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Speakers:

Hein Schumacher	Chief Executive Officer, Unilever
Warren Ackerman	Head of European Consumer Staples, Barclays

Warren Ackerman, Barclays
Thank you, Hein, for supporting the conference. It's great to see you again.

Hein Schumacher, Unilever
Good to be here.

Warren Ackerman, Barclays
I think it was December last year when we did our last fireside chat, and a lot has happened since then with the Growth Action Plan, or the GAP. The shares have responded a lot. So, first question, can you maybe summarize where we're at on the GAP, what's next?

Hein Schumacher, Unilever
So, the Growth Action Plan that we launched last year in October, it's about making choices, doing fewer things, as we say, bigger bets with greater impact. So, that means, amongst others, a strong focus of our funds behind 30 Power Brands. It means growing those 30 Power Brands through a comprehensive framework on unmissable brand superiority, which is all about execution. Bigger bets behind innovation; not too many, but a few big ones. It was about strong focus on gross margin; that was absolutely critical for us for this year. And over time, an improved competitiveness.

So, if you now look at it, close to a year down the road, I think we've seen good progress in the first half, with volume-led growth in the business, strong gross margin expansion and in competitiveness I think we've made steps. So, sequentially, I see some improvement, but we're not yet where I would like to see it.

Warren Ackerman, Barclays
Okay. Can we talk a little bit about your 6P strategy? Because for me, it's the key to the whole turnaround.

I mean, we saw the top 30 brands, Power Brands, growing 6%, USG. What I want to understand is the methodology, because it seems to be real substance. I think you've said that you've tested it in 120 business sales, and it shows great correlations. Could you elaborate on what were the three most relevant insights you've gleaned as you've gone through that process?

Hein Schumacher, Unilever

So, unmissable brand superiority, it's really about a very holistic view on brand performance. And by September, we will have it implemented in roughly 70% – two-thirds to 70% – of our business. And it's very important. It's always at the intersection of a brand and a geography. So, think of it as Dove in the U.S. or Hellmann's in a certain country.

And then what we do is we measure superiority through the lens of the consumer along six pillars, or the six Ps. And in total, that's about 21 metrics. So, it's a lot of data, but that enriched data, they inform us very well on what decisions we need to make to make the brand just a little better.

So, that could, for example, mean that we find there's opportunity to increase placements, increase distribution in a certain type of store. It could mean that we need to adjust our pricing, our strategic pricing, for a certain SKU. And I can go on and I can go on.

So, it's a very comprehensive way of looking at brand health, much more than the functional superiority. And the correlation that we see if a brand is improving on its superiority, holistic superiority, and market share growth is very high. So, the chances that if the brand is superior versus the competition in all these dimensions, the chances are 10 times as high that the brand will then also grow share.

So, it's something that will take time to take full effect. Because while we have implemented it now, we know the baseline and we know what to do to improve, but it's really a methodology that will take effect in years to become truly superior in everything, I believe, that we do.

If you ask early insights, I would say we had some work to do on our packaging side, and that meant that in some of our business we have really improved on the design of our packaging quite strongly, recruited new people for that, more with a beauty background and so forth, and we're seeing the first effects on that. We just did a relaunch, for example, on our body wash here in the U.S. for Dove, the same on face care in Latin America.

So, there are some early learnings, and we're moving fast to implement them.

Warren Ackerman, Barclays
You mentioned Dove a couple of times. It's your biggest brand in the portfolio. What is the growth of Dove at the moment? And how do you make that brand unmissably superior?

And I'm quite interested, just as an aside, you're entering the dermocosmetics market in Brazil, which I think is a first for Dove. It looks like quite a big bet. Brazil is normally a testing ground for – and so, that's happening. Can you maybe just talk about that as well?

Hein Schumacher, Unilever
A little bit about Dove. So, Dove, more than 10% of our total turnover at this point. It's Unilever's largest brand. And the first half, first six months, growth number on Dove was 10%. So, we're quite optimistic about Dove.

So, there's a lot happening. I mean, first of all, I think the brand is stretchable to multiple categories and probably a little bit more so than what we had assumed for a while. If you think about it, this has a leading position in hair care in India. Of course, here it's more body wash. But we see opportunity to leverage Dove across different verticals. So, that's one.

