Unilever AGM

Pre-submitted shareholder Q&As

1. **Unilever is directing all efforts on improving its competitive position and improving market shares, which should be reflected amongst others in the new market share metric ('turnover weighted market share'). When does Unilever expect these initiatives to bear fruit?**
   We were disappointed with the position of turnover-weighted market share in our FY 2023 results. Growing uncompetitively is not good enough and Unilever's Growth Action Plan is addressing this.

   It's not a short-term fix and we do not expect to see an improvement in H1 2024. However, we do expect to see the position begin to improve in the second half, with increasing benefit from the Growth Action Plan.

2. **The new market share metric measures do not cover 30 percent of group turnover, including the fastest-growing businesses like Prestige Beauty, Health & Wellbeing and Food Solutions. Isn't this metric evenly flawed as it doesn't track Unilever's most strategic segments? Does Unilever strive to achieve 100 percent coverage?**
   We replaced percentage business winning with turnover-weighted market share change. It's a strict measure of execution and a better measure than percentage business winning as it is not binary, but instead reflects the size of our gains and losses.

   We use turnover-weighted market share for internal performance management and competitiveness externally and include all channels with reliable data. Unfortunately, certain channels do not have data, or the data is unreliable, including portions of our Prestige/Health & Wellbeing business, out-of-home Ice Cream, and Food Solutions.

   The unmeasured business grew 7.9% in 2023, ahead of total Unilever which grew 7%. We will continue working with our data partners (e.g. Nielsen) to increase reliable coverage over time.

3. **An important driver of Unilever's valuation stems from Hindustan Unilever. Can you comment on the developments you're seeing in India in terms of competitiveness of Unilever?**
   Hindustan Unilever (HUL) is a powerhouse with fantastic market positions, channel reach and talent, and India is an attractive market with huge opportunity for growth.

   We are managing a typical commodity cost inflationary cycle, with outperformance during two years of inflation, seeing +200bps value share gains from 2021 to 2023. Now, low price competitors are back, with particularly high impact in laundry and skin cleansing bars at fixed price points, e.g. 10Rs. We have adjusted price to remain competitive, with main price adjustments in Fabric Cleaning (-low-single digit price) and skin cleansing bars (-high-single digit price).

Volumes have started to respond (+2% underlying volume growth in Q1), and we are now consolidating shares and holding our multi-year gains. Personal Care has the biggest drag at -10% underlying sales growth (USG) with a decline in price (deflation) and volume (mass segments). All other Business Groups are growing.

Note: volume is challenged in Tea given price differentials vs. unbranded tea.

4. **If/when parts of the Business are sold/floated how will you reset the Climate Transition Action Plan (CTAP)? For example, if you remove Ice Cream and all the emissions associated with freezers, will you reset the baselines for 2010 and 2015 excluding the Businesses divested?**
   With the separation of our Ice Cream business from Unilever likely to take until the end of 2025, the updated CTAP remains business as usual. Beyond this, it is too early to share anything else at this stage. At the point of separation, the new Ice Cream company would be responsible for its own transition plan and the setting of any company specific targets, and we need to re-assess the actions needed across our Business Groups in working towards our near-term targets.

5. **Can you confirm that Unilever will not be using fossil derived hydrogen and revoke the use of the influential Unilever logo to endorse HyNet, which is seeking to build a new industry based on the continued extraction of fossil gas?**
   We are proud to have successfully participated in a 2022 HyNet Industrial Fuel Switching Demonstration Programme at our Port Sunlight factory in the UK, funded by the UK Government's Department for Business, Energy & Industrial Strategy (now DESNZ). This project was one of the world's first large-scale demonstrations of using 100% hydrogen gas as a fuel source in a consumer goods manufacturing environment. Through this demonstration we proved that hydrogen can safely be used in an industrial-scale boiler, gained valuable technical capabilities, and shared these learnings with industry.

