Unilever Q3 2023 Trading Statement and CEO update

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Speakers:

Hein Schumacher	Chief Executive Officer
Graeme Pitkethly	Chief Financial Officer
Jemma Spalton	Head of Investor Relations

Hein Schumacher, CEO:

Good morning and welcome to Unilever's third quarter trading statement and CEO update.

Today's agenda will run as follows. Firstly, Graeme will update you on our quarter three performance and the outlook. I will then share my action plan to lift Unilever's performance to achieve our full potential. We will leave plenty of time to take your questions at the end.

Before I hand over to Graeme, let me share a few key messages with you.

The quarter reflected solid progress. Price growth moderated as expected and three of the Business Groups – Beauty & Wellbeing, Personal Care and Home Care – delivered volume growth. Nutrition and Ice Cream however, continued to see volume declines and weaker overall performance. In part this reflects the fact that these Business Groups are later in the commodity cost inflationary cycle and had to price in the first half of the year, but our performance in Nutrition and Ice Cream needs to improve from here.

Overall growth remained above our 3-5% long term range. It was driven by the biggest brands and the largest innovations. More of these themes later.

I am not happy with our overall competitiveness. Although there are positions where we are fully competitive, and some areas where we have made conscious choices to delist unprofitable volume, there are still too many situations where we are losing share because, for example, competition is premiumising faster or executing better than we are. This is a focus area for my action plan.

Overall, we remain on track to deliver our full year guidance and our outlook remains unchanged.

Let me hand over to Graeme who will take you through the third quarter trading performance.

Graeme Pitkethley, CFO:

Thank you, Hein.

We delivered underlying sales growth of 5.2%, driven by 5.8% price with volumes down (0.6)%. This leaves year-to-date growth after nine months at 7.7% with price up 8.1% and volumes down (0.4)%.

Price growth continued to moderate as expected and, as Hein just indicated, Beauty and Wellbeing and Personal Care are now delivering balanced volume growth, and Home Care moved into positive volumes in Q3. Nutrition and Ice Cream are still responding to high input cost inflation and working on portfolio improvement, especially in Europe, and this has resulted in continued negative volumes for those two Business Groups.

I will provide more detail in a few minutes, but although the landscape remains volatile, we do see the path back to positive overall volumes at Group level as pricing moderates, and this gives us the confidence to maintain our outlook for the full year.

Business Winning came in at 38%, a drop versus the half year. Our competitiveness is simply not good enough and Hein will lay out our action plan to address this in a few minutes.

Chart 7: Underlying sales growth

Here is our third quarter underlying sales growth in perspective against the last four quarters. It shows that price growth has moderated as cost inflation eases.

Volumes, whilst remaining negative overall, were positive in Beauty and Wellbeing, Personal Care and Home Care and were negative in Nutrition and Ice Cream which, as I said, are later in the inflation cycle with a larger footprint in Europe where we have not yet covered the cost inflation. This is important, because our profitability in Europe has declined significantly and European margins are now well below the Unilever average.

The billion euro-plus brands accounted for 56% of turnover and continue to outperform with 7.2% growth in Q3, and the D-Commerce channel grew by 17% to now represent 16% of the total business.

Beauty and Wellbeing reported 7.4% growth in the quarter, nicely balanced between volume and price which both came in at 3.6%. This is the third quarter of volume growth from Beauty &.

Growth was driven by Prestige Beauty and Health and Wellbeing, with Liquid IV, Nutrafol, Olly, Dermalogica, Paula's Choice, Hourglass and Tatcha all performing strongly. Growth in Prestige Beauty and Health & Wellbeing was volume-led Wellbeing and ahead of their markets, so competitive.

Sunsilk grew well in Hair, helped by the success of the core relaunch, whilst the premium Nexxus brand performed strongly, combining professional salon heritage with molecular protein science.

Core Skin – which is our Skin Care business outside our Prestige Beauty unit - grew through Vaseline which continues to reflect the success of the multi-year Gluta-HYA innovation in South East Asia. AHC in North Asia continued to decline due to the channel re-set we are undertaking for the brand.

Personal Care reported 8.0% growth in the quarter, again well-balanced with 3.9% volume and 4% price. Here again, volume was positive for the third quarter.

Deodorants delivered double-digit growth, driven by Europe and Latin America. Rexona continues to invest strongly behind our 72-hour non-stop protection technology and Dove deodorant grew well through a global brand relaunch. Both of these are large, multi-year innovation programmes.

Skin cleansing delivered balanced growth with improving volumes as pricing moderated. The Lux brand benefitted from a superior product relaunch which offers clinically proven skin care benefits and we relaunched Dove Men+Care in the US and the UK. Together with the strong performance in Deodorants, this led to the Dove brand overall delivering double digit growth in Personal Care.

Home Care growth was 5.3% with a return to volume growth of 0.4% and price up 4.8%. Volumes were positive in most regions with the exception of Europe where we saw pricing largely offset by reduced volumes.

Fabric cleaning grew well. Omo benefited from a relaunch with naturally derived stain removers delivered through our EasyLift technology. Surf also grew strongly, whilst in fabric enhancers, which is a more discretionary category, we had a mixed picture with strong growth in Turkey but more muted growth elsewhere. Home and hygiene saw good performance from Sunlight dishwash, and strong growth from both the Cif and Domestos brands.

Nutrition grew 5.6% with price at 9.8% as we responded to continued material cost inflation. Volume was down (3.8)% in Nutrition, with Europe the main driver, reflecting the impact of both pricing and portfolio reshaping to exit unprofitable skus. This also impacted the headline competitiveness of Nutrition, and as Hein said earlier, we are very focused on building this back.

At global brand level we saw good growth from both Knorr and Hellmann's. Knorr benefited from the launch of snacking cups in the US whilst Hellmann's vegan and flavoured mayonnaise ranges continue to supplement our core "make taste not waste" campaigns. Unilever Food Solutions also delivered good growth, with the return to out-of-home eating in China.

Ice Cream had a very challenging Q3, reporting negative (2.8)% growth in the quarter with price up 8.2% but volumes down (10.1)%.

The main drivers of the volume reduction are our in-home Ice Cream businesses in Europe and in North America, a result of the pricing we took in response to higher costs. These price increases did not recover all the cost inflation that we have faced, but we saw meaningful price elasticity as cost-conscious consumers moved across to value brands and private label. We also had some impact from portfolio reshaping in Ice Cream as we reduced SKU count and exited unprofitable lines.

Out-of-home ice cream grew in Q3, with a strong summer season in Turkey. In contrast, both Europe and China had disappointing ice cream seasons with poor weather relative to last year, and some down-trading to value-oriented, less premium, products.

We remain confident that our relatively premium ice cream business will prosper, with continued investment behind the top brands and a strong funnel of innovation to bring to the market.

