Unilever PLC
Registered in England and Wales
No.41424

Registered office
Port Sunlight, Wirral
Merseyside CH62 4ZD

Unilever PLC
Unilever House
100 Victoria Embankment
London EC4Y 0DY

+44 (0)20 7822 5252
unilever.com

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Unilever PLC ("Unilever") – New Directors' Remuneration Policy for approval at 2024 AGM

I am writing to you in my capacity as the Chair of Unilever's Compensation Committee ("the Committee") to set out our proposed approach to the new Directors' Remuneration Policy that will be brought for shareholder approval at the Annual General Meeting ("AGM") in 2024.

Background

Our current Directors' Remuneration Policy ("Policy"), approved by 93.5% of investors at our AGM in 2021, will expire next year. Accordingly, the Committee will bring a new Policy to vote at our 2024 AGM. Following this year's AGM, we have engaged with our largest shareholders to discuss the AGM voting outcome on acceptance of the Directors' Remuneration Report and to test our thinking in relation to the Policy renewal. The feedback received during this process has been very helpful to the Committee in developing the proposals. The focus of the business remains on sales growth, profit and cash flow as key fundamental drivers of value and we have heard shareholders' views for the need to reflect a relative measurement when we consider performance.

Our remuneration proposals have been developed in light of this business context, and the summary proposals are for continuity in Policy and refinement of implementation. This letter provides an overview of our proposals for the new Remuneration Policy, which have been refined to reflect the valuable feedback gained through the shareholder consultation process earlier this year.

New Directors' Remuneration Policy: Limited amendments proposed, key proposed changes in relation to the implementation of Policy

Our previous Policy was approved in 2021 by the vast majority of shareholders. This current remuneration structure reflects market norms for a European listed company and consists of four elements as follows:

- Fixed Pay (consolidated base salary and pension into one payment from 2017)
- Benefits (such as life assurance, medical insurance)
- Annual bonus, with 50% paid in cash and 50% deferred into Unilever shares vesting after three years
- Performance Share Plan ("PSP"), which vests after three years subject to performance, followed by a two-year holding period

The Committee believes this structure remains fit for purpose for the next Remuneration Policy cycle. As such, no changes to the overall structure or the incentive quantum are proposed.

There are two key changes that we intend to make to the implementation of Policy:

- Amend the remuneration benchmarking peer group to focus on global consumer companies
- Amend the performance measures and weightings used in the Annual Bonus and Performance Share Plan for 2024 awards onwards

<u>Proposed changes to remuneration benchmarking peer group</u>

Our current peer group consists solely of European companies, and includes major consumer goods, pharma, and oil and gas companies. Following feedback from shareholders, our proposed peer group has been constructed with a narrower sector focus, to only include consumer companies.

We have focused on key competitors, including those we are compared to by shareholders and the broader market, and those we lose talent to and recruit talent from. This means the peer group now contains a global group of consumer companies, including those listed in the US. This is consistent with Unilever's global profile, and the US is where many global competitors are listed. We are conscious that the inclusion of US listed companies does not result in higher benchmarks, and we can confirm that the median total compensation levels are similar for the current and proposed peer groups. This proposed peer group is outlined in Appendix 2.

<u>Proposed implementation from 2024 - incentive performance measures</u>

Our Policy allows the Committee to select appropriate measures each year, although our recent practice has been to maintain the same set of measures for the duration of the 3-year Policy period. We are not proposing any changes to this Policy itself, but are proposing to amend the measures and weightings as set out below:

Annual Bonus

<table>
<tr><th colspan="2">Current – 2023</th><th colspan="2">Proposed - 2024</th><th rowspan="2">Rationale</th></tr>
<tr><th>Performance measure</th><th>Weighting</th><th>Performance measure</th><th>Weighting</th></tr>
<tr><td>Underlying Sales Growth (“USG”)</td><td>50%</td><td>USG</td><td>40%</td><td rowspan="3"><u>Replacing UOM with UOP adjusted to include restructuring costs:</u>
● Provides a focus on absolute profitability, which is a better indicator of driving shareholder value and is common in the market.
● For incentive purposes only, UOP will be adjusted to include restructuring costs to ensure the bonus outcome is aligned with the effective management of this expense.
<u>Amending weightings:</u>
● Growth is the first priority of the business. We propose to include USG in both annual bonus and PSP.
● We have reduced the weighting of USG in the annual bonus to ensure that the overall weighting across the two incentives remains appropriate.
● We have increased the weighting of UOP adjusted to include restructuring costs and FCF in the annual bonus, also reflecting the removal of cumulative FCF from the PSP.</td></tr>
<tr><td>Underlying Operating Margin (“UOM”)</td><td>25%</td><td>Underlying Operating Profit (“UOP”) adjusted to include restructuring costs</td><td>30%</td></tr>
<tr><td>Free Cash Flow (“FCF”)</td><td>25%</td><td>FCF</td><td>30%</td></tr>
</table>

