Can Unilever’s Paul Polman change the way we do business?

Why the chief executive is determined to make his company environmentally sustainable
On a sunny day earlier this year, coaches full of shareholders are shuttling from a small railway station in Leatherhead, Surrey, to the UK headquarters of one of the largest consumer goods companies in the world. Unilever, maker of Hellmann’s mayonnaise, Magnum ice cream, Dove soap and Domestos bleach, traces its roots back to the 1880s. But the Leatherhead building is just eight years old, a low-slung energy-efficient steel-and-glass structure, set amid green fields.

Inside, an imposing man with an unkempt sprouting of thinning white hair stands to address his shareholders. Paul Polman (https://www.ft.com/topics/people/Paul_Polman), chief executive of Unilever, has good news for the investors gathered at the annual general meeting. Sales in 2015 were up 4.1 per cent; operating margins and dividends both rose; the Dove advertising campaign is expanding; Magnum Black Espresso ice cream is one of the company’s “biggest innovations yet”.

But before all this, Polman wants to talk about something else, something that’s not traditionally part of a CEO’s address. “In the last 16 years, we’ve had 15 of the hottest years, one after the other — the first three months of this year again beating new records,” the 60-year-old says in his soft Dutch accent. He is not talking about the company’s performance. Instead, it is Earth that is heading ever closer to the 2-degree temperature rise that scientists believe will have devastating effects. “We have already passed 1 degree and Mother Nature, unfortunately, is increasingly starting to send us the bill.”

Polman may have overseen €53bn in sales last year, but his speeches often make him sound less like a businessman and more like Bono, the U2 vocalist and campaigner. It is not just at Unilever’s AGM that he warns about the state of the world, talking about both climate change and his recent visit to a refugee camp in the Middle East. Over the next few weeks, he takes his message to the Oslo-based foundation Business for Peace, to a Climate Action summit in Washington DC and to Stanford business school, where he delivers the annual lecture on environmental responsibility.

Soon after, in a small room at the London School of Economics, he addresses a packed gathering of students: “We could be the generation, in the next 15 years, that solves the issue of poverty, that solves the issue of climate change.” He then goes on to make an extraordinary statement: “I always say I represent one of the biggest NGOs.”

Unilever, whose shareholders benefited from pre-tax profits of €7.2bn in 2015, is
not most people’s idea of an NGO. Yet there is no denying Polman’s commitment to a new way of doing business, one that has seen him risk the wrath of some shareholders, and impose tough targets and restrictions on the company’s operations as he attempts to balance long-term profitability with a mantra of increasing sustainability.

This mission is in tune with the times. Across the world, there is widespread disenchantment with business. The most recent annual trust barometer produced by Edelman, the public relations company, showed that large numbers of people do not even trust the companies they work for. Companies in turn accept that they need to win society’s support. “Corporate social responsibility” has long been part of business thinking and some, such as Nike, Coca-Cola and even Walmart, have moved on to talk about sustainability, namely how to reduce energy and water consumption and replenish what they use.

Unilever has a long history of social activism. William Hesketh Lever (later Lord Leverhulme) founded the company by manufacturing and branding Sunlight Soap, helping to improve the health and hygiene of Victorian England. A pioneer of shorter factory hours and workers’ pensions, he also built Port Sunlight, a model village for his workers in the north-west of England. It was here that Polman chose to hold his first meeting in an early indication of his own desire to deepen his company’s conscience. But the questions remain: can the chief executive of any profit-seeking multinational truly help to save the world? And what happens when business and sustainability clash?

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On an overcast Friday this summer, Polman walked into a suite at Unilever’s Thameside building, shook hands and sat down with a glass cup of tea. Crossing his legs, he began talking softly about the postwar Dutch Catholic childhood that shaped his personality, formed his philosophy and turned him into the corporate evangelist he is today.

“My father worked in a tyre factory,” he says. “My mother worked as a teacher.” His parents’ experience of the second world war formed their, and then his, values. “They wanted peace in Europe. They wanted the communities in which they lived [to be] better,” Polman says. “I’ve always been bothered by systems that don’t work for everybody. It doesn’t mean we’re all equal. I am not naive about that. But we should have a more inclusive society.”

