



**Paul Polman, Chief Executive Officer, Unilever
Sir Terry Leahy, Chief Executive, Tesco**

Consumers, Business and Climate Change

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The Context (Terry Leahy)

If like me you are concerned about the environment and climate change, the last year or so has not been great. Recession, the deficit, unemployment have been the issues capturing the headlines. They have pushed climate change down, and sometimes off, the agenda.

When the topic has hit the headlines, it has not always been for the right reasons. Copenhagen was a disappointment. The "Climategate" allegations served to encourage the sceptics.

That's the bad news. The good news – which rarely gets reported – is that responsible businesses, businesses which focus on creating long-term value, know that these are short-term distractions. Behind the headlines the basic facts are the same.

First, all the evidence is that climate change is a reality. Experts remain 90% certain it is caused by man's activities and that if these don't change they will have severe consequences globally for our habitats, our economies, our living standards.

Secondly, conventional energy sources are concentrated in fewer hands, are harder to reach and are getting more expensive. We can no longer count on them. Energy security is becoming a major strategic issue for all our businesses.

And third, customers and consumers remain concerned about the environment and the prospect of climate change. They want business to take a lead and to help them to be sustainable in their own lives.

Of course in difficult times people are most concerned about their incomes and jobs. But even in the middle of the recession, research in the UK found almost half of consumers thought about the environmental impact of products. What's more, financial pressure brought home to many people the need for more sustainable approaches to consumption – such as keeping energy bills low and wasting less food.

The desire of consumers to play their part in the fight against climate change still burns strong. Our challenge is to harness that desire, and help to fulfil it by creating a mass movement in green consumption.

The role the consumer goods industry can play in encouraging sustainability (Paul Polman)

The time for action is now. Not tomorrow, not in the next financial year, but now. Because the facts demonstrate that our industry is in a position to address it.

Here in the UK a conservative estimate is that 75% of all emissions are influenced directly or indirectly by consumers – the people we serve every day.

And as population rises, so too will emissions. By 2050, there will be 9 billion of us sharing this planet – four times more than the year in which I was born.

So to those who say “can’t we wait until the recession is over?” I say “no”. And to those who ask “Why can’t we leave it to government?” my answer is that no single institution can tackle this problem alone. Of course governments need to act - and many are. But by working together – business, government, consumers – we can achieve collectively what none of us can achieve alone.

Just think of the impact we could have if we were to act together. The Consumer Goods Forum represents retailers, manufacturers and service providers from 70 countries. The combined sales of the Forum’s members are over €2 trillion.

For Unilever alone, our brands are in 9 out of 10 households on the planet. Think about that. Few governments serve as many people as those of us here serve every day. So surely we have a responsibility to act?

No one pretends that change will be easy. The economies of the world have been built on fossil fuels. A shift to low-carbon consumption will not happen by itself. But to argue that the choice is between growth and cutting carbon is wrong. We can grow without carbon, there is such a thing as green growth. To achieve it we need to think afresh and do things differently.

Action starts within us (Terry Leahy)

Doing things differently means questioning and challenging how our businesses operate. How our goods are designed, sourced and made. How they are packaged and transported. How they are labelled. How much energy they consume, and how they can be recycled. How they are sold and marketed in our stores. How we can communicate and incentivise greener products and greener living.

We have to look at the entire chain of production – what’s called the value chain – the sequence of activities which starts with sourcing raw materials sustainably and goes all the way through to encouraging consumers to use our products optimally. But first, of course, we have to get our own houses in order.

Tesco has committed to fundamental change in how we do business. We aim to be a zero carbon business by 2050. But we also want to green our supply chain: by 2020, we want to have cut the emissions of the products we sell by 30%. And we want to help our customers to halve their carbon footprints over the same period.

Let me show you a very short film about Tesco’s climate change work.

Video

These are ambitious goals. They have to be. We have no choice but to aim high. But I would be the first to admit that setting targets like these is one thing. Delivering on them is quite another.

