

**GILBERTO POZZI:** It is my pleasure to welcome Alan Jope. Alan is the CEO of Unilever since January 2019. Having joined as a graduate trainee in 1985, his 35-year career with Unilever has seen him through six countries and three continents, including North America, and Asia where he oversaw the doubling of Unilever China business.

Alan, thank you very much for agreeing to participate into this session.

**ALAN JOPE:** Thank you Gilberto. Thanks for having me. It's a pleasure to be here.

**GILBERTO POZZI:** Thanks very much. I suggest we go straight into it. And I would like to start with Unilever's strategic approach to sustainability. And then your Unilever Sustainable Living Plan which introduced a bit more than a decade ago when at that time very few companies had sustainability at the core of their business model. As you look back through the last ten years with what you know now, is there anything that you would have done differently?

**ALAN JOPE:** Yeah, thanks Gilberto. So, first of all, actually, the roots of the company, 150 years ago, came from our founder William Lever, who back in the 1870s talked about making cleanliness commonplace and lessening the load of women. So, he was an advocate for public health and women's rights. I'm not sure if he was a feminist or a stereotyper with recognizing that women carried most of the load. And then my predecessor, Paul, really did a brilliant job resurrecting that silver thread that runs through our history and helping to create and put the Sustainable Living Plan at the center of our strategy.

To directly answer your question, I think there are three things that we've learned and might do differently. The first is we consistently underestimate the pace of change. So, in 2017 we made some, what were seen as groundbreaking commitments on plastic. By early 2019 it was clear we were just moving too slowly. And so, we had to double the stretch and our goals for plastic. And so the world just keeps accelerating in this space.

The second area that I think we learned something is that changing consumer behavior is very difficult. When we look at, for example, our carbon emissions, only about 4 percent of our carbon emissions are in our operations and in distribution. About a third is in our upstream raw materials sourcing. And two thirds is in consumer use. And so, by far, the biggest carbon

footprint of Unilever is the hot water that people use to shower or to wash their hair or to cook their products.

So, getting people to take short showers doesn't work. And so, that's the third lesson, is you cannot achieve the big goals on sustainability just within your own business. You need to shift the system. And so, I think the third learning that we have is working on the system change. For example, the way we'll achieve our carbon goals is critically dependent on grid change. But underestimating the pace of change, underestimating how hard it is to get people to change their behavior, and underestimating how much system change we would need to embrace, those are probably three good lessons learned.

**GILBERTO POZZI:** Thank you. Very, very clear. Still related to your strategic approach. You always have promoted a purpose-led agenda at Unilever, and now in particular with the Unilever Compass. How has this attitude driven also positive externalities for your brand? But also, to retain talent and hire talent from outside? And the third part of this question, how do you think investors are actually valuing those externalities?

**ALAN JOPE:** Yeah. I think ten years ago we did not fully understand the business case for sustainability. And now we do. It's a multifactor but let me try and simplify it. The first is the more we put purpose at the center of our brands, the more attractive they seem to be to consumers. Our most purposeful brands are dramatically outgrowing the rest of the portfolio, it's about half/half now, a little bit more turnover in the purpose-led brands. But they're dramatically outgrowing the rest of the portfolio.

Secondly, it saves cost. If you think about it, consuming less resources ultimately should lead to lower costs. We think we've taken about 800 million euros of cost out through sustainable sourcing. Thirdly, it definitely reduces risk, macro risk and micro risk. You know, there is no sustainable Unilever without a sustainable plant. And so, we have to address climate change as part of being a long-term viable business. But closer to home, you know, we stubbed our toe a little bit on some of the stuff around Black Lives Matter. There's a couple of our brands that were doing things that they shouldn't have been doing or saying. And it was because of our long-term position on important social issues that influencers and outspoken opinion leaders rushed to help us, so helped reduce risk there.

And the last thing on the business case is the point you touched on, which is talent. We find that purposeful business is a magnet for talent. We have a graduate recruitment program in 54 countries around the world. Eight years ago we were the employer of choice in our sector in 17 of those 54 countries. Today it's 52 out of 54 countries. And we know that it's entirely driven by the values and purpose of the business.

And then to the final part of your question, do investors properly value this commitment to sustainability? Increasingly, yes, actually. So, even two years ago when I came into the role, there was often meetings with investors and an ESG person in the room, typically a younger, more junior member of staff. Now we get a lot of high-quality questions from portfolio managers around exactly what are you doing on the environment, what are you doing on social impact. So, I think more and more investors are valuing these externalities in the business case.

**GILBERTO POZZI:** And I think that part is growing really, really fast, the acceleration of that part for investors is growing fast. Alan, you mentioned before, consumer, and I would be interested to know how sustainability has impacted the consumer preference, and in particular, in this 2020 with COVID and the pandemic, how do consumer behaviors change with respect to sustainability?

