Written evidence from Unilever (BRF0019)

1. Unilever is one of the world's leading suppliers of Food, Home Care, Personal Care and Refreshment products with sales in over 190 countries and reaching 2.5 billion consumers a day. It has 169,000 employees and generated sales of £46.5 billion in 2016. Over half (57%) of the company's footprint is in developing and emerging markets, and around 60% of our business globally is in the Home and Personal Care categories. 99% of households in the UK have bought a Unilever product in the latest year. Unilever has more than 400 brands found in homes all over the world, including Persil, Dove, Knorr, Domestos, Hellmann's, Lipton, Wall's, PG Tips, Ben & Jerry's, Magnum and Lynx.

2. With circa 7,000 employees in the UK & Ireland alone, we foster some of the best and brightest talent from around the world, who can share knowledge and develop and manufacture products that benefit the economy and consumers in the UK and beyond. Two of our six R&D centres are based in the UK, where we harness science and research talent from around the world to allow us to constantly innovate for the benefit of our customers. These teams work on global products and innovations which we sell worldwide.

3. As a global business, Unilever is used to having to adapt to rapidly changing regulatory and business environments. We are certain that we will be able to do this in the UK and beyond after Brexit. However, to minimise the disruption and impact this could have across all stakeholders, we request that the transition should be made a simple as possible (one step rather than two) if a transitional phase is put in place, and that both the British government and the EU27 work together to create a favourable trading environment that benefits all parties. We believe this would be in the best interests of consumers in all countries, our extended pan-European supply chain and UK PLC.

4. A favourable trading environment means a tariff-free trade agreement with the EU27, or, if there are tariffs, avoiding a 'cliff edge' scenario and minimising any additional costs associated with these. In addition, frictionless trade with no physical barriers or new administrative burdens, particularly between the UK and Ireland.

5. Unilever would like to see consistent regulatory outcomes between the UK and EU – ensuring continued membership or strong mutual recognition of regulatory bodies, minimising disruption for our business, supply chain and for consumers. This will be in the interests of consumers who expect high standards whether they buy their products in the UK or in the EU.

6. To continue to be successful over time, Unilever needs to continue to be able to bring in key talent for our global and UK head office functions, as well as our global R&D hubs, to complement developing skills and capabilities for people in the UK to fill roles. Unilever's annual R&D investment in the UK is

£220M. It is vitally important that the UK creates an environment where global businesses continue to see a good case for investment in the UK (manufacturing or R&D).

7. Unilever has shared these priorities with government directly, and via our trade organisations, the FDF and the CBI. Unilever's position is also reflected in the FDF's written and oral evidence to the BEIS Select Committee.

Tariffs

8. We urge the UK to aim for a tariff-free deal to protect our competitiveness and limit the impact on the consumer. If there is a move to WTO tariffs, we believe it would lead to a substantial increase in costs for our business. Unilever is still working with suppliers to understand what the exact costs could be.

9. If any tariffs were to be introduced, we urge the government to use the funds raised to support the productivity and competitiveness of affected sectors, in areas including R&D, innovation, training, skills and infrastructure.

10. Unilever wants to emphasise the importance of having clarity about the timings of any transitional or implementation phase as soon as possible. This is crucial for being able to risk adjust and plan for a known outcome.

11. In addition to tariffs, as a business with a complex and multi-country supply chain, the ongoing currency exchange fluctuations, particularly the depreciation of sterling, creates volatility and uncertainty for the Unilever business. This is particularly the case as commodities are costed in Euros or US dollars.

Customs and Borders

12. As Unilever has businesses in both the UK and Ireland, we urge that a final agreement on the UK/Irish border be prioritised given the interdependence of these markets, and that the government negotiates for a tariff-free deal and frictionless border administration to protect business competitiveness and to limit the impact to the consumer. This will help Unilever manage any additional costs to the business.

13. Unilever has many inbound and outbound shipments in and out of the UK each year (around 60,000 in EU movements) and any additional costs and

delays would cause us concern. We would therefore welcome any solution that is as close to the status quo as possible.

14. The risks presented by potential delays, bureaucracy and costs as a result of leaving the Customs Union before the UK government has the IT systems, processes, staff, facilities and regulations in place are considerable. Leaving the Customs Union before the government and businesses are fully prepared would be highly damaging for UK importers and exporters, including Unilever. Unilever and other UK importers and exporters will also require a long lead time to prepare for any system changes.

15. Any delays or uncertainties with the customs arrangement would have an adverse impact on just-in-time production, and could risk jeopardising our ability as the biggest supplier to UK grocers to get products on shelves in time to respond to customer demand.

16. The prospect of administrative delays at border crossings causes Unilever concern in a market where stock holdings of raw materials and finished stocks are low due to the current supply chain efficiencies. Administrative delays might necessitate the holding of higher levels of ‘buffer’ stock by Unilever and our customers, with adverse implications for supply chain flexibility and working capital efficiencies.

17. To prevent hold ups and delays (especially at roll on roll off ports such as Dover and Calais) it is important to our business that custom checks and formalities are avoided at the border. If these are in place then we would ask that these should be done ‘inland’ or remotely.