Tesco has made a start. As well as the achievements in the film, over the past four years we have built environmental stores in every country in which we operate. All our US stores are 30% more efficient than a typical supermarket. And, despite opening more stores in the UK, we are systematically cutting our overall carbon footprint year on year: achieving absolute emissions reductions.

Action starts with us (Paul Polman)

At Unilever, we have been working on reducing our own environmental impacts since 1995. Over that period we have reduced CO2 emissions by 40%, water by 65% and waste by 73%. Now we aim to go further. We plan to double the size of our business but at the same time reduce our absolute environmental impacts. In terms of CO2 this will represent a reduction of over 60% against our 1995 baseline.

Of course that means investment. We are experimenting with new forms of energy for our factories. Biomass in China. Solar in Vietnam. Combined heat and power here in the U.K.

We are also looking at new kinds of refrigerants. As the largest ice cream business in the world, we operate two million point-of-sale freezer cabinets. In the last six years we have replaced over 430,000 of these with more climate-friendly alternatives which have lower global warming potential and do not contribute to ozone depletion. Better still, these cabinets are also 10% more energy-efficient - which is good news for the retailers who use them in their stores.

One area that we are particularly proud of is the work we have done on our tea plantations in East Africa to make our operations there more sustainable.

Video

Working with suppliers (Paul Polman)

But as Terry said, there is no way that Tesco, or Unilever, acting alone will make a lasting impact on climate change. If we want to pack a real punch, we need to act together. We need to harness the expertise of our suppliers to make every link in our value chains more resource efficient.

For food companies many of our biggest impacts are in agriculture. Take palm oil - an essential ingredient in thousands of products. More than 80% of it is grown in Indonesia and Malaysia. The rapid expansion of the industry there over the past 20 years has accelerated the destruction of the rainforest. An area the size of Greece is cleared every year. Deforestation accounts for some 17% of all greenhouse gases - more than the entire transport sector, more than either the USA or China. At Unilever, we have long been convinced of the need to break the link between palm oil and climate change. By 2015, we will buy all our palm oil from certified sustainable sources.

To achieve this goal we have built a large industrial coalition made up of many of the companies in this room. Our approach is one of carrot and stick. The carrot is to commit to buy only oil that has been certified by the Roundtable on Sustainable Palm and to pay the premium for this sustainable oil. The stick is to cease trading with those growers who won't or can't achieve the necessary standards. We are making good progress. This year we will buy more than 400,000 tonnes of RSPO certified oil. In 2011 we will double that volume.

Working to help consumers live sustainably (Terry Leahy)

And that brings us to the consumer, who sits at the other end of the supply chain. We must help consumers choose lower-carbon products, and help them use those products in ways that cut their emissions at home. That amounts to a quiet revolution in people's lives. That revolution involves tackling four barriers.

First, there is the barrier of price. Too often the green option remains the expensive option. Remove that barrier and people respond. By halving the price of energy-saving light bulbs Tesco sold more in two weeks last year than we did in the whole of 2006.

Secondly, there is the barrier of information. People are too often confused about what is and what is not green. Give people accurate information in a simple way and they respond. That's why we are committed to putting carbon footprint labels on products showing the emissions connected with them. So far we have labelled 125 different products - and in the coming year we will label 500 more. One in two customers now has a good idea of what a carbon footprint is, and nearly half said they would seek products with lower emissions.

Thirdly, there is the barrier of disempowerment – a belief that the climate challenge is so great that my actions alone will not make the slightest bit of difference. Simple actions can help, like the reward we give our customers to reuse bags. From being something that only a very few people did, reusing bags is now the norm for more than half of our customers. Give people a small reward or thank you rather than a charge or penalty and they respond positively. What's more, they go on responding positively, and are encouraged to seek out other ways to be green.