Performance Share Plan

<table>
<tr><th colspan="2">Current - 2023-25</th><th colspan="2">Proposed - 2024-26</th><th rowspan="2">Rationale</th></tr>
<tr><th>Performance measure</th><th>Weighting</th><th>Performance measure</th><th>Weighting</th></tr>
<tr><td>% Business Winning (“%BW”)</td><td>25%</td><td>USG</td><td>25%</td><td rowspan="4"><u>Replacing % Business Winning with USG</u>:
● USG is the primary driver of value creation in our multi-year financial growth model.
● Shareholders expressed a preference for USG over % Business Winning as the growth metric in the PSP.
<u>Removing Cumulative FCF:</u>
● FCF remains a performance metric for Annual Bonus. We propose to remove it from the PSP to keep a maximum of 4 metrics.
<u>Introducing Relative TSR:</u>
● Aligns remuneration with shareholders’ experience and allows us to measure relative performance. Our proposed TSR peer group is set out in Appendix 3.
● The proposed vesting schedule is in line with UK norms, with threshold vesting (50% of par) for median performance, rising to maximum vesting (200% of par) for upper quartile performance.
<u>Amending weightings:</u>
● We plan to prioritise Underlying ROIC and TSR, which from feedback we know are the preferred areas of focus from investors.
● We seek to moderate the total USG across both incentives.
● We propose to reduce the weighting of SPI to 15%, and focus on fewer, most critical components of SPI. Whilst our commitment to sustainability leadership remains unchanged, the Committee believes this is an appropriate weighting given the multitude of current priorities.</td></tr>
<tr><td>Cumulative Free Cash Flow (“FCF”)</td><td>25%</td><td>Relative Total Shareholder Return (“TSR”)</td><td>30%</td></tr>
<tr><td>Underlying Return on Invested Capital[1] (“ROIC”)</td><td>25%</td><td>Underlying ROIC[1]</td><td>30%</td></tr>
<tr><td>Sustainability Progress Index (“SPI”)</td><td>25%</td><td>SPI</td><td>15%</td></tr>
</table>

[1] Underlying ROIC is calculated as underlying operating profit after tax divided by the annual average of: goodwill, intangible assets, property, plant and equipment, net assets held for sale, inventories, trade and other current receivables, and trade payables and other current liabilities.

Further information on Sustainability Progress Index ("SPI") measures:

Unilever has been at the forefront of the market in our approach to sustainability and including sustainability metrics in long-term incentive plans. We have refined our approach to how we incorporate sustainability within the PSP to ensure it drives the right behaviours and decisions. Our revised approach to setting targets is as follows:

- Target ranges will be set for a 3-year period and disclosed prospectively (current measure assesses outcomes each year against anchor KPIs, with the overall outcome an average of each annual score).
- Target ranges will focus on 4 core measures (rather than the current scorecard which had 8 measures for 2022) to drive more focus and progress against our top sustainability challenges.
- Target ranges will be subject to external review by one of the Big 4 providers or internal review where external review is not possible.
- There will be a formulaic assessment against specific KPIs, whilst retaining the ability to conduct a rounded assessment, alongside the formulaic assessment (currently no formulaic ranges are set).

The measures for the 2024-26 PSP will be:

- **Climate**: The percentage change in greenhouse gas ("GHG") emissions from energy and refrigerant use in our operations, in comparison to the same period in 2015.
- **Plastics:** The percentage change in the total tonnes of virgin plastics used in the packaging for our products, in comparison to the same period in 2019.
- **Nature**: The total hectares of land, forest, and ocean (as measured by ocean floor area) that Unilever programmes help protect and/or regenerate.
- **Living wage:** The percentage of our procurement spend which is with suppliers who have signed the Living Wage promise.