18. We would ask that any simplification is reciprocal, we would struggle in a situation where the UK has simplifications/facilitations in place that are met with increased checks on the EU side.

19. Authorised Economic Operator (AEO) has been mentioned in a number of recent Government communications as a potential way forward. However, the current approval system is time-consuming and there is often a lengthy process before accreditation.

20. In relation to AEO, Unilever would ask for a guaranteed turnaround time for applications and a commitment from government to simplify the process. Our concern would be that we invest considerably in our AEO applications, only to find that we are still in a physical queue when we reach Dover or other ports.

Consistent Regulatory Outcomes

21. Unilever’s preference as a multi-national business operating across a range of sectors, including food and drink and home and personal care, is to keep

regulation consistent between the UK and the EU as far as possible, to maintain universally high standards, driven by consumer needs, and avoid undue costs and administrative burden. Should the UK government opt to consider changes to the regulatory environment, a priority is to avoid a regulatory cliff edge which does not allow us time to adapt to any potential changes or result in additional costs and legislative burden.

22. We hope that the phased process of implementation should see rules and regulations remaining the same for a period of time, during which time UK would recognise EU competent authorities and vice versa, and mutual recognition would continue. Without an assurance that consistent regulation and mutual recognition will continue, or at least confirmation of this being taken into account in the phased process of implementation, there would be a considerable impact on the business, including future financial implications.

23. We welcome the government's commitment to introduce the Great Repeal Bill to transfer all EU regulations into UK law at this stage. In light of this, during the transition into UK law, there are some areas that require addressing to limit the impact on our business:
    - Scientists at our Colworth R&D centre currently submit applications for approval to the FSA through the UK, but because some of these approval processes might extend beyond March 2019 we are unsure about whether we can continue to do this through the UK.
    - Upon leaving the EU, it remains unclear whether the UK will be regarded as a sufficiently 'safe' country for the transfer of personal data from the EU, under the EU General Data Protection Regulation. If transfers of personal data between the UK and EU are restricted post-Brexit, this would have significant impacts on consumer and employee data being processed for our business, which is run on a European basis. Again, mutual recognition of regulations in the UK and EU27 in this area will be important.

24. Any future potential dual regulation across the EU and the UK would lead to a cost burden and risk making the UK less competitive. We would therefore encourage the government to review in all cases whether it makes sense for there to be separate rules and regulations if there is no benefit to the UK or consumers, for instance, having two sets of labelling.

Talent & Skills

25. Unilever requires continued access to the best talent, and the ability to develop our existing talent, whilst supporting the development of the UK skills base, to enable us to remain competitive in the UK. Unilever welcomes the recent clarity provided on the future rights of EU citizens in the UK, and this is good news for our employees based here as well as the UK citizens based in the EU27.

26. Unilever is committed to investing in UK talent. We are a living wage employer with 7,000 employees in the UK, 3% of whom are apprentices (c.280 apprentices). We offer a broad range of opportunities, from engineers and food scientists to marketers and supply chain specialists, and are a multinational business, with European employees playing an important role in our workforce. UK citizens also work in our facilities in other European countries. There is a need for global employers to be able to continue to give non-UK employees exposure to the types of roles available in the UK. It is therefore important the approaches introduced are sufficiently flexible to deal with this.

27. We need to recruit staff from outside the UK to fill the skills gaps, support with upskilling of colleagues and, importantly, to provide insight into global markets to allow us to innovate and develop products that are appropriate for each of our markets. In manufacturing, there is a particular need to fill gaps in junior management roles, whilst in R&D, there is a shortage of high-level skills in areas including physical sciences and engineering.

28. One of the challenges is that whilst it is easy enough to define 'highly skilled' workers' and 'unskilled workers', there are a lot of shades of grey in the middle. It will take some time to specifically assess what exactly the skills gaps are (if any) which may currently be filled by European nationals, or, how we then contribute to building this skill(s) in the UK workforce. It is therefore important to continue to have access to non-UK talent whilst the necessary skills are developed.

29. Unilever is already committed to developing skills and employability in the UK, and would continue to do this post-Brexit. We have a number of schemes, whether for young people who might otherwise face barriers to work, our 280 apprentices, our sought-after graduate scheme and our participation in programmes like 'Movement to Work' which aim to build skills and capabilities at all levels and ages.

30. Unilever believes that the government's Apprenticeship Levy could be modified to allow us to increase skills as required across the workforce, including the retraining of older employees with new skills.

The future

31. Unilever would like the UK and EU to achieve an outcome from Brexit that will allow both parties to thrive and to maintain healthy relationships while minimising the short-term risks and uncertainties for our employees, customers, suppliers and investors.

32. As a global business, we want to ensure that Unilever can continue to drive investment in the UK economy by remaining competitive both now and in the future.

33. We look forward to continuing to work closely with government and our trade associations to ensure there is a favourable business environment and the lowest possible additional administrative burden following Britain's exit from the EU, allowing Unilever to flourish and support our customers, employees, suppliers and communities.

11 January 2018