   We believe that achieving industrial decarbonisation requires the use of a multitude of technologies and fuels, the selection of which is dependent on a site's current infrastructure, specific energy needs, and local energy supply options. Unilever's manufacturing sites mostly operate at 'low' (<100°C) temperatures. This means that other decarbonisation technologies - such as heat pumps powered by renewable electricity - are typically more commercially viable than hydrogen, which is better suited to 'heavy' industrial uses where average temperatures required are much higher. With that in mind, we are not planning any hydrogen fuel-switching projects in the next three years.

   If we do decide to make use of hydrogen as a decarbonisation solution in the future, we will ensure appropriate environmental due-diligence takes place – including assessment of lifecycle emissions - and any associated emissions reduction claims are credible and in line with the latest standards.

6. **Please could the board lay out its thinking on where the new "Ice Cream" shares will be listed once spun off, and how that will impact the taxation of future dividends from the spin-off paid to UK shareholders. We are concerned about reports in the media that the board is preferring Amsterdam. As a UK resident shareholder of what is currently a British multinational company, we suffer no withholding tax on the dividends. However, Netherlands charges 15% although the double taxation agreement allows for 10%. For small shareholders, to recover the lost 5% usually comes at a relatively high material cost. Hence, we'd favour an outcome that would see any dividends being paid without withholding.**

   While a demerger of Ice Cream is the most likely separation route, all options will be considered to maximise returns for shareholders. We have not made a decision about the means through which we will separate Ice Cream, and so will not speculate at this stage about where the business will be based and headquartered. Each option comes with its own implications, including impacts on the business structure, operations, and financials. The means of separation and capital structure for Ice Cream will be determined and announced in due course.

7. **Unilever decided to divest its Ice Cream division. Could Unilever give an estimation of the operational synergies that are lost as a result of the separation?**

   We are determined to unlock Unilever's full potential and transform it into a higher-growth, higher-margin business that will consistently deliver for all stakeholders. As such, separation of the Ice Cream business will help to create a simpler, more focused, higher performing Unilever, where we can most effectively apply innovation, marketing, and go-to-market capabilities across complementary operating models.

   Ice Cream has distinct characteristics compared with Unilever's other operating businesses, like a frozen supply chain, a different channel landscape, more seasonality, and greater capital intensity. As a standalone, more focused business, Ice Cream's management will have the operational and financial flexibility to drive the performance of the business.

   This separation best serves the future growth of both Ice Cream and Unilever.

   Importantly, the Productivity Programme, launched in parallel with the Ice Cream Separation announcement, will deliver total savings of approximately €800m. The cost savings will more than offset the estimated operational dis-synergies, and incremental net savings will provide flexibility for accelerated growth investments and margin improvement over time.

8. **Could Unilever give an indication of the level of operational synergies between the Nutrition division and its other businesses (Beauty & Wellbeing, Personal Care and Home Care)?**

   Nutrition is an attractive business with strong economics and a complementary operating model. With our extensive emerging market presence, having scale and overlap in distribution and logistics is critical to win in all businesses.

Nutrition adds a lot of value on that as it is a large portion of Unilever's turnover in some markets. Importantly, in many emerging markets, Beauty & Wellbeing, Personal Care, Home Care and Nutrition are sold together through the same sales and distribution networks.

Power Brands Knorr and Hellmann's have been growth-accretive to Unilever in the last years and are well set up to continue that journey.

9. **Unilever's two main brands in Nutrition (Knorr and Hellmann's), representing 60 percent of turnover, are losing market share in recent years according to Euromonitor. Can Unilever share its diagnosis of how this could have happened and give some color on the potential impact of realized SKU-reductions? Does Unilever believe the Knorr and Hellmann's brands are sufficiently distinctive?**
   Over the past few years, Nutrition has managed a high inflationary environment; growth was price-led as we responded to higher food ingredient input costs, especially in Europe, and we saw some downtrading as a result. Additionally, we made conscious choices to delist SKUs, enabled by the Business Group organisational structure.

   This was especially important in Nutrition where we have a long tail of SKUs and brands, particularly in Europe. We expect these choices to continue to improve our mix, drive better performance, and make our Nutrition business more fit to compete in the years ahead.