We have now covered all the Business Groups, but let me briefly give some additional detail through a regional geography lens.

Asia Pacific Africa had underlying sales growth of 6.1% in the quarter comprising 4.3% price and 1.7% volume.

India saw a gradual recovery in the market with growth led by urban areas whilst the rural market remained subdued. We saw the re-entry of smaller players in the more commodity-driven categories like Skin Cleansing and consequently some increased media intensity. Our performance in India remains competitive with price and volume both positive.

The return of economic growth in China has been far slower than expected with several headwinds, be it from lower exports, higher unemployment or lower consumer confidence. This had an uneven impact on our categories with, for example, food service growing strongly as people returned to restaurants, but beauty categories in decline. Our China business declined mid-single digit in the quarter pulling year to date growth down to mid-single digits.

Indonesian market growth shows weak value growth and negative volume. Our competitive re-set of Indonesia is showing good progress and we are seeing a return to share gains in 6 of our 13 product categories and volume share gains in aggregate. We have significantly adjusted pricing for key brands and continue to invest behind superior products with a strong innovation program. For example, in Skin Care we relaunched the entire core Pond's range and introduced premium serums, and in Hair we strengthened our position in the growing anti-dandruff segment by relaunching Clear and introducing an anti-dandruff variant for Sunsilk.

In Latin America, underlying sales growth at 14% reflected a good balance between price and volume. Inflation is falling in Brazil with consumers moving to smaller formats and lower priced products, and our growth there pivoted from being price led to volume led. Our business in Argentina is navigating a difficult economic situation well, with a very weak currency and price controls in place. Our team on the ground are hugely experienced, but the situation is tough and we have some concern that the pressure on consumers will result in lower consumption levels before things improve. Mexico is benefitting from a

much more positive economic backdrop and delivered double digit growth.

In North America, growth was 1.7% with 1.9% price and minus (0.2)% volume. Consumer sentiment remained strong overall, although we see signs of more caution with a trend towards larger pack sizes and a little more volume on deal as consumers seek value. Our large Prestige Beauty and Health & Wellbeing businesses in the US performed strongly, but we saw a decline in ice cream as I mentioned earlier, and growth in dressings was muted as we lapped a strong prior year.

Europe delivered 1.1% growth with price of 13.2% and volumes down (10.7)%. Although inflation is slowing, consumers remain under pressure and we see downtrading, the growth of discounters, and a move to smaller basket sizes. The extent of price increases, whilst historically high, has still not been enough to cover the cost inflation that we have experienced and, as a result, Europe's margins remain well below the Unilever average.

The main drag on our European volume came from Ice Cream and Nutrition, as already explained. We saw good growth from Personal Care with the brands responding well to new innovation.

Turnover for the quarter was €15.8 billion, down (3.8)% against last year. The underlying sales growth of 5.2% was offset by acquisitions and disposals with the sale of the Suave brand the main factor. Currency impact was a negative (8)% which comprises a negative impact of minus (10.3)% from the Euro strengthening against key currencies, and 2.6% of extreme price growth from hyper inflationary markets. Based on spot rates we now expect an exchange rate effect of around minus (5.5)% on full year turnover. On the same spot rate basis, the currency impact on full year underlying earnings per share will be around minus (9)%.

Our outlook for the year remains unchanged.

We expect underlying sales growth to be above 5% with price growth continuing to moderate.

We will continue our top line momentum by investing for growth in BMI, R&D and capex, whilst further embedding the new organisation of our 5 Business Groups and Unilever Business Operations.

Net material inflation for the year is expected to be around €2 billion and we are confident that we will deliver a modest improvement in underlying operating margin for full year 2023 with the recovery in gross margin re-invested in marketing spend behind our brands.

With that, let me hand back to Hein.

Hein Schumacher, CEO:

Thank you, Graeme.

When I spoke to you in July – just a few weeks after taking up the role – I said that I would come back to you in October with a more considered view of the business.

I am delighted to have that opportunity today.

Over the course of the next 40 minutes or so, I will:

- Set out my initial reflections.
- Look at the strengths and – in particular - the opportunities, as I see them.
- Outline how those opportunities are being captured in a targeted action plan.
- And, finally, set out what all this means in terms of value creation.

And of course I will leave plenty of time at the end for questions and comments.

The last three months have been very intense - but also, I believe, productive.

In that time, I have:

- Followed up my earlier trips to the US, China and India, with visits to other important Unilever markets in South East Asia, Africa, and parts of Europe.

- Heard the views of our own people through a highly structured listening and engagement programme, which has enabled me to connect with – or hear the views of – several hundred Unilever

employees.

- Engaged extensively with the Unilever Leadership Executive, and with a wider group of the company's most senior leaders, including through a number of specific workstreams, the relevance of which I will come back to later.

- Gone through an annual Strategy Review exercise with the Unilever Board of Directors.

- Followed up my earlier engagements with investors by meeting other key business partners, including customers, banks, agencies and suppliers.

- And I had the privilege to engage on Unilever's sustainability agenda with policy-makers, and with some of our NGO partners, at last month's UN General Assembly meeting in New York.

Throughout this time, I have listened openly, intently and respectfully.

I am now a little over 90 days as CEO of a company that has been around – just in its present form – for over 90 years.

I stand before you here today, therefore, with humility.

But also with real conviction.

The conviction that there is …..

- Potential here to be realised.
- And value to be unlocked.

All the activity of the last three months has re-affirmed my initial view of the business.

Namely, that Unilever is a company of many strengths.

Whether….

- In the strength of its category positions – with 80% of the business in number one or two market positions.

- In the penetration of its brands – with over 3.4 billion daily users of Unilever products.
- In the depth and sophistication of its channel footprint.
- In the calibre of its people.
- In the scale of its reach, especially in future growth markets.
- In the quality of its R&D capabilities, with 20,000 patented innovations.
- And in its leadership and know-how on sustainability.

And these strengths and qualities are felt across all of the 5 Business Groups.

I have reviewed the Business Groups in some detail over the last three months, assessing the contribution each can make to Unilever.

From all this, I am clear that the best value creation opportunity we have comes from driving accelerated levels of good, quality organic growth across all of these businesses.

In the interests of time, I don't intend to dwell further on our strengths today. Not because they aren't important. They are, of course. But from all my engagements so far, I feel that these strengths are widely recognised, understood and a tribute to all who have built this business over a long period of time.

But the best way to honour the past is to be honest about the present.

And that means recognising that - across a number of important metrics - the quality of performance has fallen short.

Taken over the last six years.

- Volume growth has been lagging.
- Competitiveness has struggled to get to – and stay at – the levels expected. And that's not good enough.
- Gross Margin has been in decline.
- And EPS growth stagnant.

