Unilever PLC

Unilever says new laxer environmental targets aim for 'realism'

Consumer goods giant extends deadlines and reduces the scale on its ESG goals



Chief executive Hein Schumacher admits that Unilever was 'not ready' to carry out some of its ESG goals © Vivian Wan/Bloomberg

Madeleine Speed APRIL 25 2024

The chief executive of consumer goods giant Unilever has admitted the company underestimated how hard it would be to meet environmental targets, saying the company's new laxer ESG goals aimed for "realism" instead.

Unilever announced last week that it was introducing a more "focused" ESG strategy, which included extending deadlines and reducing the scale of environmental targets.

A previous goal to reduce use of virgin plastics by 50 per cent by 2025 was changed to a 30 per cent cut by 2026, while a plan to use 100 per cent reusable, recyclable or compostable plastic packaging by 2025 was also extended to 2030 and beyond.

Talking to journalists following a first quarter trading update on Thursday, chief executive Hein Schumacher said that far from being a cost-cutting exercise, the new strategy was about adjusting targets to what the company could achieve, and admitted that in some cases, "we were simply not ready".

"When the initial targets were set, we may have underestimated the scale and complexity of what it takes to make that happen," he said. "We are now in a better position to give you a feasible target on plastic. It doesn't mean we are reducing our investment on the matter.

"We believe it is important to bring realism to [our strategy]. If you focus more in your approach, you can make a greater difference in the areas we consider important."

Bernstein analyst Bruno Monteyne said that in the short term "these changes by Unilever are about saving costs". He added that while it was good news for shareholders, it was also indicative of a "sustainability cost wave" coming for the industry.

With stricter regulation like the EU's deforestation regulation in train and more legal cases being brought against companies over their environmental impact, businesses face significant associated costs, he said.

Under previous chief executive Alan Jope, Unilever, which makes brands including Hellmann's mayonnaise and Magnum ice creams, came under attack from investors over what they believed was a disproportionate focus on corporate "purpose", at the expense of financial performance.

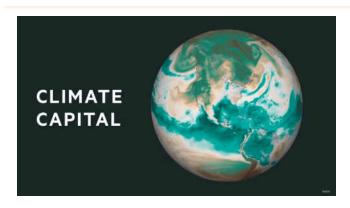
When he took the role in July last year, Schumacher told the Financial Times the idea of <u>corporate</u> <u>purpose could be an "unwelcome distraction"</u> and set out a strategy to focus on growth, following years of disappointing performance.

"Judge us by our delivery and not just declaring long-term ambitions on a grand scale," Schumacher said on Thursday. "I like ambition but I like realism and delivery, and that's why we changed it."

The company had also previously promised to provide all its direct suppliers, including farmers, with a living wage or a living income by 2030. This target has been halved, and appears to exclude farmers.

It also cut its target for the proportion of sustainably sourced crops from 100 to 95 per cent by 2030.

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