But if we do it, clearly, we must come with a brand proposition that is a bit more united and a bit more aligned than what we had before. Of course, the whole real beauty purpose is still the background on Dove, but we're changing tone there a little bit. And we are premiumizing behind Dove. So, in some markets, we see more room to premiumize than in others; and particularly, Latin America, what you say, dermocosmetics and so forth, face care. There, through the design on packaging, through enhancement of recipes, I mean, we're seeing a real premiumization opportunity, and the brand is responding extraordinarily well to that.

But at the same time, we also need to be a bit realistic, Warren, because in a country like the U.S., Dove can go to some price points and probably not above, but that's fine.

Warren Ackerman, Barclays
Okay. On innovation size, you're talking about trying to double the average innovation size: more €100 million platforms; 10, 12 big projects, rather than 50 or 60 projects. Question is, how do you get better at scaling your brands? And how do you mitigate the risks of making such concentrated

bets? I'm trying to understand where are we in terms of building a multiyear innovation funnel and what does that mean for the R&D department.

Hein Schumacher, Unilever
So, obviously, innovation is the lifeblood for CPGs, much more so probably than what we had thought for a while. And I think it's our role – if you're in 80% of where we play, if you have a #1 or a #2 position, you need to build markets, build categories and make markets.

So, I'm a very big believer in innovation, but it needs to have a serious program. So, first of all, you need to think about innovation through multiyear programs, and it means for us, because of our scale, you have to have scalable innovation. And I think that's where we had to step it up.

You're right. So, versus 2020, roughly, we felt that we had to double the average size of innovation and we had to put a number of big bets down. That was very much in the Growth Action Plan. And in 2024, I believe that every size of innovation we are indeed doubling. So, that means we're doing less, but when we do it, we're more serious about it.

And we have clearly made a number of – 12, actually – big bets that should become €100 million platforms in two, three years' time. We're well on the way to do that, but of course it's only one year down the road and we need to see how it develops, but I feel very good about it. And all of these big bets, by the way, they're all behind these 30 Power Brands as well. So, it goes hand in hand.

Warren Ackerman, Barclays
In terms of margins, obviously, gross margin was up 420 bps in H1. You raised your EBIT margin guidance to above 18%. The question we're trying to get at, how much of that gross margin was deflation year on year from the NMI change? I'm thinking a number of €500 million. Is that too high, too low? And can you sort of walk us through the savings and the kind of medium-term gross margin? Because obviously, it was so strong in the first half, some of that's one-off and it's going to kind of roll over. So, how should we think about the kind of gross margin cadence from here?

Hein Schumacher, Unilever

There's a lot of questions in one question but let me take a step back on the gross margins, but I'll quickly get to your point.

So, when I started in the role last year, gross margins by the end of 2022, I believe, were 40%, and they prepandemic were 44%. So, we had to close a gap of 400 basis points, and we were absolutely keen to do so. The good news is, first of all, we thought we were going to get there in 2025. We pulled it forward and we're sort of there, and we believe that's quite structural. So, that's number one.

Now, then let me go to the composition of that. The first one is just the part that you can always control. That's the controllable cost part. So, it's around 10% of your cost base. And there, we're implementing a program on net productivity (I.e., cost per ton, lower cost per ton every year). And I think that's something that consumer goods companies in moderate inflation environments simply need to do. And this year we had a target of minus 2% on controllable cost, and that's something we will exceed. So, that's one part, and that will help us, going forward. So, that's one.

Secondly, our mix, given the focus on Power Brands – and Power Brands are accretive to the group – that will help of course a bit.

And then, thirdly, as you say, I think in the first half we did have tailwind of some deflation and rollover pricing, and a combination of that gave us expansion. And we simply were buying better than the market. I wouldn't confirm or deny your €500 million, but yes, we had tailwind. And therefore, I expect that expansion of 400 basis points we will not continue in the same rhythm in the second half.

But probably the way to think about it is year to date we were on a gross margin of 45.7%, on an MAT basis. First of July, it was 44.5%. And that probably gives you a good indication, the second number, of where we want to land.

Warren Ackerman, Barclays
Because I guess the other driver is the cost savings, the €800 million that you've talked about. Can you maybe spell out where that's coming from? Obviously, Fernando is doing a lot of work on different verticals – you mentioned surfactants as one, but I'm sure there's many others that you're doing – and how that plays.

Hein Schumacher, Unilever
So, just to clarify, there's two programs on productivity. The first one is something that you need to do every year. That's the one that I talked about: net productivity in the supply chain. And therefore, we're also quite adamant that we will spend at least half of our capital expenditure this year and next year behind net productivity improvement in the supply chain. And that will benefit gross margin.