   Knorr and Hellmann's are Power Brands that we believe can drive strong results for Unilever. Hellmann's is the #1 mayonnaise brand in the world and continues to drive growth through innovation (plant-based range, flavoured mayo), culturally relevant partnerships (Super Bowl, National Basketball Association) and its "Make Taste Not Waste" campaign. Knorr is a global powerhouse in scratch cooking aids and recently achieved €5bn in sales. Knorr continues to grow well with enhanced, on-trend flavour offerings and growth in its multi-year "Eat for Good" campaign.

   Both Hellmann's and Knorr are also sold in our Food Solutions business, which grew double-digit in 2023. In Q1 2024, both brands grew well with positive price and volume.

10. **Unilever's performance was also subpar in Home Care, with declining volumes, margin pressure and brands like Omo, Surf, and Cif that are losing market share. How will Unilever improve Home Care's performance so as to regain competitiveness and improve profitability?**
    Our Home Care business competes in a large global market growing mid-single digit with significant penetration opportunities for future growth. Our Home Care business is #2 globally in value and #1 in units sold, #1 in >60% of our markets, and a clear #1 in emerging markets.

    Our aim is to offer products that are superior, sustainable, and great value, while leading the industry through market development. We are moving out of a high inflationary period and see volumes recovering well, with volume growth >4% in Q1 2024, and volume growth in all regions - Americas, Europe, and Asia Pacific Africa in Q1

2024. We expect volume growth to continue and are excited about the innovation plans we have - including Wonder Wash, which has just launched.

11. **Exchange rate movements have been a structural headwind for Unilever resulting in stagnant profits in hard currency over the past years. Could Unilever give some examples of the measures it takes to solve this issue, if this can be mitigated at all?**
    Hard currency profit growth is not where we need it to be. Whilst we have been able to price in geographies with currency challenges, we have not grown volume at the level our geographies allow. Unilever's Growth Action Plan is designed to improve growth with a focus on market development and unmissable brand superiority, driving more penetration and category growth.

    A few examples of choices we are making to improve hard currency profit growth include replacing Underlying Operating Margin with Underlying Operating Profit in our Executive Annual Bonus plan. This is a clearer focus on absolute profitability, a better indicator of shareholder value and common in the market. Another is investing capital through M&A in the US; Health & Wellbeing and Prestige are great examples of Unilever putting capital to work where we see long term hard currency opportunities. And we have enhanced delivery in Europe through SKU reductions, which will improve our mix and drive a more focused organisation to unlock growth.

12. **A substantial part of the targets of both the annual bonus and the long-term incentive excludes the impact of exchange rate fluctuations. In order to align interest between shareholders and management, shouldn't Unilever apply bonus metrics that do take into account – the often-negative impact of – FX-fluctuations?**
    The majority of the short and long-term incentive plan metrics are actually measured on a current currency basis, i.e. including the impact of currency fluctuations.

    For the annual bonus, two of the three metrics are measured on current money. For Performance Share Plan (PSP), two metrics are measured on current money, one in constant, and Sustainability Progress Index (SPI) is a non-financial metric.

13. **Why is Unilever still trading with Russia when many honourable UK Companies have ceased their operations there? This is akin to trading with Nazi Germany in 1941. Unilever makes great play of its Social Responsibilities, but your actions tell a totally different story.**
    You can view Unilever's statement on presence in Russia here.

14. **At the 2023 AGM last year, there were considerable delays caused by Dutch environmental groups who insisted on asking the same question in 30 different ways. I do hope you are making necessary arrangements this year to ensure that the AGM proceedings are conducted in an efficient manner.**
    Unilever treats all shareholders and people attending the meeting, including protestors, with respect.

    We are required by law to answer any questions relating to the business at the AGM. The Chair of the meeting will try to ensure proceedings are conducted in an orderly way and to move the discussion along as swiftly as possible after there has been sufficient debate on a matter.

We appreciate that shareholder engagement is important and accordingly all participants will be given a fair opportunity to ask questions and have their voice heard. We continue to review our meetings in order to find the best way to engage with our shareholders.