**ALAN JOPE:** I think there is absolutely tons of information coming forward now about how consumers are becoming more conscious consumers. A couple of good reports that I would advocate, there's one from Kantar, they call it their Purpose 2020 report. Edelman really really becoming experts in there. And Edelman, since COVID started, have done some work. And consumers are saying that companies who played profit before people will lose their trust forever. Edelman have found a third of consumers have stopped using a brand that they did not feel responded appropriately during the pandemic. I've already made the case on Unilever's own data around sustainable living brands growing faster than the rest of the portfolio.

But maybe one interesting insight is generational differences. So, baby boomers don't let sustainability issues influence brand choice. But at least they're honest about it. They don't [UNINTEL]. Gen X, which I just creep into by one year, we're worse. We say that we care about sustainability, but it doesn't actually drive our purchases behavior. Millennials, it very much drives purchase behavior and brand choice, so long as there's not a big trade-off on cost, convenience, or performance. But

Gen Zenials, it's practically the only thing that's driving brand choice, are the ethics, the sourcing credentials, the business behind the brand. So, our view is if we want to be a relevant business for decades and centuries to come, we better address the wishes and needs of young consumers. And for sure, sustainability is at the heart of their brand choices.

**GILBERTO POZZI:** That's very interesting, the segmentation of generations, how they behave differently. Alan, if we focus for a second on climate and nature, you have recently announced some very ambitious targets in the initiative for climate and nature, which I would like a little bit to focus on. What do you think will be your biggest challenge to reach the net zero emission for all your products by 2039?

**ALAN JOPE:** Yeah. Look, we have a bunch of targets that we put out there. There's quite a lot of them. And they are quite complex. But one thing I'll tell you, they're all very science based. It's a science-based initiative to help set authentic and credible targets. So, we've said that we're going to reduce by 100 percent the emissions from our own operations by 2023. So we'll be net zero in our own operations. We've said we want to be net zero from sourcing to point of sale in our brands by 2039. Et cetera, et cetera.

And I think to answer your question on the challenges, net zero itself, the concept of being net zero is our true north. That is the rallying cry. And it plays a number of roles. It's quite easy for our people to understand. It's a very strong signal to policy makers. I don't believe the private sector can engage with government on this matter until individual companies have signed up for net zero commitments.

Some of the challenges are getting accurate data. So, getting good data on your carbon footprint and your emissions is quite tricky. And we're working with Microsoft and the World Business Council to try and create standards on carbon footprint and carbon emissions. Second challenge is that offsetting is a bit of a muddy game. The voluntary carbon markets are extremely immature. We're not seeing enough financial flows to some of the nature-based solutions that we will need to achieve net zero. And then innovation. You know, we're still innovating in every aspect of the value chain around getting to net zero. One where we still need more progress, of course, is battery storage capabilities. So, there's a bunch of different challenges. But you know, we've learned that putting big hairy, audacious goals out there, that we're not quite sure how we'll deliver, is a

very effective way of mobilizing change in our company.

**GILBERTO POZZI:** When you look at the whole circular economy, it's really policy maker, investor, and companies, what is your view about what the investor can do to facilitate this? And what can the policy maker do to facilitate that?

**ALAN JOPE:** Well, lots actually. So, let's start with there are some big problems in the world. We think COVID-19 is a problem, but it's child's play compared with the impact of climate change. You know, the Philippines in the last few days, including yesterday, has been absolutely hammered by cyclones. Those are not normal events. They're being caused by climate change. And the economic destruction of climate change is going to be huge. And inequality is going to be similarly a rising problem in society. And so, I believe we need structural change to our economies. And some of the characteristics would be the following. First, we believe profoundly in a multi stakeholder model. We believe that when we look after our employees and our customers, when we treat our business partners with respect, when we do business with regard to society and the planet, then our investors, our owners, our shareholders will be preferentially rewarded. That mindset is not prevalent in most business leaders, I can tell you. I usually get the question about are you going to go for purpose or profit? It's a ridiculous question. One leads to the other.

Secondly, we need to start pricing and externalities. We haven't touched on carbon pricing. But until we get a proper price on carbon, somewhere between 40 and 100 dollars, the markets will not move in the right direction. Thirdly, we need to standardize the report of non-financial metrics. It's ridiculous that in this day and age all we have is a balance sheet, a P & L, and a cash flow statement. It's ludicrous. We don't have a way of measuring, if I was a fund manager or an investor, I'd be pissed off that you have no standard approach of looking across the environmental and social impact that a company has. Because it will increasingly be a leading indicator of performance. And the list goes on.

So, what can the financial community do? Well, we can all encourage government to take the right move, to make the right moves on climate action, tackling nature laws, having a properly distributed model. We can all advocate for carbon pricing. We can all get behind the Paris Agreement, especially now that hopefully we have an administration in the biggest country in the world that's not denying climate change. And we can all

start targeting net zero by 2050, or our kids and our grandkids, and their kids are going to live in a pretty lousy world. So, I think there's no shortage of things that we can be getting busy with using policy and [UNINTEL].

**GILBERTO POZZI:** That's a very good statement, Alan, absolutely. Listen, it's been really, really, really helpful, really helpful. And thank you very much for spending so much time with us today and addressing all the questions in a very thorough way. So, thank you again for joining us. And I'm sure we'll be in touch soon. Thanks a lot.

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