The €800 million program that you're referring to – and impacting quite a number of jobs – it's much more on the overhead side. And that is meant to offset stranded costs from the ice cream separation that we aim to get to by the end of 2025; free up funds for investment in brand and marketing investment; and capitalize on technology that is there in the company. But we didn't always take the consequence to then say, "Hey, we have increased productivity and good technology, but now we need to take the people consequence." It is what it is.

Warren Ackerman, Barclays
And on the people consequence, you're taking out, I think, the number is 7,500. I think it's one in three office jobs in Europe. It's obviously quite a big change. How is that going? Are you able to do that with a minimum of disruption? Because obviously, I'm not saying it's a big bang, but we've seen it in other companies it can be quite disruptive.

Hein Schumacher, Unilever
I mean, an exercise like this is not something that you like to do, definitely not, but we felt that for the reasons that I talked about it was the right thing to do it right now. And of course, it's unsettling. So, we announced it in March. We went through consultation in Europe with unions and works councils before the summer holiday, and we're now in execution. Outside of Europe, we have done the design and now we're also going to execute.

So, Quarter 3, we're in the thick of it now. Again, there is anxiety in the company. It is a bit uncomfortable. But I think providing clarity is also respectful here, and we aim to get through it swiftly and to the other side by the end of the year.

Warren Ackerman, Barclays

Okay. In terms of market share, you talked about green shoots. Are you able to maybe elaborate a little bit where you're seeing those green shoots? I mean, you still talk about 70% of the portfolio that's measured and 30% that's not measured. Are you able to kind of give us a view on the whole portfolio as you see it today?

Hein Schumacher, Unilever

So, on competitiveness, as I said, we're not there yet. That said, sequentially we are improving. So, if you look at the last 12 weeks and last 12 weeks and you do that on a monthly basis, we are seeing improvements. But I don't expect a swing from losing share to real winning share for the full year, but I do expect improvement in the second half, which is also what we, by the way, indicated when we announced the Growth Action Plan.

But then, if you look at where we're winning and losing, the way to think about it is – I always think about it 40/40/20, and that is still the reality today. So, Europe, under pressure mostly on local brands in nutrition. I would say the rest in Europe – actually, on personal care, we turned the corner. That's going very well. The same on nutrition on our main brands, it's going in the right direction.

Then, the second 40% was the United States, and that was predominantly due to premiumization in deodorants and body cleansing and in hair care. And here, we've seen that that masstige segment – so, the much higher price point, not the super-premium, but just below – has been growing very, very fast. We gained share in the premium segment that I talked about with Dove. But simply, the category grew faster in the more premium part. That will continue, although we're seeing some bit of slowdown. And look, we are not super present there. So, we will accept that. And at the same time, we will continue to evolve our portfolio.

The third area is Indonesia, the 20% remaining, essentially. And Indonesia has been a tough story for the company for 10 years. And if there is one area in my first year that I'm not happy with the progress, then it's probably that one. I would have loved to see that turn around quicker, but it's a very sticky situation.

Warren Ackerman, Barclays
I mean, given you mentioned Indonesia, can you actually sort of unpack it a bit? Because obviously, on the surface, there's consumer boycotts. You were talking about recovery in the second half. That's been pushed back to next year. You're now talking about, I think, "significant portfolio initiatives and a full reset of route to market strategy." So, it sounds like you're really going deep dive and sort of blank piece of paper. Any sort of color on that? Because it seems to be a bit of a change – well, a big change.

Hein Schumacher, Unilever
So, as I said, Indonesia has been under pressure for a long time. Last year, we made a significant change. We changed the leadership of the company in Indonesia. We changed our go-to-market.

But I felt already at last year that somehow, we did not keep up with the developments in Indonesia itself. So, we were very focused on the general trade sector. But actually, the consumer moved on. If you think about it, Indonesia today is the second biggest TikTok country in the world. But I then sort of looked at how savvy are we in reaching our consumers through social, how savvy are we reaching the consumers through the convergence of marketing, commerce, and entertainment channels, how good were we in driving a modern trade presence. And we were simply behind, and that meant we had to step it up.

We started doing that. But of course, consumer boycotts came in and they spike. They continue to spike and then they moderate. And of course, that's not helping. So, it pushed us back. But I certainly don't want to say that the consumer boycotts were the sole reason for underperformance.