Full details of the 2024-2026 SPI targets will be disclosed in the Directors' Remuneration Report, alongside the target ranges for the other PSP measures.

Executive Director fixed pay implementation

From our engagement with shareholders, we are aware that the primary reason for the limited support (42%) for our Directors' Remuneration Report in 2023 was the approach taken to setting the incoming CEO's remuneration on appointment. The Committee considered this feedback carefully and the Board has decided to freeze the CEO's fixed pay for the next two years.

You will have seen that the Committee recently set the fixed remuneration for our incoming CFO, which is effective from 1 January 2024 and was set below that of his predecessor.

Wider workforce considerations

Whilst our proposed Directors' Remuneration Policy only formally applies to Executive Directors, throughout our process the Committee has been conscious of the wider workforce of over 15,000 managers who participate in incentives.

The changes we are making to incentive measures will generally cascade throughout the organisation and will be implemented alongside other changes below Board level as follows:

- Increased weighting on Business Group ("BG") performance in the annual bonus. For BG Presidents on the Unilever Leadership Executive ("ULE") bonuses are assessed 75% on BG performance 25% on Unilever group. Below President level, bonuses are fully assessed on BG performance.

- Removal of Group PSP for WL2 and 3 employees (lower and middle management levels, around 15,000 employees), replaced by restricted stock awards with grants based on in-year performance.

The changes below Board level are designed to deliver on our aim to drive and reward outperformance by maximising the line of sight employees have over performance measures in their incentives.

<u>Next steps</u>

We are proposing to make limited changes to a Policy that received significant support in 2021. The changes we are proposing are in relation to the implementation of Policy. In particular, the proposed changes to measures reflect both our strategic priorities and shareholder feedback from a comprehensive consultation process. The Committee hopes that shareholders will be supportive of these changes and would welcome the opportunity to hear your views on our proposals.

I would like to take the time to thank you for your continued support and I would be grateful if you would let our Investor Relations team (investor.relations@unilever.com) know if you would like to arrange a call to share and discuss any feedback that you may have.

Yours sincerely,

Andrea Jung

Chair of the Compensation Committee

Appendix 1: Summary of proposed Policy and key changes vs the current Policy

Element of remuneration	Summary of current Policy	Summary of proposed Policy & rationale for change
Fixed pay	**Operation:** Fixed pay is reviewed annually and is compared to fixed pay (consisting of base salary + pension) levels in other companies of similar size and complexity to ensure that a competitive rate is being paid. Adjustments may be made at other times to reflect a change of responsibility. **Opportunity:** There is no maximum fixed pay, but any increases will normally be in line with the range of increases awarded to other employees within the Group. Increases may be above this level or applied more frequently in certain circumstances. The maximum aggregate increase for the current Executive Directors during the time in which this policy applies will be no higher than 25% for each Director.	No changes proposed. *Note: Proposed changes to peer group are set out in Appendix 2 below.*
Benefits	**Operation:** Benefits are set by the Committee and may include, for example: ● provision of death, disability and medical insurance cover ● directors' liability insurance and tax return preparation costs ● Executive Directors are entitled to participate on the same terms as all UK employees in the Unilever PLC Sharebuy Plan. Other benefits may be provided in the future where it is considered necessary by the Committee and/or required by legislation. **Opportunity:** Benefits make up a small percentage of total remuneration costs.	No changes proposed.
Annual bonus	**Quantum**: Maximum opportunity of 225% of fixed pay. **Deferral**: Directors are required to defer 50% of their bonus into shares or share awards vesting after three years. Deferred bonus awards can earn dividends or dividend equivalents during the vesting period and may be satisfied in cash and/or shares. **Leaver provisions**: Under good leaver provisions, unvested deferred bonus awards will continue in effect and vest on the normal timescale unless the Executive Director is terminated for misconduct or breach of the terms of their employment, unless the Committee decides otherwise.	No changes proposed. Recovery policy added to comply with NYSE rules. *Note: Proposed changes to performance metrics and weightings (implementation of Policy) set out in the body of the letter.*