And we see this reflected in a TSR performance on a three year basis that falls below the company's stated ambition.

Remedying that, and returning Unilever to the top third of its TSR peer group, is a top priority.

We know what it will take.

- Stepped up volume growth.
- The rebuilding of Gross Margin.
- Consistent delivery
- Generating strong cash and attractive returns.

I am confident we can do that.

But it does mean confronting some harsh realities:

For example:

We have outstanding science and technology capabilities.

Yet I see them dissipated across too many small projects and not leveraged sufficiently across big, multi-category platforms.

Our product superiority scores are good - and improving.

But we need to be brilliant at executing across all consumer benefits – and we're not there yet. This means going from technical product superiority to a consumer perceived overall brand superiority.

Let's turn to our work on sustainability which is truly pioneering. Unilever's reputation in this area is well deserved.

But again, our efforts are being spread too thinly. We have too many long-term commitments that fail to make a sufficient short-term impact. And the latter is what the world needs right now.

We have a modern, globally connected supply chain.

But not yet the disciplined focus on net productivity that I would expect. In other words, we need gross margins to improve faster than the trajectory we are currently on.

We have an outstanding global talent base.

But not the performance culture to match. Converting the talent of our people to stepped-up performance could be one of our biggest unlocks.

We have incredible global reach and a wonderful portfolio of brands.

But insufficient discrimination when it comes to prioritising the biggest brands and the biggest opportunities.

Our focus on 'purpose' is laudable. It inspires many people to join and stay with Unilever. We must never lose it.

But I don't think we advance the cause of purpose by force-fitting it across every brand.

These are the realities. It is important to confront them early on – and head on…

…not least because they are not only resolvable, but actually represent our biggest opportunity.

And that brings me neatly to the crux of what I want to cover today – the actions we propose to take over the months ahead to unlock those opportunities.

These actions are the output of an intense programme of work undertaken over the last few months and they are all predicated on the idea of growth acceleration.

- Where can we accelerate in order to better exploit what is working well.

- And where do we need to accelerate to close gaps and swiftly improve our trajectory.

Taken together, they add up to three significant shifts in the way we think about the priorities of the business.

Shifts we are capturing under the headings:

- Faster growth

- Productivity and simplicity
- Performance culture

Underpinning all of them is the need to focus on fewer things, done better, with greater impact.

Let me take them in turn, highlighting some of the principal actions we will take under each.

1. Faster growth

Starting with faster growth.

This is built around 5 levers:

- First and foremost, an unrelenting initial focus on our top 30 power brands.
  Then:
- Driving unmissable brand superiority
- Scaling multi-year innovations
- Increasing brand investment and returns
- And selectively optimising the portfolio

Let me start with arguably our biggest opportunity of all - prioritising our power brands.

What do I mean by a power brand?

These include our biggest brands by turnover – the fourteen in the 1 billion Euro club, like Dove, Magnum and Hellmann's – whose growth has been accretive to Unilever, delivering higher volume and price.

There are then 16 other brands which have the most potential to join them – like Cif, Vaseline, Nutrafol and Liquid IV.

Prioritising these 30 brands – which represent more than 70% of our turnover – gives us a real opportunity to improve Unilever's growth profile.

Hence, these brands will have the first call on capital and resources.

They represent our biggest value creation opportunity.

Which means they need to be brilliantly executed and consistently supported before anything else. This doesn't mean other brands are not important, or will be sold or underinvested.

But it does mean we can address the issue I referred to earlier - too many projects competing for in-market execution and brand support.

Let me come now to the growth levers, all designed to give these top brands the best chance of success….

….. starting with what we are calling, 'driving unmissable brand superiority'.

Consumers today view our products in an increasingly rounded and sophisticated way. We have to be ready to respond.

It starts with product superiority. And we've made good progress here, with 70% of measured turnover now superior to competitors.

However, winning the hearts, minds – and pockets – of consumers requires us to broaden the way we measure and deliver superiority.

We already have a proven concept on how to do this, as well as some great examples of where it is working well in practice, including:

- Domestos Power Foam and
- Dove Deep Moisture Body Wash

In both cases, the focus on product superiority has been expanded to a quantitatively measured, composite score of how brands perform against each of their key attributes – that is, 'Unmissable Superiority'.

By including the other key attributes– alongside product and price – we can give proper weight to increasingly important determinants like desirable packaging….

….and to sustainability, which is key now for many consumers. That's why we'll continue to convert our strong know-how in this area into products that mitigate or – even better – eliminate environmental impact.

We know that consumers are increasingly prepared to pay a premium for this.

This revised way of thinking about superiority will allow us to identify the distinct drivers of superiority for different brands with real precision, enabling our business leaders to improve overall performance by addressing those attributes that make the difference.

Our next step is to embed the approach across all Business Groups in a rigorous and systematic way, using clear and measurable KPIs.

I am excited about these fundamentals of consumer products, details matter, it all needs to come together.

And I do recommend you try Domestos Power Foam and Dove Deep Moisture Body Wash, if you haven't already.

The next growth acceleration lever relates to innovation, the lifeblood of a company like Unilever.

Again, I see good progress of late.

The average project size is 2-3 times larger than it was in 2020, boosting our in-market incremental turnover from innovation by the same factor.

However, as mentioned before, we are spread thinly, prohibiting consistent execution. We are also behind our best peers when it comes both to the size and time horizon of our innovation programmes.

Our acceleration plan will therefore be built around the following objectives:

- prioritising multi-year scalable programmes that drive category growth.
- extending the time horizon and focusing more on new benefits and formats as opposed to relaunches.
- making better use of our strong science and technology platforms.

The aim will be another doubling of the average project size, to over 5 times the 2020 figure.

And, as category leaders, we will give increased priority to ensuring our innovation is driving market development. This is a capability – frankly – that has not been used to its full potential in recent years. This is especially true in the super-premium segment, in which we under-index in 4 out of 5 Business Groups.

I have gone particularly deep into this area of the business over the last few months. In fact, some of my first visits around Unilever were to our key global R&D labs around the world.

And from all this, I am convinced we can leverage our science and technology capabilities and platforms even more effectively and across brands.

We actually do have good examples of this, such as the use of microtechnology in Deos, applied across the Rexona, Dove and Axe brands. Or eco-design technology for outstanding cleaning in both laundry and dishwash.

But in keeping with the other elements of this plan, the time is right to commit to a smaller number of bigger opportunities to maximise impact.

This will also mean leveraging our strengths in key, relevant cross-category platforms, such as:

- Biotechnology
- And specific, relevant spaces within Microbiome science

These are examples of science and technology platforms with direct relevance to our business, and where we already have advanced capabilities. Now we need to get the maximum benefit.

Done well, this will help us to drive category growth and will be the most effective and sustainable way through which to deliver increased competitiveness.