And once again, I would have loved to be more ahead by now. But it's sticky. It's a full transformation that we're doing. I believe we're doing the right things. We're very committed to Indonesia. So, we're definitely not giving up. I think this is a super important country for us. But it will take longer to turn around.

Warren Ackerman, Barclays

While we're doing the world tour, can we touch on a few other countries? China, being one of them. We were talking before; you've just come back. Clearly, the consumer is weak, the macro is weak. Can you maybe give us your latest thoughts on China?

Hein Schumacher, Unilever

So, China, I was there actually last week. Spent a full week there. All the categories in which we play – and I think that's for all our competitors, obviously, as well – I mean, they're under pressure. So, it's minus at this point or, at best, zero.

I feel good about what we do in China. So, I'm here. Our presence in China is actually good. We've grown the business organically – so, this is not an acquisition business; we've grown it organically – with very strong market positions in a few of our core categories. Hair care, #2. Food solutions, by far, #1. Home care, still a top three player. And a growing business in prestige beauty.

So, we're gaining share in China. We have a good team. And I feel with the price positioning that we have, I think we're actually well positioned in China. But clearly, I don't expect for the next two years that double-digit China growth that we've obviously seen in the past. It will be very subdued for the near future.

Warren Ackerman, Barclays

And the other big one, of course, is India. It's your biggest emerging market, by far. There's a lot of stuff happening around channel shift in India. I mean, your dominance in the mom-and-pops is well known. But clearly, there's more digital apps, much more quick commerce. Does your historic distribution advantage get eroded over time because of that?

Hein Schumacher, Unilever

No. Well, let me first take a step back on India. So, India, of course, is very important to us. And I think India, as a country, you will really see that they are just over that tipping point in terms of where the middle class is ready to spend more. I mean, the premiumization that's happening in India is astounding. Channel shift is clearly happening, and modern trade is now really booming. But also, of course, social is super important as well.

We are leading in 85% of our categories as a #1. Will our shares always hold? Because we tend to have very high market shares. Probably not, but we're really interested in growing the pie and building premiumization, building categories.

So, I'm very positive about it. I mean, if you think about it, the second quarter, 3.8% volume growth. And yes, negative pricing. That deflationary impact will turn a bit in the last quarter of the second half of the year, I think, with inflation coming back somewhat. That's usually positive for us.

So, a very – I mean, the short term, this year, 2024, okay, but we remain very bullish about the medium term for India.

Warren Ackerman, Barclays
And the other big opportunity that everybody's talking about is the beauty opportunity in India, as the next big growth avenue for 10 years. You've got interesting brands already in India, like Lakmé.

You've also got a portfolio now to potentially take advantage in India in a way that perhaps you didn't in China a decade ago, because the portfolio was very different. So, the question is, how are you going – you and I have spoken about this before, but I'm interested in six months on – have your thoughts evolved in terms of how you actually bridge that and how you go about trying to get your fair share of that growth?

Hein Schumacher, Unilever
I mean, as I said, we're obviously quite bullish in India, but don't forget that those more premium brands, actually, we've entered China with these as well. Also, organically and through cross-border ecommerce. We do it selectively, but that's an important growth avenue for us. Because, as you say, we were not there. So, it's incremental.

In India, I want to make sure that we're not going to get behind on this one, for sure. So, we're actually introducing – and I need to obviously not give all information here – we are introducing quite a few of our prestige beauty brands. Lakmé is an important vehicle. But also, on hair care. With Dove, TRESemmé, these brands are four times the next competitor. So, there's a lot of opportunity to continue to develop those brands that are already on the premium side.

So, I think we're well positioned, but we are moving in India with more bullish than what we've done in other countries.

Warren Ackerman, Barclays
And turning to the U.S. consumer, obviously, here we are in Boston, and your U.S. business is – it looks like it's in pretty decent shape. Are you, however, seeing any areas of trading or any hot spots where promo spend is spiking or channel shifts you'd call out? Do you think that pricing in your business in the U.S. could actually turn negative? Because obviously, it did roll a fair bit in the second quarter.

Hein Schumacher, Unilever
I mean, we're not projecting negative pricing. So, let me be straight on that.

If you look at the U.S., look, there's, I would say, three businesses. The first one is the prestige beauty part. There, we absolutely do see slowdown. So, where we were growing that for many quarters double digit, it became single digit in the first half, and it will be, at best, that in the second half from what I'm seeing today. So, there, we're really seeing slowdown.

