Unilever PLC

Unilever’s sustainability rethink cheers investors but unsettles staff

New chief executive Hein Schumacher is reshaping the business and cutting jobs

Madeleine Speed in London AUGUST 23 2024

Major strategic changes under way at consumer goods group Unilever have been welcomed by shareholders but are causing some disquiet among staff and the company's sustainability advisers.

Before Hein Schumacher took over as chief executive last year, the maker of brands including Dove soap and Magnum ice cream, had ambitious targets including on plastic waste reduction and living wages, and had built a reputation as an industry leader on sustainable and ethical business practices.

The new boss is now in the midst of a major restructuring: reshaping the business and its sustainability targets and cutting jobs.

Investors have cheered. After five years with the stock on a downward trend because of worries about financial performance and questions from some about whether Unilever had become too focused on sustainability, the shares have been in recovery since January as new plans have taken shape.

Reforms include the spin-off of Unilever's ice cream division and a plan to cut a third of all office jobs in Europe — up to 3,200 roles.

Schumacher has also scrapped a proposal to move the company's global headquarters to Kingston on the edge of London, the location of its UK headquarters, according to a company-wide email seen by the Financial Times.

Unilever’s global headquarters in central London. Schumacher has scrapped plans to move the HQ to Kingston on the edge of the capital © Vivian Wan/Bloomberg

Unilever said this would give it: “the best of both worlds — a state-of-the art office and leadership development centre in Kingston, and a global corporate centre in central London”.

Some investors are optimistic that the overhaul will help boost the business case for sustainability.

“If Unilever’s new management team can improve financial performance, then this could re-energise momentum behind the company’s ESG initiatives and its long-term narrative that better sustainability performance supports better profitability,” said Andy Risk, investment director at Abrdn asset management, a Unilever shareholder.

Kate Elliot, head of sustainable research at another shareholder, Rathbone Greenbank Investments said it was supportive of Unilever's "shorter-term, timebound targets", as an improvement on "aspirational" targets that can be difficult to measure.

"Unilever's prior sustainability strategy was very ambitious, with targets that placed it well ahead of its peers," she said. "There is a danger in criticising companies that shoot for the moon and miss, rather than focusing attention on those that haven't even got to the launch pad yet."

But people inside and close to the company say the changes have alienated anxious employees facing the prospect of job losses, while the new sustainability targets have caused upset internally and among campaigners.

The company's original target to halve its use of virgin plastics by 2025 has been reduced to a 30 per cent cut by 2026. It has extended the deadline on its goal to use 100 per cent reusable, recyclable or compostable packaging from 2025 to 2030 for rigid and 2035 for flexible plastic. It also dropped a pledge to use 100 per cent biodegradable ingredients by 2030 but has said it will keep this as an "internal target".

Chief sustainability officer Rebecca Marmot told the Financial Times that the company had gone through three "eras of sustainability": Paul Polman, CEO from 2009 to 2019, set ambitious goals to galvanise change; his successor Alan Jope integrated the targets into the business; while Schumacher set shorter-term, costed targets.

Meanwhile, over the past six months, a number of senior executives have left the business, including the chief brand officer and chief people officer.

According to two advisers with direct knowledge of the company, some are long-standing employees disillusioned with new management who are choosing to leave and others are being forced out.

"I have never seen so many directors leaving. They are saying things like this is no longer their Unilever," said Hermann Soggeberg, head of the company's works council, which represents its European employees.

When Schumacher originally announced his new management team in October, he said: "This level of organisational change only happens very occasionally. This one can be of significant long-term benefit to Unilever."

All of the reforms are being overseen by management and a Boston Consulting Group productivity team from a "control tower" at Unilever HQ, according to a company-wide email seen by the FT.

After the company published its new sustainability agenda in April, Schumacher insisted the point was to make the goals achievable and not to cut costs. Unilever has also sought to reassure staff that sustainability is still central to its culture. But people inside the company said many employees were unconvinced.

Soggeberg said that Schumacher had been holding town hall meetings to try to reassure staff and stress that the new sustainability targets did not constitute a watering down. "People with a long time of service are sceptical," he added.

Meanwhile, Unilever's sustainability advisory council, made up of six independent experts, has been disbanded according to two of its members. The group used to meet in person every six months, but has not done so since last October for a farewell dinner with Jope. A first meeting with Schumacher was never scheduled, the people said.

The company said it would appoint a new council in the autumn.

"As a new CEO you want to show you've made an impact, but if this means trying to quietly drop the ambitious [sustainability] goals, it's not just disappointing, it's also bad tactics," said one of the council members.

"For a while Unilever was just about the only strong voice on the [sustainability] agenda . . . now they are settling back in the middle of the pack," they added.

"The wider industry impact is ultimately the most worrying thing," said a current Unilever employee. "We are already hearing from peers at competitors that their leadership are looking at Unilever's watered down targets and reconsidering their own."

Unilever has also reduced the importance of reaching sustainability targets for executive team bonuses: from a 25 to a 15 per cent weighting in the calculation. Sustainability-linked bonuses for middle managers and directors have been replaced by stock awards and grants based on annual performance, according to published company documents.

Unilever told the FT that a "significant number" of staff still had annual objectives relating to sustainability.

One of Unilever's pioneering targets had been to ensure that all the company's direct suppliers — including suppliers of crops like cocoa farmers — earned at least a living wage by 2030.

Under its new targets, Unilever has said that suppliers representing 50 per cent of the company's procurement spending will have to sign a "living wage promise" by 2026.

Marmot told the FT that the 2030 target was still in place, and that the company would report against this target.

She added that under its new "focused" agenda, Unilever was maintaining its long-term ambitions, but adding interim targets to achieve more in the short term.

"We realised that in an attempt to achieve a lot and have a positive impact, we've been doing a lot. We've been doing too many things," said Marmot. "If you spread yourself too thinly, you run the risk of not making progress in the most material areas.

“The refocusing for sustainability priorities is not a cost-saving exercise . . . [it] is about making sure that we are concentrating our energies and our resources,” she said.

By the end of last year Unilever had very nearly reached its 2023 target of sourcing 100 per cent deforestation-free palm oil, paper, tea, soy and cocoa, achieving 97.5 per cent.

“They put a shed load of money into it. It’s impressive, and none of their competitors have been able to provide that,” one of the sustainability council members said. “But will they talk about it? No, because someone will say: what did that cost you?”

Additional reporting by Kenza Bryan