We will support this part of the plan with consistently growing R&D investment.

Turning to the next growth lever, increased brand and marketing investment - and return.

In short, we will increase the absolute level of brand and marketing investment, just as we did in 2022, and are on course to do in 2023.

This is a must.

But we will also ensure that our brand and marketing investment spend is:

- More focused – with deliberate allocation behind bigger platforms
- More consistent – fully funding our power brands
- More digital.
- And more effective – increasing returns of marketing spend

Taken together, these levers - driving unmissable superiority, scaling multi-year innovations and increasing brand investment – can positively impact our growth profile.

And as I said, we will maximise their effectiveness by prioritising their application across our top 30 power brands.

The next element of our faster growth plan is the selective optimisation of the portfolio.

The reshaping of the portfolio through M&A since 2015 has undoubtedly benefited Unilever overall. The portfolio today is structurally more attractive than it was.

In total, some 20% of the portfolio has been rotated over the last 8 years, with sizeable lower-growth businesses divested, and 22 businesses added.

These have included some great acquisitions, such as:

- Dermalogica
- Paula's Choice
- Liquid IV
- And Nutrafol

All of which are growing strongly and are supporting the development of Prestige Beauty and Health & Wellbeingand are poised to make an ever more meaningful contribution to Unilever as a whole.

But equally, we have to accept that not all acquisitions have delivered in the way that was hoped or expected. The likes of Blueair or Dollar Shave Club were unsuccessful attempts to move away from our core.

We need to learn the lessons from what has worked and what hasn't, and be open in the way we share relative successes and failures – and we will.

In the case, specifically, of one of our biggest and most important acquisitions, Horlicks, while the value creation case has been met, the business is not yet growing at the level we expect. However, we are committed to ensuring that it will.

Since 2019, our acquisitions performed better because the deals have been:

- Fewer in number
- More strategically aligned.
- And where the opportunity for Unilever to add value was clear.

Based on these lessons there are some M&A criteria that will guide and inform the way we think about the evolution of the portfolio in the future, enabling us to set an even higher – and clearer – bar for acquisitions.

So let me sum up this section by being crystal clear. Our approach to optimising the portfolio will be based on:

- A recognition that there is more pruning to be done.
- A continuation of bolt-on acquisitions, with a higher bar for acquiring in line with the criteria I have outlined.
- No major or transformational acquisitions in the foreseeable future.

2. *Productivity and Simplicity*

Let me turn now to the second shift we are making, what we are describing here as productivity and simplicity.

In other words…..

Fewer things, done better, with greater impact, at lower cost.

This won't just be an action list, but rather a guiding philosophy for the way in which I think we should run the business.

For today, let me tell you about three important – and accelerated - actions we will take, each of which demonstrates this philosophy.

They are:

- Build back Gross Margin
- A more focussed sustainability agenda
- And driving more benefits from the new organisation

First, build back Gross Margin.

This is the source of funds for our organic investments. That is why I like to think of it as the bank of Gross Margin.

I have already spoken about the Gross Margin decline over the past few years.

Rebuilding Gross Margin is anopportunity and neccessity. The recovery started in the first half of 2023, driven by:

- A more balanced cost – price equation
- And positive mix from SKU rationalisation and portfolio change

Under this plan, we now have to accelerate the Gross Margin recovery through working the cost side harder.

We will shift our focus from a gross savings approach to net productivity to shine the light on what's actually landing in the P&L and filling our Gross Margin bank.

This focus extends across all P&L lines:

- Starting with material costs, which comprise raw and pack materials as well as products bought from third parties. It is our biggest cost line: We have an ambitious programme to beat market inflation and contribute to Gross Margin progression through competitive buying, value chain interventions and product

reformulations.

- For production and logistics costs, we have done extensive benchmarking and set challenging productivity targets to reduce the costs per unit produced.

- We will deliver these through:
    - end-to-end network optimisation, such as the supply chain network reset which we announced for North America Personal Care and Beauty and Wellbeing this year , and which we will invest in over the coming years.
    - We will also deliver through operational improvements, with crystal clear targets set for:
        - Labour productivity
        - Energy efficiency
        - Warehouse and truck utilisation and
        - Material waste reduction
    - These are stretching targets but I am confident we can deliver them. We have best-in-class manufacturing and logistics efficiencies in emerging markets and will apply investment and knowledge to achieve the same in developed markets.

Each Business Group has developed specific implementation plans for cost and mix improvement.

To deliver these plans, we will step up capital expenditures from 2.4% in the 2019-2022 period to above 3% of turnover.

We will deploy a very disciplined approach to restructuring, expecting costs of around 1% of turnover for the next 3 years, down from an average of 1.6% over the past 4 years.

The second action we are taking under the heading of productivity and simplicity relates to our sustainability agenda.

Of course, sustainability permeates all aspects of the business. It gets to the heart of what the company stands for. It was a key factor in my own decision to re-join Unilever.

And its importance to the business – and the world at large - is only going to grow in the years ahead.

You may be surprised therefore to see it appear under the heading of productivity and simplicity.

But for me, that just underlines how important – and integral – it is.

Everything we do in this area must have material impact – for the benefit of Unilever, as well as for the environment and the societies we serve.

I've concluded that the best way we can do that is by radically focussing our sustainability efforts.

Our desire to play our part across the piste has led to efforts being spread increasingly thinly, with the very real risk of the law of marginal returns setting in.

By contrast, Unilever's work in those areas of most critical importance to the business has been industry leading.

We will now accelerate that industry-leading work by focussing our Unilever-wide efforts and resources on four key pillars:

- Climate
- Nature
- Plastics
- Livelihoods

This is a huge agenda by itself. The need for focus is vital.

And let me be clear.

We are not walking away from sustainability.

Rather, we are stepping into it in a different – and, I believe, even more impactful - way.

And we will do that, not by setting a lot of aspirational goals that are so long term that none of us will be around to be held to account for them.

But instead by 'short terming' our work - that is, by making real, steady, meaningful progress on the big issues, quarter on quarter, year-on-year.

Time-bound, costed roadmaps will ensure we stay on track; and we will hold ourselves accountable to targets that are:

- Explicit
- Stretching
- Transparent
- And measurable

I'm excited to be leading for this next phase of the sustainability journey, building on the great traditions of the company and the fantastic work of my predecessors.

But I also want to take the process of simplification here further….

….by simplifying what it all means for our brands.

In recent years, the debate around brands, sustainability and purpose has arguably generated more heat than light. The topics have been conflated and the business case has got confused.

My approach is simple.

<u>All</u> of our brands or businesses will be expected to be full and active participants in delivering Unilever's 4 big sustainability priorities. Some priorities, of course, will apply to certain Business Groups and brands more than others. For example, our Home Care business has a larger plastic footprint than Nutrition. But this is an enterprise-wide endeavour.