At the same time, our health and well-being business, led by brands like Liquid I.V., Nutraful, OLLY, is still growing very strong. So, I feel that there we still have runway. Probably, they are a bit closer to where the consumer sentiment is today.

Then, if you look at the core business in the U.S. – and I talked about Dove already – look, we're seeing the consumer, as I talked, they continued to trade up actually on that for a long time because these higher-end deodorants spend has gone up for a long time. The same on body wash. We see it slow down, and I think we're well positioned, but from what I see, the U.S. consumer, but probably not on the top-top end, they are still spending.

Warren Ackerman, Barclays
Okay. Maybe can we move to the foods business and nutrition? I think nutrition returned to volume growth in Q2. How do you see sort of Hellmann's and Knorr performing from here? Because clearly, pricing is being very high, pricing is rolling. Volume is clearly key. You've got a new

head of the division. There's cleaning up to do. So, maybe just your assessment of how you're feeling about the nutrition business.

Hein Schumacher, Unilever
So, our foods business – I like to call it foods because I find it more a foods business than a real nutrition business. The nomenclature will change at some point. But if you look at the foods business, I'm actually very happy with that business as part of the company. Because if we're capable to streamline it further to its strategic core – and the strategic core, for me, there's four blocks. One, which is led by Knorr, and that's cooking aids, and Knorr is about 70% of that vertical. Second, condiments, led by Hellmann's, about two-thirds of turnover. Third, food solutions, which is the business-to-business angle, mostly in China and Asia, and they only do Knorr and Hellmann's. So, there's a lot of leverage there and a lot of innovation as a result. And then, the number four block is our nutrition business in India.

And yes, then we have local brands, et cetera, et cetera. So, I expect over time some further pruning and focus on those four key blocks. They are accretive. They are disproportionate in cash generation for the group. And we can clearly leverage innovation by rolling it out across many geographies.

So, I feel good about that business, but it needs strong focus and strong execution in the months to come. And I know Heiko is behind this agenda.

Warren Ackerman, Barclays
Okay. Ice cream. Why doesn't a JV or a sale create more value than a demerger or an IPO? I would have thought it brings proceeds in the door immediately. The margins are clearly still quite low, top line has still not been fixed in Q2. I'm just – where are you in terms of sort of carving out the ERP system? Because I imagine that's quite a big chunk of work within the organization. And my understanding is you're running this like a parallel process. But when I look at the numbers, it would seem to me that a JV or a sale would actually make more sense. I know it gives you certainty to say that you want to do a demerger, but in terms of if you had a preference?

Hein Schumacher, Unilever
Well, I mean, we made a strategic call on the ice cream business that we felt it's a distinct business model. It's different, as we mentioned before. And I know it's repetitive, but it's frozen; the rest is not. So, from a go-to

market, it's different. It's seasonal; the rest is not. It needs a higher capital expenditure than the rest of the group.

But it has a very focused brand portfolio. On a relative basis, we have the most premium brands in the category in ice cream and the most global brands. So, I feel this is actually a very good business. It's a very strong business and it can stand on its own and it needs to stand on its own to flourish and to grow faster. That's very much what I believe.

And the route that we're taking I think is good for shareholders because they can benefit from that standalone nature of that group by holding shares in that company. And I think it's a higher value creation route. That's number one. Secondly, it's a route that we can control, as you say. And the other route, it takes more to tango.

As we said, we're open for other options, and I remain open for other options. But we are absolutely determined now to push this one through towards the end of 2025. And we're well on the way with the disentanglement of systems. And I would say at this point, we're really on track in doing that.

I would have liked operating performance just to be a little better. It's probably a bit of delay, but I feel we are making those improvements. And I'm still very much there. And I think I said it to you that I expect 2024 to improve versus 2023 on all metrics: top line, gross margin, operating margin, and cash delivery. And I'm still convinced that we're going to get there for the full year.

Warren Ackerman, Barclays
You're still saying that the trading performance – it sounds like you've done a lot of work, but the trading performance still wasn't great in the quarter. I know the weather was poor. China, you called out ice cream as well. I think it was a factor. So, what is Peter ter Kulve's near-term priorities in terms of you just need the sun to shine? Or what?

Hein Schumacher, Unilever
I was smiling because I hate to say that the weather was not good and so on. But actually, the weather was awful in June in London and, well, in Europe. So, it wasn't great. So, that didn't help in the second quarter.