The second of six children, Polman became an altar boy while at elementary school. He liked serving at funerals and weddings because he didn’t have to go to class. “Besides that, you could sneak in the back and take some wine.” Growing up on the German-Dutch border, he earned his pocket money delivering milk and selling Dutch cheese and cream to German customers, who would pay him in Deutschmarks. “I earned more money on the exchange rates than I did selling the products.”

Eventually, a professor at the university offered him a job teaching basic economics. Two important things happened to Polman in Cincinnati. He met Kim, his future wife, with whom he now has three children. And he supplemented his studies by working as an odd-job man at a building owned by Procter & Gamble, where he discovered that the company was recruiting employees for its European operations. “I accepted because the salary was in dollars. It turned out to be in Belgian francs.”

It was during his 27 years at P&G and then, subsequently, at Nestlé that Polman started to think about sustainable business. “P&G started in 1837, Nestlé in 1857. These companies have been around for so long because they are in tune with society. They are very responsible companies, despite the challenges that they...
sometimes deal with, all the criticism they get” — an apparent reference to the long-running campaign against Nestlé over its marketing of infant milk formula in the developing world, particularly in the 1970s and 1980s.

When Polman became chief executive of Unilever in 2009, he was able to put this thinking into action. Almost immediately he said that he only wanted investors who shared his view that Unilever needed to shepherd the Earth’s future as carefully as it did its own revenues and profits. As one of his first acts, he announced that the company would no longer publish quarterly profit updates, as they encouraged short-term thinking. Simon Zadek, a long-time British sustainability campaigner, likens this ending of quarterly reporting to the 1997 Labour government’s grant of independence to the Bank of England. It was more than just tinkering or public relations, he says. “This was a new business model.”

Polman had a sharp message for short-term shareholders. “Unilever has been around for 100-plus years. We want to be around for several hundred more years. So if you buy into this long-term value-creation model, which is equitable, which is shared, which is sustainable, then come and invest with us. If you don’t buy into this, I respect you as a human being but don’t put your money in our company.”

It was a break with tradition. Since the 1980s, British business has largely followed the US model of putting shareholders first. Boards designed remuneration packages that rewarded executives who consistently boosted shareholder returns. Yet here was a leading chief executive telling potential investors that if they didn’t like what he was doing, they could take their money elsewhere.

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Polman also launched the Unilever Sustainable Living Plan shortly after becoming CEO. This laid out how the company would reduce its carbon emissions, ensure its raw materials were sourced responsibly and boost the life chances of the world’s poorest. He pledged to halve the environmental impact of the manufacture and use of Unilever’s products by 2020.

Did Polman find Unilever fertile ground for his ideas? “A hundred per cent. It’s written in its DNA,” he recalls, as he sips his green tea. But the company needed change, otherwise it wouldn’t have gone outside for its leader, he says. Unilever had become too inward-looking. “When I came here, this company had done everything you can think of. Created sustainable initiatives, sustainable fishery, sustainable agriculture. Round tables. But we were only 10 per cent sustainable. Now we’re 65 per cent sustainable.”
While Polman may not really have been running an NGO, those who were sat up and took notice. Marco Lambertini, director-general of WWF, the conservation campaigning body, says that he saw a chief executive who “genuinely believes if you don’t fix climate change, deforestation, crop failures, it’s going to bite back”. And while a July Oxfam report on Unilever’s labour practices in Vietnam identified “a number of critical challenges in translating the company’s policy commitments into practice”, the charity’s latest Behind the Brands ranking, which looks at the top 10 food companies’ record on small farmers, women’s rights, the use of land and water and greenhouse emissions, put Unilever in first place, ahead of Nestlé, Coca-Cola, Kellogg’s and Mars.

Some wondered how long Polman would survive. Would shareholders tolerate a boss who saw himself as an NGO leader? “Everybody was just wondering: is he crazy? Is he going to be sacked six months later?” says Lambertini.

That Polman has survived for seven years owes much to the fact that, while he told short-term shareholders to shove off, he delivered good returns to those who stayed. Unilever’s total shareholder return during Polman’s tenure has been 203 per cent, ahead of his old employer Nestlé and well ahead of P&G, although not as good as the performance of Dettol-to-Durex maker Reckitt Benckiser. The company has also succeeded in attracting more long-term shareholders. Graeme Pitkethly, Unilever’s chief financial officer, says that before Polman’s reign, 60 per cent of the company’s top 10 shareholders had been there for five years or more. Today, 70 per
cent have held their shares for more than seven years.