<u>Some</u> brands will want to include the work they are doing on sustainability as part of their brand proposition to drive unmissable superiority – that could be through the use of recycled plastic packaging or a sustainable sourcing claim. Many are already doing this. And that will continue as I explained earlier. In fact, I expect it to increase in line with the acceleration of our work on the big 4 pillars.

And then some brands will also want to go beyond the 4 areas, leveraging their expertise and insights in other areas of social and environmental concern, and make this a part of their brand proposition. What has become known as 'brand purpose'.

When done well, and with credibility this can be highly effective.

Unilever knows how to do it well. Brilliantly, in fact. Think of Lifebuoy, Domestos, or of course, Dove's Campaign for Real Beauty.

For these brands – and others like them in our stable – they will receive every encouragement to go on developing a social or environmental purpose as a part of their overall brand proposition.

But we will not force fit this across the entire portfolio. For some brands, it simply won't be relevant – and that's ok.

Again, the approach here is based on:

Being simpler. Going deeper. Maximising impact.

This is what will characterise the next stage of the sustainability journey.

I hope that makes the thinking clear.

The third action under productivity and simplicity is driving the benefits of the new organisation.

In all my meetings so far with investors, and others, I have found widespread support for the new organisational structure.

And I can see why.

It is working well and is already increasing speed and accountability.

However, this was a significant change, introduced just over a year ago.

The speed with which it has been adopted is impressive, but inevitably there is more to do to finalise the changes and ensure we reap the full benefits. We can't yet say 'job done'.

Hence, I have – together with the leadership team- given priority to ensuring:

- We eliminate remaining points of ambiguity in order to drive single point accountability. This is essentially done.

- We take the opportunities that are certainly there to simplify further.

- And we strengthen frontline roles, especially in the area of customer development, where we have a clear programme for the next 12 months.

This level of organisational change only happens very occasionally. This one can be of significant long-term benefit to Unilever. But for that reason it's vital we get it right in all respects. That is why I am calling it out as an important part of driving productivity and simplicity – and why I intend to stay close to this area personally as we finalise the new structure.

3. *Performance orientation*

Let me turn now to the third shift.

Dialling-up our performance edge.

Of course, this starts at the top, with me and with the leadership team.

A good moment, therefore, to share with you the details of the new team that will lead for this agenda.

You will have seen the announcement this morning of a number of changes to the Unilever Leadership Executive.

Let me share them briefly with you again now.

Following a very thorough and open search process, Fernando Fernandez – currently President Beauty & Wellbeing - will succeed Graeme as Chief Financial Officer.

I couldn't be more pleased with this appointment. As I indicated in the announcement, Fernando brings the full range of financial, strategic and operational know-how that is vital to the role, and which I believe will mark him out as an outstanding CFO of Unilever, and a great partner to me as we go about executing this plan.

You will also have seen that Hanneke Faber, President Nutrition, and Matt Close, President Ice Cream, have both decided it is the right moment for them to move on.

They have each made an outstanding contribution to Unilever, in Matt's case over a 31 year career with the company. I want to thank them for what they have done and wish them every happiness and success in the future.

Hanneke's successor as President Nutrition will be announced shortly.

Peter ter Kulve, who many of you will know, will move from President Home Care to President Ice Cream. As such, he will be returning to a part of the business he knows well and where he has enjoyed considerable success in the past.

Peter is an exceptional business executive with a proven performance record and I am delighted to have him on the team in this role.

Less known to you perhaps at this stage is the next generation of leaders who are joining the Unilever Executive.

- Priya Nair, who succeeds Fernando as President, Beauty & Wellbeing.
- Eduardo Campanella, who takes over from Peter as President, Home Care.
- And Esi Eggleton Bracey, who takes on the new role of Chief Growth and Marketing Officer.

All great talents with impressive performance track records to match.

And all now part of what I hope and expect will be a great team to lead the next stage of Unilever's development.

Leadership throughout any organisation is always key.

But the organisational changes Unilever has gone through over recent times have highlighted the need for our leaders to have real breadth and depth. In other words, 'own the whole P&L'.

That is the inevitable consequence of a structure predicated – quite rightly – on delivering higher levels of speed, expertise and accountability than ever before.

To help our leaders – and to support them in delivering this plan – we are therefore going to make some important shifts in the way we think about – and systematise – our approach to performance culture.

Again, it is all about simplicity and impact.

For example, there will be:

- Fewer, clearer priorities
- More single point accountability
- Simpler, more visible in-year targets
- More differentiated reward
- New, streamlined 'standards of leadership' to help set expectations and guide behaviours.

And we will be putting forward a new reward framework, linked more overtly to value creation. Measures such as underlying sales growth, ROIC and TSR will be included in our long-term incentive programme.

The new framework is designed to sharpen the link between actual performance and reward, as well as strengthening alignment with shareholder expectations.

These are important changes in their own right, but they will also send a clear signal of what we expect of our leaders and how – in return – we intend to support and reward them.

This is a wide-ranging action plan, based on some important changes and some significant shifts of emphasis.

You are going to want time to digest the detail.

You are also going to want to know when you can expect to see the benefits.

Well, we have moved with real speed over the last few months to get to this point, and this sense of urgency and momentum will continue. I can assure you of that.

There is a real hunger among the 40 or so plus senior leaders in Unilever who have contributed to this plan to press on now and make it happen.

But just to give you a flavour on how we see different elements being adopted over the next 12-18 months.

- The new leadership team will be in place by 1 January, but will start to transition from today
- Our new unmissable brand superiority framework will be in place and fully operational across all the Business Groups by the end of the year
- A similar timetable will apply to the way we embed our new approach to innovation
- The changes to the new organisational structure will be complete by the first half of next year.
- The new Standards of Leadership that will underpin the changes we want to make to performance culture will be rolled out by the end of the year.
- The radical focus we are bringing to our work on sustainability will be reflected as part of the Climate Transition Action Plan we will be presenting to you at the next AGM. Time bound actions for each of our Business Groups to help reduce our footprint on our journey to net zero.
- Next year's AGM will also be the occasion to get agreement on our new remuneration policy – another important plank in driving enhanced performance.

This is all illustrative, but will I hope will give you a sense of the urgency with which we will intend to introduce these changes.

Let me try to bring all this together, first by reconfirming what this plan means in relation to capital allocation.

As I have said, we are prioritising organic growth.

And this is reflected in how we deploy our capital

Our first priority is what I call organic investment, to grow what we own:

- Hence, we will always invest in our business first, as this creates the platforms for value creation in the future.
- We will further increase brand and marketing support, focused on our 30 Power Brands to ensure strong execution

- R&D investment will grow consistently in order to support bigger innovations.
- Capital expenditure will increase from around 2.4% to above 3% of turnover to create leading-edge manufacturing, distribution and technology assets.
- We will fund this organic investment by building back our Gross Margin.