Fourthly, there are the practical barriers. When people make green choices – to drive an electric car or even just to wash their clothes at lower temperatures – they need to be confident that the technology will work. If your clothes are labelled “wash me at 30 degrees” the detergent must work at lower temperatures, and your washing machine must have lower temperature settings. Tackle these barriers and we begin to make the low-carbon product the most attractive and the easiest choice, rather than the expensive and difficult one.

Again, businesses like Tesco are making a start. We have installed electric car charging points in some of our stores. We're offering a simple and affordable energy-efficiency and home renewables service - helping customers make real inroads into cutting their household emissions. And Tesco and Wal-Mart are working with Unilever to build “green kitchens” in our stores that show how families can make green choices.

These are the barriers to overcome, but in the end the point is simple. People will always seek a better life. We now know that a better life must mean a low-carbon life. So we must take that universal desire for a better life, apply it to our growing knowledge of low-carbon solutions, and fashion from it the low-carbon society we so urgently need.

These examples and this vision underline what companies like Tesco and Unilever can achieve working together - which brings me to the Forum's programme.

The question we asked ourselves is where we can work together in non-competitive ways to reduce our overall impacts. We all understand that emissions happen at different points in the lifecycle of a product. We have the knowledge and expertise to cut these emissions. Just as importantly we have the marketing and communication skills to help inspire behaviour change. This combination of innovation and empowerment can transform the way we live.

The Forum Programme: Packaging (Paul Polman)

Our task is to focus on what are, quite literally, the hotspots in the value chain – those activities which create the most emissions, and contribute most to climate change.

We've already begun to make real progress in one area: packaging.

Our industry is very dependent on packaging. Be it a carton of milk, a jar of sauce, a tube of toothpaste – packaging plays a critical role. It promotes the product. It protects it. It gives customers information. It makes products more convenient to use. And it allows them to be easily transported.

Working together and pooling experience from existing programmes, the Forum has developed a common approach to packaging, so that everyone in the supply chain can understand the impact it has on sustainability. We've looked at the balance between under-packaging and over-packaging. We've looked at all aspects of its sustainability – such as the weight of packaging, its recycled content, the amount of water required to make it, how long it takes to compost. All this has helped us develop a new means of measuring the impact of packaging from its creation through to its destruction.

Our framework lays out the role of packaging and then addresses how packaging can be designed more sustainably. Now we have reached the hardest part – to put the framework and the measurement system into practice. A pilot programme started in April, involving 25 companies – among them Unilever, Tesco, Tetrapak, Wal-Mart, Coca Cola – to name but a few.

This is a test of our resolve to show that we can make a difference. We all need to ensure each of our companies is fully committed to the programme. None of us should see this as an optional extra: it needs to become part of how we do business, how our suppliers do business, and how we make change a reality. As leaders in our companies we should mandate it.

The Forum Programme: Measurement and Shared Language (Terry Leahy)

This morning the Forum agreed to take forward work in new important areas. We reiterated an important principle: that achieving progress on climate change and sustainability is a strategic priority for the Forum.

So the first area of new work under the forum's climate change agenda is to agree common measures and practices so that we can share data with confidence, pursue shared priorities that will make our businesses more sustainable, and allow us to communicate with customers about green products.

The second area of new work is an agreement jointly to tackle some specific hot spots in the supply chain.

On the first area – common measures and practices – we can draw on the work we've already done on packaging, which shows what the Forum can achieve. We want to agree a common language when talking about sustainability in our products. If consumers are to trust phrases like "carbon neutral" or "sustainably sourced", one supplier's definition cannot be different from another's – otherwise these phrases will quickly become devalued. So we are looking to create a dictionary of terms that everyone can use and abide by.

But we also want to go much further than this and develop a common global system for measuring the greenhouse gases in the lifecycles of the products and services we sell. This work could be extended over time to cover other sustainability challenges, but should begin with greenhouse gases.

