us that work safety is improving, as is the ratio of women in leading positions, and that the company’s managers are endorsing the Plan with increasing commitment. The list goes on.

Sales and profitability rising

And the economic fallout is positive too. In the five years 2009–2013, turnover grew by almost EUR 10 billion, while the operating margin rose from 12.5 to a new record level of 14.1 percent.



Michael Treschow, Chairman Unilever



Paul Polman, CEO Unilever

Furthermore, the company flagged unrestricted cash flow amounting to EUR 18.7 and gradually increased its dividend to shareholders, who saw an accumulated total return on investment of 98 percent over the five-year period.

“We are clearly demonstrating that sustainability and profitable growth are perfectly compatible, in contrast to what many claim. The really important thing is to decide what type of growth you want,” says Michael Treschow, who chairs the Unilever board.

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Sceptics welcome

When Paul Polman launched his plans, many were initially rather sceptical, both inside and outside the company. He doesn’t consider this strange at all.

“History is littered with companies and CEOs that have ignored their responsibilities. It seems only natural that people should express some doubts when we claim an ability to increase profitability while simultaneously contributing to a better society. I welcome this type of scepticism. Dealing with cynics who are not really interested in any solutions poses much more of a problem,” notes Paul Polman.

Cooperation important

Cooperation is vital to the success of the Sustainable Living Plan. This is particularly true of efforts designed to promote greater health in society. For example, by the close of 2013, company brands had helped 303 million people to attain better standards of health and hygiene, which in many instances can have a decisive impact – especially for children in emerging nations.

Unilever’s Lifebuoy soap brand plays a prominent role in this project. Lifebuoy was originally developed by William Hesketh Lever at the end of the nineteenth century. His aim was to create a product that was effective against bacteria, yet cheap enough for anyone to buy – even the poorest.

“This ambition informs our Lifebuoy brand even today, being the key to the commitment and passion that is so crucial to the company’s development. Our other brands also share this heritage which, of course, is an advantage,” notes Paul Polman.

No more quarterly reports

On several occasions over the past few years, Unilever and Paul Polman have acted firmly in combating the short-termism that is so prevalent in the financial sector and which infects publicly quoted companies and their leaders.

Exemplifying this phenomenon, Mr Polman cites a recent survey that showed that two thirds of the CFOs of top companies would postpone a positive NPV investment if it affected guidance for the quarter.

“Leadership within the financial sector needs to be more courageous, responsible and long-term. Luckily, there is a general awareness of these problems, and a number of broad international initiatives are being implemented to promote change. This will benefit society as a whole,” says Paul Polman.

Unilever, for example, has abolished traditional quarterly reports and financial guidance, as well as moving compensation to the long-term. These measures have seen the company lose some short-term investors, although attracting others with more long-term interests.

“Investors who are capable of seeing beyond the next quarter and who appreciate that the traditional key ratios need to be complemented, by calculations that also take into account the company’s impact on the environment and society at large, have much to gain,” says Paul Polman.

The Gothenburg Award for Sustainable Development

The Gothenburg Award for Sustainable Development is given each year to people or organizations for outstanding performance and achievements towards a sustainable future. The Award winners, all of whom have translated their words into actions, provide an important example to others. The Award, worth SEK 1 million, highlights what is possible and necessary for a brighter future. The Award is administered and funded by a coalition featuring the City of Gothenburg, Region Västra Götaland and thirteen other organizations, including the Second AP Fund.

Previous Award winners include Kofi Annan, Margot Wallström and Al Gore.