Second, we have significantly reshaped our portfolio since 2015.

Looking ahead:

- We will continue to prune the portfolio in areas that are less strategically attractive.
- This will be accompanied by selective bolt-on acquisitions, focused in specific high-growth areas - provided they meet the higher bar for M&A criteria and parameters for value creation. This is particularly relevant in a world where financing costs have sharply moved up.

And third, we will continue to return capital to shareholders.

- This will be done primarily through an attractive and sustainable dividend.
- We expect our dividend payout ratio to remain above 60% of our underlying earnings.
- Surplus capital will be returned via share buybacks, as we have done through the recently completed 2022 – 2023 share buyback programme.

Summing up.

The fundamentals of the business are strong:

These strong fundamentals are now coupled with a focused 10-point action plan to step up performance and deliver fully on Unilever’s potential:

To repeat, we will do that by:

- First, aiming for faster, high-quality growth.

  - This will be through bigger innovations that are backed by unmissable brand superiority and increased support, with a focus on the top 30 power brands.

- Second, by driving greater simplicity and productivity.
  - Funding investments by building back the Gross Margin bank.
  - And creating impact through a focus on the most impactful sustainability commitments and by driving the benefits from the new organisation

- And third we will sharpen our approach to performance
  - Through a renewed team
  - That drives and rewards outperformance

This combination of strong fundamentals and accelerated action plan will enable us to solidify our ambitions and deliver consistent value creation through:

- Underlying sales growth of 3-5%
- Modest margin expansion
- 100% cash conversion
- Mid-teens ROIC
- EPS growth and attractive dividend.
- And top third TSR.

Hence, this is not about communicating a new ambition, or setting out a new strategy.

This is an action plan for delivering performance in line with our ambition. If we do it well – and consistently – then the business will be better positioned for the future, and shareholder returns will improve.

Thank you for listening.

I look forward now to taking your questions.

Unilever Q3 Results Q&A

JEMMA: Good morning, many thanks for joining the call. My name is Jemma Spalton and I joined Unilever as the new Head of Investor Relations. If you would like to ask a question press star 1 on your keypad and if you no longer wish to ask a question press star 2 and you will exit the queue. When it is your turn to ask a question, I will call out your name and go ahead. Finally, please keep your questions to a maximum of two. So I see our first question is from Rashad at Morgan Stanley.

RASHAD: Good morning, first one, back in December when the team laid out the multi-year framework of 3-5% organic growth, you talked about wanting to get to the upper end of that target. With the increased focus on stepping up investment levels that you spoke about today, is that still the right way to think about where you would end up within that 3-5% in the medium term?

My second question specifically on Q3 nutrition and Ice Cream volumes, a level of deterioration in Europe which you touched on is it a question of taking too much pricing in Europe and that's impacting volumes, what can you do in the near term to rectify the dynamic and start to win back share again and then on the market share metrics, is that what sequential deterioration quarter on quarter?

HEIN: Thank you for your questions. I know that roughly three, but you were breaking up here and there, so let me try to get to all three, but if I miss something, please correct us. First of all, on the financial framework and growth ambition of 3-5%, that is indeed our medium term growth ambition and we are confirming that here today. Your question on Europe and on pricing, no, look I don't think that we have priced it too much, certainly not. In fact, if you look at total input costs, and to the extent that we have priced we have not fully recovered inflation and gross margins particularly in Europe remain somewhat under pressure. I think if you - that's a bridge to your third question on market share. If you look at what's happening in Europe, I believe that and I'm pointing that out in the action plan as well, it's also a matter of making sure that we come with the right innovations that we develop the market accordingly and that we simply do a very good job there. So, pricing may have played a role in consumers gravitating towards value segments which is private label for sure, that is playing a role, but at the same time, I don't see the current levels of pricing to be a hindrance for us to grow in the

future. Did I capture all three elements? I want to make sure.

RASHAD: Yes, thank you very much.

JEMMA: Our next question is Warren at Barclays.

WARREN: Good morning Graeme, Hein, Jemma, two from me. First one on market share, last quarter it was 41%, this quarter is 38%, that's not good enough, I guess you need it to be in the 50% and ideally close to 60% to be top quartile in the staples. What I am trying to understand is how much is real share loss, you mentioned not enough of the portfolio in premium spaces like peers, and how much is technical in terms of SKU reductions and the fact that the share metric you use doesn't cover some of the fast growing parts of your portfolio like Prestige Beauty. I am trying to understand what's real here and how realistic and how quickly can we get back into that at least 50% and how do you want to measure competitiveness within Unilever, I am trying to understand that, that's obviously a key KPI going forward. That is the first one on market share.

The second one is, and sorry to be cynical on this, but we have heard about bigger bolder innovation for years at Unilever, its been a big mantra, and same thing about getting better returns on marketing spend. I know Richard Slater your head of R&D has been talking about bigger bolder innovation for a long time, so I'm not clear what's different. Can you be more specific about what you consider to be bigger, better, bolder and better returns, that would be helpful, because I guess the issue here is that your volume mix five-year track record is kind of 1%, and as pricing rolls over to get to the top end of the 3-5 you need to mix to move into the 2-3% range, and it sounds like bigger bolder innovations and better returns are key to that. I was wondering whether you can give us more granularity in what's behind that and how do you define that, thank you.

HEIN: Thank you for your questions. Let me talk about competitiveness and first of all, as you say, in the way we look at, I look at competitiveness, I don't think there's one metric that is perfect. The way I look at it is it's a culmination of three, so business winning is the one we have used in the past, then there is a market share or market based competitiveness, and then there's turnover weighted competitive, market share development, so the reality is I look at it across all three and you

are absolutely right, when you look at business winning and we express business winning here in value, it's under pressure, and for sure all our efforts are aimed at improving from here. Then if you look at, okay, what is really covered in business winning, it's roughly 80% of our business, 20% which is Prestige Beauty, UFS, food solutions and our Health & Well-being segments are not covered and yes they are growing quite well. If we would convert business winning value in volume, it would also look a little different and if you look at it on a market weighted metric, actually you would see a much more positive picture, but for consistency reasons for now, we have used business winning as the key metric and once again we simply need to win from here. What we intend to do in the new year is to give you a more comprehensive picture on competitiveness, not potentially focus on this one metric per se, but of course we will always report out on business winning and internally it will remain actually we will prioritise business, the competitiveness as an important element of the total remuneration framework. Then if you talk about what are some of the decisions that we've made, yes, we have rationalised our SKUs by 20, 21% year to date, so that's quite significantly and this has contributed to business winning percentage. We took conscious decisions particularly in Europe to delist some of our parts of our portfolio given pricing and given the whole inflation, so that has played a role but I don't want to dwell on that for too long. When it comes to innovation, look, I understand, if you look back over the last couple of years and looking back at our volume track record and potentially what you have heard before, but I am very confident actually about the science and technology part of our business. This is one area where I and I said it in the video, where I spent a disproportionate amount of time and what we have been particularly focussed on is understanding what are the key differentiating technology platforms that we have, where we have deep knowledge and that will allow us to expedite a multi-year innovation programme behind our top brands. I know we have that, we have talked about that with the leadership. And we're going to unlock that. I feel that with the bigger and bolder choices that we're making, the clear focus behind our top 30 brands initially, which will ensure a greater degree of delivery, I do believe that this is going to be a sustained source of growth for us. I talked a bit about in the video about bio technology and talked about renewable packaging and bio platforms and those are the ones that I believe we are very strong at and are fuelling most of our business.