Many shareholders who have stuck with Unilever appear to like the combination of do-gooding and business expansion. Nick Moakes, managing director for investments at the Wellcome Trust, a Unilever shareholder, points out that Polman took the helm in the wake of the financial crisis, when the company was having a difficult time. Sales and operating profits fell in 2009. “I think at the point when Paul Polman took over at Unilever, the organisation had slightly lost its mojo. The [Sustainable Living Plan] was a part of a vision to get it back to what it should be.”

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In his work at Unilever, Polman has staked his reputation on the idea that a sustainable company can be more successful than one that pursues profits above all else. But which is put first when these two priorities collide?

This happened a few years ago with Unilever’s compressed deodorants for men, which boast that they “last as long as the big ones, with less packaging”. As such, they were an ideal Polman product: good for the consumer but friendlier to the planet. British consumers, however, looked at the smaller deodorants and decided that they would stick with the bigger ones. Pitkethly, who was running Unilever’s UK and Ireland business in 2015, had hoped to persuade 80 per cent of buyers to make the switch. Only a third did and Unilever began putting the bigger deodorants back on the shelf.

Pitkethly remembers being quizzed at a 700-strong “town hall” of Unilever staff. “They’re all young millennials, skinny jeans and Puma trainers and fresh faces.” Some asked why the company had pulled back on compressed deodorants. He told them that if Unilever wanted to convince the world of the virtues of sustainability, it had to be a competitive company. “I said to the troops in the UK: nobody’s giving up,” he says. What Unilever needed was “a sharpening and redoubling of our resolve to go back, compete, re-establish the strength of our business and find other ways to convince the consumer”. In this deodorant-shaped battle between profit and saving the planet, saving the planet had to wait.

There have been other issues. Unilever’s Sustainable Living Plan has not met all its targets. In May, the company admitted it had no hope of meeting its goal of halving its products’ environmental impact by 2020. It pushed the date back to 2030. It also said that greenhouse gases produced over the life cycle of its products, which it
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Wants to halve by 2030, have actually gone up by 6 per cent. However, it has reduced the waste associated with the disposal of its products by 29 per cent, with the aim of hitting 50 per cent by 2020.

Colin Mayer, professor of management studies at Oxford university’s Saïd Business School, believes Polman’s contribution will be long-lasting: “He has demonstrated immense courage and vision in promoting a concept of the purpose and function of business that initially met with considerable resistance, bordering on hostility, from several quarters.”

But Polman still has other critics. Some were at Leatherhead station handing out pamphlets before the annual meeting. Others jumped up inside the hall to argue that the company was not as pure as it claimed. These protests were about alleged mercury contamination at Unilever’s former thermometer factory at Kodaikanal in south India.

The company acquired the factory when it bought Chesebrough-Pond’s in 1987. Unilever admits that 5.3 tonnes of mercury-tainted glass waste from the factory...
were sold to a scrap dealer three kilometres away, in breach of its rules. When Greenpeace campaigners alerted the company in 2001, Unilever says it closed the factory and launched an investigation. Campaigners say factory workers showed symptoms of mercury poisoning and that dozens died. A video by Indian rapper Sofia Ashraf, which has attracted 3.8 million views on YouTube, accuses Unilever of “hiding behind Pepsodent smiles” and washing its responsibilities away with Lifebuoy soap — references to two of its best-known products.

Unilever insists that reports by scientific experts show no ill-health effects, although it agreed in March to make ex-gratia payments to 591 factory workers and their families “on humanitarian grounds”. When a shareholder accused Unilever of authorising a clean-up of the surrounding area to a lower standard than would be required in the UK, Polman responded robustly. “We have a lot of experts out there that have spoken, that have done independent studies. And fortunately we’ve solved the human side, if you want to call it that, in a very generous way, in my opinion.”

The company is sensitive about the issue. As the annual meeting broke up, company officials closely followed Financial Times reporters’ discussions with dissident shareholders. And Polman can be overly sensitive too. At a tetchy press conference last year, when he switched between explaining Unilever’s acquisitions of skincare brands and complaining that the reporters were insufficiently supportive of his responsible business agenda, one journalist asked whether he had thought of buying a product for thin skin.