	Malus, clawback and recovery: Malus can be applied to deferred bonus awards during the three-year deferral period and clawback applied up to three years from the payment of the cash bonus award. Any variable remuneration can be recovered if made in error as a result of a required accounting restatement. **Measures**: The business performance multiplier is based on a range of business metrics set by the Committee on an annual basis to ensure that they are appropriately stretching for the delivery of threshold, target and maximum performance. At least 70% must be financial in nature. Target payout is 150% / 120% of fixed pay for CEO and CFO respectively.	
Performance Share Plan	**Quantum**: The maximum annual grant available under this Policy is 400% of fixed pay for the CEO and 320% for the CFO. **Operation**: Executives are granted rights to receive free shares which vest after three years subject to performance conditions. There is an additional two-year retention period. At target 50% of maximum vests, equating to 200% and 160% of fixed pay respectively. 0% of the award will vest for below threshold performance. **Performance conditions:** The Committee sets performance measures for each PSP award annually – to be tested over three financial years. The Committee ensures that the targets set are appropriately rigorously for the delivery of threshold, target and maximum performance. **Leaver provisions**: Default approach is that unvested PSP shares are forfeited by a bad leaver, and are pro-rated for time served, vesting at the normal time, subject to performance, for a good leaver. **Malus, clawback and recovery**: Malus can be applied to unvested LTI awards during the vesting and retention period. Clawback can be applied up to two years from vesting. Any variable remuneration can be recovered if made in error as a result of a required accounting restatement.	No changes proposed. Recovery policy added to comply with NYSE rules. *Note: Proposed changes to performance metrics and weightings (implementation of Policy) set out in the body of the letter.*
Minimum shareholding requirement	**In role:** 500% of fixed pay for CEO, 400% of fixed pay for CFO. **Post cessation:** 100% of the in-role requirement for two years.	No changes proposed.

Appendix 2: Proposed remuneration benchmarking peer group

This group comprises select global consumer companies, focussing on our key competitors, including those we lose talent to and recruit talent from.

Company	Listing
Anheuser-Busch InBev*	EUR
Beiersdorf	EUR
British American Tobacco*	UK
Coca-Cola Company	US
Colgate-Palmolive	US
Danone*	EUR
Diageo*	UK
Haleon	UK
Heineken Company*	EUR
Henkel	EUR
Kimberly-Clark	US
Kraft Heinz Company	US
L'Oréal*	EUR
LVMH*	EUR
Mondelez	US
Nestlé*	EUR
Procter & Gamble	US
PepsiCo	US
Pernod Ricard	EUR
Reckitt Benckiser*	UK

**Included in the current remuneration benchmarking peer group*

The table below sets out the companies in the current remuneration benchmarking peer group that are not included in the proposed peer group.

Companies removed from current remuneration benchmarking peer group		
Company	**Listing**	**Reason for exclusion**
Bayer	EUR	Pharma
BP	UK	Oil and Gas
GlaxoSmithKline	UK	Pharma
Hermès	EUR	Luxury
Novartis	EUR	Pharma
Shell	UK	Oil and Gas
Sanofi	EUR	Pharma
Total Energies	EUR	Oil and Gas
Volkswagen	EUR	Auto

Appendix 3: Proposed TSR peer group

This group comprises international consumer goods companies. It includes consumer staples companies Unilever competes with for market share / share of consumer wallet, and investor funds:

- Focused on companies in Home & Personal Care, and Food & Beverage sectors only.
- Guided by the aim to closely align relative performance measurement between managers and investors.

There is significant crossover with the proposed remuneration peer group (highlighted in blue in the table below). The key differences are:

- Alcohol / Tobacco / Luxury companies included in the remuneration peer group are excluded here. This is on the basis that their performance is subject to different market forces.
- Higher proportion of US companies in this TSR peer group - as these are companies against whom we compete in the same global markets. However, we did not want to overweight the proportion of US companies in the remuneration peer group.

Proposed Relative TSR peer group	
Coca-Cola Company	US
Danone	EUR
General Mills	US
Kraft Heinz Company	US
Mondelez	US
Nestlé	EUR
PepsiCo	US
Beiersdorf	EUR
Church & Dwight	US
Colgate-Palmolive	US
Estee Lauder	US
Haleon	UK
Henkel	EUR
Kenvue	US
Kimberly-Clark	US
L'Oréal	EUR
Procter & Gamble	US
Reckitt Benckiser	UK

14 companies in blue reflect those common to proposed remuneration and TSR peer groups