JEMMA: Our next question comes from Guillame at UBS

Guillame: Thank you very much and good morning Hein and Graeme. Two questions from me, please. Firstly, it's on today's strategy update and a point of clarification on your financial ambitions and apologies if I missed it, but the line was breaking on the first question, so on underlying sales growth, you kept this 3-5% range, but December of last year Unilever was more for the upper end of 3-5, I wondered if there was any change there and still on your financial ambitions in terms of operating margin expansion, still expected to be moderate, but I guess does it mean the vast majority of your gross margin recovery will be reinvested as opposed to flowing into the EBIT line over the new few years and to put it bluntly I see consensus for 100 basis points operating margin improvement for the next two years, would you see that kind of magnitude as consistent with your financial ambitions?

And then my second is on your renewed focus on EPS growth. I was wondering what is your mind set here and whether you look at EPS growth in constant currency or on a reported basis, because the flipside of deriving 60% of revenues from merging markets is that foreign exchange tends to be on average a significant impact. So is this something you are taking into account and if you would actively pull some levers, I'm thinking pricing and savings to ensure consistent EPS growth year after year in Euro terms.

HEIN: Thank you for your question. Let me take the first part and I will hand over to Graeme to comment a bit more on the EPS question. First of all on the financial ambition, you are right, in the first question it was breaking up a bit, but let me reiterate, the financial framework that we laid out including the growth ambition of 3-5% is a medium term goal. The guidance that we have provided for this year which is to be above 5% still holds. There's a this year guidance and medium term framework. If you talk about the medium term and the moderate margin expansion, I think your sense is right. The focus will definitely be on expending gross margin and bringing that back to pre-pandemic levels and we do see a path towards that. But as indicated in the action plan, I feel that there is opportunity for us to invest more behind our brands and we will progressively do so, but obviously only if we know for sure that some of these innovation platforms that I just talked about as well as superiority thinking and so forth are really taking hold and we are sure that the increase will actually deliver return. We will see some progressive increases, but it will differ a bit by Business Group and by brand. The same goes for our increased investments in R&D. The plan projects us for R&D to accelerate investments there to just above the turnover

growth levels, so yes, there will be part of that will be reinvested, but all in all, the algorithm is leading us to a moderate margin expansion. Graeme, on the EPS side.

GRAEME: Very interesting question, thanks for asking it and pointing it out. We look and measure both within the business, but we are very aware of the fact that the real returns we deliver to shareholders are denominated in current rates of growth, not constant rates of growth. So in the short-term, what we can do as managers of the business is deliver constant rate, earnings growth. But it is real value creation reflects what we can deliver in euros and dollars and hard currency. With 60% of our business in emerging markets there's usually quite a difference between those. When you look at it over time and measure the difference between the two, it's pretty much a sign curve, that's the way currencies tend to operate on the translation of our results into euros when we report them every quarter. If you about back and look at it over time, even though there are large differences, this year we guided to in the video we expect a difference to be about 9% negative between constant EPS and current EPS for this year, that's quite a big number actually relative to history, but there's very much a sign curve effect. If you go back over time and take a longer term view, usually the difference between both in Unilever is 1.5-2% on average. We set our strategies and financial plans when we talk to the Board about EPS growth we talk about constant, we also talk about current, and we size our plans with that 1-5-2% in mind and we have to make sure we are pricing for that in some of the economies where we have devaluing currencies.

JEMMA: Our next question comes from Bruno at Bernsten.

BRUNO: Good morning. When I listened to the plan in your update, it's clear that some of the actions, in almost all the actions focussing on the power brands and product superiority, could it be part of the capital markets before Christmas but it's only natural to be expected, it is unnatural you come up with a silver bullet and so I prefer to focus on the weaknesses, what do you identify as not having gone well in the past, and you had some slides on that but tend to talk about the outcomes, low volume growth. That doesn't really explain why Unilever, what did they do wrong, what is wrong with Unilever that they are in this position and the discussion has been going on for a few decades. I'm going to try to probe deeper in your view, why is this happening. I will give you a few suggestions. How much of the performance is attributable to the Board

and governance, because you talk about the performance and surely those are part of the Board, are they failing and just replacing the Chairman good enough. The second one is company leadership, that is why the performance is weak? I'm thinking about your own reference to the execution levels, cap ex. Was that where the mistake, or even more importantly was it a culture of the company that's wrong and therefore probably still wrong. Just reminiscing about one of my colleagues here asking about excuses of why competitiveness might be so low by referring to all the parts not captured, that used to be a culture of complacency, so if you could just try to comment and discuss why the performance has been so weak, is it the Board, leadership or is it culture or all of the above or something different?

My second question is building on the previous question, targeting 3-5% organic Graeme agreed that the negative impact of FX is structurally - 1.5 to 3, so you are saying the company is targeting net revenue euro growth of 1-3%, which is probably barely in line with Euro inflation, so is therefore the medium term target to still be shrinking in real terms in euros using those previous numbers? Thank you.

HEIN: I think that can be a fairly short answer. But let me talk about the first part and it's a pretty wide-ranging question. Yes, I talked a bit about it in the video, but let me reiterate a few points. I think the question on what is wrong with Unilever, look, I don't think you would hear me go there. I would say Unilever has very, very strong fundamentals and many strengths. But at the same time, sometimes there is a sunny side and the sunny side leads to a shadow side. That's what I have tried to point out in the video. Let me give you a few examples. Unilever has strong science and technology capabilities, without a single doubt. That goes back to the question of why haven't we delivered these innovations at scale. Well, you need to be extremely disciplined of course on making choices behind which brands to do what, but also what technologies are really differentiating and where can we make them scalable and multi-year. That is super important. Not stop and start. That may have happened somewhat. If you think about a team like sustainability, we have spent a very, huge amount of time in investment and thinking in this area, and it has led to a, I think to us been perceived as the leader in our field and that's in general a positive. But it may have diluted our efforts somewhat in that area. When you think about our talent base and performance culture, I think Unilever has outstanding people, there is no doubt about it. We are the preferred employer in many of the markets that I visited and where we operate. But at the same time, there is an

opportunity to dial up the performance edge and that is not a silver bullet, that comes back to a number of very specific actions, but mostly it's related to making clear choices, setting clear priorities and simplifying everything that we do. So I can go on, but then I would repeat my video, but I think those are for me some of the key points. The Board, I wouldn't comment on that or the leadership. Every incoming CEO inherits a situation and looks at that situation through his or her lens and tries to improve from there and that is exactly what I'm doing. Yeah, we are making some changes today to the course of action, to the leadership and so forth and that underscores the direction that I'm very keen to take. Overall, it's about discipline, clear priorities, walking the talk and making sure that the company is truly steered with a much higher emphasis towards performance, that is where I would summarise it. Graeme on the medium term growth algorithm.