But I also felt that the operating performance in ice cream, it came – we made a lot of improvement, but probably a little slower, one quarter slower, than I had hoped. But we are seeing fundamentally strong improvements. And when I talked about share, our market shares in our main geographies, particularly the U.S., are positive. We're also improving market shares in Europe. So, again, I feel that by the end of 2024, you will see – I'm still convinced that we are improving ice cream essentially in every metric and in most operating metrics as well.

China has been a tough situation. Local competition, very strong. But pipelines were extremely full. Distribution channels, a record number of inventory days. We looked at it, said, "Hey, we're not going to participate in that with all its negative consequences." Took a step back, cleaned the business, and now we're moving forward. And I think it's on a firmer footing now.

Warren Ackerman, Barclays
So, I'm moving around here, but prestige and health and well-being. I mean, the thing for me that was interesting is you've delivered the 14th consecutive double-digit growth in that division, despite the fact that prestige slowed down significantly in the quarter. So, therefore, the health and well-being part must be flying. So, you've got Liquid I.V. that is being rolled out, but you've also got K18 coming into the portfolio.

Hein Schumacher, Unilever
That's prestige beauty.

Warren Ackerman, Barclays
Yes, yes. You've also got Nutrafol as well. So, can you maybe just talk a little bit about Liquid I.V.? Over there, it's flying off the shelf. I'm not sure it's a hangover cure, but it's doing really well. I've seen in the U.K. you've got a sugar-free version. So, can you maybe talk a little bit about how you are going to get the most out of those two particular brands of Nutrafol and Liquid I.V.?

Hein Schumacher, Unilever
So, we manage two verticals globally. So, first is prestige beauty. And I think the play there, if you take a step back, if you look at prestige beauty, we're focusing more on the bigger brands – Dermalogica, Paula's Choice – and scaling these brands across the globe. So, we have introduced

essentially those two. K18 is a great example. It's ahead of the business case. So, that's good. But it's scaling already internationally quite fast. So, that's what we want to do there. Bigger bets behind a few brands. By the way, in the Power Brands, there's four brands already of that part in there.

Then, health and well-being. Health and well- being has been indeed the success behind Liquid I.V. Nutrafol, which we called out in terms of growth, in the first six months grew 40%. That's really strong behind a subscription model. And we're expanding from hair now also in skincare. So, a beauty-from-within concept for skincare. We're very bullish about that.

And OLLY remains strong. But the growth of OLLY is mostly in China.

So, also here it's scaling those brands, and we're not going to choose many. So, we choose Liquid I.V., and we choose OLLY to scale them in big markets. So, OLLY in China. Liquid I.V., we're rolling out in Canada and then the bigger European markets.

So, that is what we can offer of course to those brands. And at some point, we need to bring them to the world. Because otherwise, why would they become part of Unilever?

So, I think prestige will be under pressure a bit for a while here, particularly in the U.S. I believe for the next two, three quarters you will see good performance on health and well-being overall. I'm not promising another consecutive quarter of double-digit growth. I mean, that's a bit – at some point, that will be hard to do.

But selective internationalization, bigger choices behind which brand to really grow, and continue to refresh the portfolio.

Warren Ackerman, Barclays

The other thing that's interesting is that in parts of the U.S., you have high price points. You mentioned U.S. deodorants and U.S. skin cleansing, which historically Unilever's wheelhouse would be, like, a price index of 80 to 120, 130. But some of these are growing at price indices of 300, 400. And we've talked about it a little bit previously, but how do you go about trying to access that kind of growth? Can you take prestige brands down? Can you bring other brands up? Or do you need to buy new brands? Because that could happen in other markets because we're seeing a polarized consumer: super premium, value. And normally people think of Unilever outside of prestige as more like a mass market consumer in terms of the DNA of the company.

Hein Schumacher, Unilever
So, first of all, premiumization as a concept is something that is very important in the Growth Action Plan. So, when we talk about market making and when we talk about multiyear innovation, it is, in a way, it is premiumizing, but it comes in different forms.

So, if you think of Unilever going forward and the bigger bets that we will make, the strong focus that we will exercise, is you premiumize in large markets like Brazil, like you talked about, with Dove in dermocosmetics. And there, we're capable to premiumize those brands into categories: skincare, face care, and so forth.

We're premiumizing in India in laundry by going into a liquid, from powder into liquid, and doing that decisively.