It is for individual businesses to decide whether and how data should be communicated to consumers. But a single approach to measuring and sharing data will enable businesses more easily, more simply and more cheaply to assess the carbon impact of their products, to locate the hotspots, and to take the necessary steps to reduce them. The prize in time could be a single open-source repository for this data, shared across our industry. This single, consistent and shared approach should enable our businesses to collaborate more powerfully and make stronger, more rapid and more decisive progress on sustainability.

The Forum Programme: Deforestation and Refrigeration (Paul Polman)

This morning Terry and I proposed to the Board a programme of activities to tackle two specific hotspots in the supply chain – deforestation and refrigeration. The details of these programmes will be defined in the coming weeks.

On deforestation the principle drivers are the cultivation of soya and palm oil, the timber industry and the rearing of cattle.

The commodities which are derived from these activities – palm oil, soya, paper, board, beef and leather – are all essential inputs to the supply chain of the consumer goods industry. Whether we like it or not it is very largely our industry which is providing the economic incentives for individuals and companies to chop down trees. There are already a number of initiatives, backed by excellent global organisations that aim to curb deforestation. It's now our turn to act together in a resolute, determined way to support them.

So our aim is quite simple: to persuade the 300 or so member companies of the Forum to work together to help put an end to deforestation. Between us, we spend billions of dollars buying these commodities. We can make a difference if we buy them differently and better. If we buy them sustainably and if we help the countries who produce them to achieve the sustainable standards we want.

The second hotspot covers refrigeration.

Some years ago, the concern was about refrigerators emitting chemicals that destroy the ozone layer. These were banned – but in their place have appeared new chemicals, called HFCs, which contribute to global warming. Their use, if unchecked, could be responsible for almost 9 billion tonnes of carbon emissions by 2050. That's equivalent to driving 43 million Volkswagen Golfs to the moon and back.

That's why Unilever, Coca-Cola and PepsiCo have joined forces with other major companies to replace HFCs with natural refrigerants. Working together, we are halting the spread of this damaging technology.

Now, as the Forum, we need to redouble our efforts. Our approach is to drive the adoption of climate-friendly solutions; to identify barriers to transforming the market for industrial refrigeration and then draw up plans to overcome the barriers and enable a transition to cost-effective solutions.

We want to act now, and act fast – so that we can make a constructive input to the Cancun Climate Change Conference at the end of the year.

The commitment to act (Terry Leahy)

So that is the Forum's ambition. But to make this a reality, it can't just be Paul's and my plan; or Unilever's or Tesco's plan; or your CSR departments' plan. To make this a reality we have to embrace it together, as individuals, as companies, as people who want to make a difference starting today.

Because what we are setting out to do is not just about meeting targets – although we must. It is not just about adopting new processes and ways of working – although we will have to. It is about something much more fundamental. It is about changing the way we do business and about the way our consumers live their lives. It is about economic change, but also cultural change.

Of course our success will be measured in terms of the emissions we cut. But it depends on something we cannot measure, and that is your commitment: your commitment not simply to signing up to being part of our programme, but to being agents for change.

Why should you be an agent for change? That brings me back to where we began. We have a responsibility to help address the challenge of climate change, and to help make our economies and societies more sustainable. We cannot go on as we are. We must change.

Conclusion (Paul Polman)

Think about this one simple fact: if everyone in the world used concentrated or compacted laundry products that would save almost 4.5 million tonnes of CO₂. That's the same as taking a million cars off the road for a year. That's just from one product out of the thousands that, between us all, we produce.

So if you, like me, believe that it is possible to have green growth, and if you believe that it is possible to harness the power of consumer, not to constrain it, then I ask you to support our ambition to make our industry more sustainable, and create a mass movement in green consumption.

Between us we have the power to tackle climate change. Small actions from all of us multiplied by the billions of consumer contacts which we make every day can have an enormous difference. We know it makes good business sense. We know our employees and our customers want us to do it. So let's get on with it. We can make a difference.

Thank you.