Polman initially refused to grant an interview for this article, saying it should be about Unilever rather than him. When the FT approached him after the annual meeting, a senior company official forcefully escorted us away. Eventually, after four months of asking, the press office said that Polman would speak — but that questions about his own future would be out of bounds. At the annual meeting, Unilever had appointed a new chairman, Marijn Dekkers, and a number of analysts believe that one of his first tasks will be to identify Polman’s successor.

Back in his office by the Thames, Polman shrugs off the fact that he can put people’s backs up. “You are not here to make friends. If you want a friend, you buy a dog. You are sitting here because you have to make tough decisions.” As for the company itself, progress is always incremental. “Are we doing everything right? For sure not. Are we optimising it? For sure not. Are we on the journey? Probably 40 per cent.”

Does he see Unilever as a model for all companies? “There are millions of
companies,” he says. “The 100 biggest companies control 15 per cent of the world’s materials, like we do on tea or palm oil, so you create a coalition of like-minded people.” It was once hard to persuade others to join climate change panels but the tide is turning. “Now you have companies like Ikea or the Apples or the Facebooks buying green energy. You have companies like Dow and Solvay or Schneider being very active in Paris on the climate negotiations.”

And what about him? He has said that his pay — €10.4m last year — is too high. “I would work here for free,” he says. “Honestly, the salary itself doesn’t motivate me.” He reflects on how this sounds. He can imagine an article saying “Salary doesn’t motivate him”. “Then you get people in the financial industry saying: you are not motivated by your incentive system. And then you guys write a follow-up article. That’s how we ruin the thing in my opinion, the whole time. That’s why I’m never so keen on having all these interviews, because it’s the cynical side that gets the attention in the headlines and the rest, people don’t want to read.”

And then, the question we were warned not to ask: does he think that eight years at the top, which he will reach in 2017, is enough? Far from getting angry, Polman is philosophical. “It’s for the board to decide,” he says. The question hasn’t come up yet, he insists. But if it does, “it shouldn’t be difficult to find someone better than me”. Wherever he goes next, he is unlikely to wield the same influence as he has done at a company whose products touch two billion consumers a day. The real question is whether the legacy he leaves behind at Unilever will itself prove sustainable.

Michael Skapinker is an FT columnist; Scheherazade Daneshkhu is the FT’s consumer industries editor

Leading from the front

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**Joseph Rowntree (1836-1925)**

The British chocolate magnate and Quaker became prosperous by promoting cocoa-based drinks as an alternative to alcohol for working men. A social reformer, he criticised the “superficial manifestations” of much Victorian philanthropy aimed at alleviating poverty, seeking instead “to search out [their] underlying causes”. In his quest to improve living conditions, Rowntree founded the village of New Earswick in York, where each worker rented a house with two fruit trees in the garden. The cocoa factory had 30 staff in 1869; when Nestlé bought the business in 1988, it had 12,000 and was worth £2.5bn. His legacy survives through the antipoverty foundation that bears his name.

![Joseph Rowntree](https://www.ft.com/content/e6696b4a-8505-11e6-8897-2359a58ac7a5)

**Milton Hershey (1857-1945)**

Another king of confectionery, Hershey made a fortune in caramel and then devised a formula for milk chocolate that made it cheap enough to be mass-produced. A sometimes tough employer, he nevertheless believed in the compatibility of social and industrial progress. Inspired by the idea of a city with “no poverty, no nuisances, no evil”, he built the chocolate factory and town in his native Pennsylvania that bears his name today; workers’ benefits included medical coverage, a retirement plan and encouragement to buy their homes. Hershey also endowed an orphanage, which, more than a century on, educates 2,000 students from disadvantaged backgrounds. With $12bn in funds, the Hershey Trust Company is one of the world’s wealthiest educational endowments.
Yvon Chouinard (1938-)

An avid climber, Chouinard is co-founder of the privately owned Patagonia outdoor clothing business. The 77-year-old, who has a home in Wyoming, has spoken out against the corporate-growth mantra that he feels encourages waste, campaigning instead for garments to be rated on their sustainability. Patagonia’s 2011 advertising campaign advised customers not to buy another Patagonia product unless they really needed it — and to try to repair the kit they already had first. “I don’t own any new stuff. I’ve got all these flannel shirts that go back almost 20 years,” he said recently.

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