In developed markets such as Europe and the U.S., yes, we want to – we can premiumize brands like Dove, which we are doing, TRESemmé through styling and treatment solutions that we borrow from the prestige beauty segment. But I think we also need to accept that in some price tiers, our brands were not playing. And people were quite hung up about it. "Shouldn't we do this....?" Hey, we have a good prestige beauty business. It's still small on a group scale, but growing, has been growing. That's good.

And we have brands that we can continue to premiumize up to a certain price point that are very strong. I talked about 10% growth of Dove in the first six months. And hey, maybe you miss a certain price segment, but I'm okay with that as long as you do the right things for your existing brand portfolio.

Warren Ackerman, Barclays
I've got to ask you about ESG, particularly around plastics, because it's one of your four pillars. Do you think there's going to be a legally binding plastics treaty this year? And if there is, do you think it will have teeth? And it sounds like you're quite active in this area. What do you want to see from

that agreement? Any kind of update that you can share? Because it sounds to me like Unilever is one of the companies leading the charge.

Hein Schumacher, Unilever
I'm co-chair of the Global Business Coalition. It's a coalition that mines more than 200 companies, pushing governments to get to a global plastics treaty. And I think it's tremendously important for our sector, because our sector is a big user of plastics, and we simply have to make progress for our own credibility and of course to manage externalities that are simply not right. It's just better for the planet to take them out.

I am cautiously optimistic that there will be a treaty. I went through the previous negotiation round in Canada. The next one is in Korea. And now we're managing in between to see how far we're going to get.

A treaty has to be binding, because otherwise it doesn't make sense. You have to have a binding agreement. In the binding agreement, you have to have rules around the design of packaging. You have to have rules on things like hazardous chemicals that should not be part of packaging material. And you should have clear rules around recycling and what we call EPR, extended producer responsibility; it means what is the role that companies need to play in markets in the whole recycling system.

And I think we are ahead of the game as a company. We are reducing our virgin plastic now by 18% versus 2019. That sounds not much, but actually we're quite ahead of the rest. The problem is with voluntary action we cannot make more progress. We can't. We need the system to cooperate: rules, regulations, recycling systems, et cetera, et cetera.

So, I'm cautiously optimistic, but we have quite some way to go before we're getting to a real plastics treaty. By the way, that plastics treaty will be, I just want to say, good for government, it will be good for business, it's good for investment, and it's good for the planet. So, hey, this is a win-win-win. But yes, we need everyone to play.

Warren Ackerman, Barclays
That's very interesting and watch it with interest to see how that develops.

The one thing I forgot to ask you earlier when I was going through my geographic tour was of course the European question. And having followed

Unilever a long time, it's been one of the Achilles heels. We're seeing progress in Europe. It seems like you're premiumizing Europe and you're pushing, you're executing better in Europe. Is it just the categories are getting a bit better? It seems like you're being promotional in some areas. Can you just give us a sense of, on Europe, do we still see sequential improvement in Europe from Q2 into the back half, into next year?

Hein Schumacher, Unilever

First of all, on Europe, when I joined the company, we had three geographic priorities, which was U.S., China, and India. There, we did make a change. We said, hey, we run the company through five global business groups. And if a group – personal care or nutrition, I mean, both of them – if they have a significant presence in Europe and that means both are exposed for more than 20% of their turnover to Europe, hey, Europe is important. You can't make your algorithms if you have 20% underperforming. It just doesn't work.

So, first of all, we have increased our attention to Europe – by the way, the same on home care – by developing, again, scalable innovation that builds categories and therefore works with retailers to do so. The best example, I think, is the introduction of Wonder Wash in home care that we're now rolling out across Europe. And we're doing the same on – we're introducing whole body deodorants in Europe as a first mover in personal care. We've been working on plant-based mayonnaise and different varieties, spicy mayonnaise, in nutrition.

So, we are developing European-specific, but still very large and scalable innovations, and I feel that we have a good pipeline for the next year. So, for me, Europe, it's not a lost continent in CPG. You can win. Yes, it's a share game, but you can build categories if you do it in the right way. And we will continue to play in Europe in those areas where it's a significant part of our business.

Warren Ackerman, Barclays

Well, I think we're on the buzzer, Hein. So, I think we're going to leave it there. We're going to do a quick breakout with Hein next door. So, if you'd like to ask Hein questions, please do join us. Thank you.

Hein Schumacher, Unilever

Thank you.