GRAEME: So the difference between bottom line earnings constant and current growth that I gave in response to the other question, that's bottom line. I don't think it would be right to assume taking our 2-5% range and taking the bottom off that, would mean we grow below real rates of inflation etc. I don't think that's the right extension from it. Some people might ask well with all of the elements of our action plan in place for the period ahead, why still 3-5%. I want to be clear that we know what it takes to get this company back up to top third TSR performance. Driving our rate of consistent growth delivery to the upper end of that 3-5 range is absolutely sufficient with the other levers that we have down through the P&L to deliver a rate of earnings growth that will deliver top third TSR performance, that's how we set our strategies and our strategic plans etc. So that's why the long-term guidance hasn't changed. What we need to do is perform better within that long-term guidance range, in particular more consistently, and also and this links to Warren's point the quality of the growth has to be higher. A higher element of volume growth which Hein called out within his action plan. Hopefully, that squares the circle for you.

JEMMA: Our next question comes from James Edward Jones at RBC.

JAMES: Thank you very much. Similar to Bruno's question really, I was struck by the way you talked about competitive buying as a driver of gross margin improvement. What were you doing before? This feels like a really basic thing and I wonder if it's symptomatic of what we have heard this morning. I want to understand if it's a more dysfunctional state

than might have been obvious from the outside, so greater things by stopping doing things badly.

The second question is you guess there will be no transformational acquisitions, what about transformational disposals, will you consider splitting the group up if the food business doesn't improve its performance?

HEIN: Thank you for the questions. First of all, on buying and I would like to put it in a bigger context of improving our gross margin. We tend to talk about it from a top line perspective, driving better mix and so forth, but I'm renewing a significant emphasis on cost and on productivity side in the next two years over the planned period. That means that we're basically going to work all three levers and that for me includes buying, logistics and distribution and manufacturing side through network improvements. If you think about buying, where the main upside sits and this is something I am seeing happening today, the new organisation structure that we have implemented allows for a significant amount of complexity reduction. If you think of a Business Group like Home Care who is really looking at it through a lens of big power brands, dirt is good brands and saying how many variants do we need. Can we eliminate complexity, can we scale down a number of ingredients and all of the Business Groups are finding out there's opportunity to leverage our scale significantly better. So that's where we see critical upside. But the same goes for network. When you look at it through a very specialist lens of in a Business Group to say, hey, liquid shipping is much more expensive than powder shipping, to give you one example. So in some cases you want to bring the factories closer to where the market is, in some cases you want to have more distance. Optimising around that is gaining a lot of momentum and that's where I see significant upside. But it is all about expediting it and executing the plans well. I see them coming through and that's what we're going to work on. The ask that we have as we said was an ex-expected restructuring that we will execute on the year-on-year basis of roughly 1% of turnover. Your second question on large scale M&A. At this moment I have laid it out, we see the biggest value creation opportunity in operating our current businesses very well and that's why we have laid out the action plan of today. Is that portfolio forever? Look, the situation is dynamic, things can always change at some point in time, but I believe that the current value, the value creation opportunity that is on the table is really to improve our business that we have. While we continue to optimise the portfolio like

we have done in the last 2-3 years or so.

JEMMA: Next question from Tom Sykes at Deutsche.

TOM: Good morning, everybody. Just going back to the point on rebooting the culture within the business, how opaque was the performance management before the top 400 managers and how differentiated will the bonus and pay remuneration be now compared to how it was before? And when you look at the senior management team, I appreciate there is an external Chairman and obviously congratulations to everybody who has moved into new positions, but you are coming back into the business and there's obviously largely internal appointees, so why not try and reboot the culture more by bringing in more external influence?

And is there anything in the HR, IT systems you think just provides a natural level of inertia to changing the performance culture at all and briefly on you mention the product superiority was 70%, you have a broader level of criteria to measure that now, there's the disconnect between the 70% product superiority and competitiveness at 38, so looking at it another way, what percentage of your portfolio do you think is fit for purpose to improve the competitiveness and where do you need to get to, please?

HEIN: There were quite a number of questions, so let me go through them, but please remind me if I miss something. I think your first question is a topic that's very close to my heart and I am very passionate about, the reboot culture, but essentially too dial up the performance culture. As I said in one of the questions before, shaping a performance culture is not just saying now we need to perform, that is a very disciplined and concerted number of actions to take and I am very excited about the opportunities there. It starts by setting very clear priorities. It starts with setting clear goals. It starts with bringing ultimate transparency on the progress of these and it starts with linking remuneration to these objectives and making sure that there are direct consequences. I think that links to your question on remuneration and what are we doing. Well, a few things that I want to say about that. On remuneration there is a proposal on remuneration for executive directors that we've gone through with quite a number of you and that will be for voting next year in the AGM. That links our Executive Director compensation more directly to shareholder interest. So that's number

one. But then probably even more important is what do we do internally. Just let me give you two examples where I feel we are making a change. First of all, for approximately 15,000 employees, that is not factory personnel, it is office and manager level, but for 15,000 we have changed the remuneration structure in that we take out the long-term incentive plan to which they have very line of sight to, but we are going to dial up remuneration and the performance component on in-year performance. Still the pay-out to them will be partially in long-term plans, such as shares and so forth, but we're dialling up in-year performance there. Secondly, we are significantly increasing the line of sight in terms of remuneration structure. There were people we rewarded on total Unilever level, we are actually increasing the component in total remuneration for the Business Unit, or the Business Group that they are directly responsible for, to the vast majority of their variable pay. These are just two examples that we have taken as part of this action plan and that I'm going to communicate right after this call to the whole Unilever internal community. So I think that's something just to emphasise. Then on the external part, sorry on the appointments, look, I believe that I was really on the CFO appointment for example, this is about an action plan and this is about making business progress and I believe that after a long and thorough certainly it was super clear that Fernando is by far the best partner in doing that. He has an outstanding operational track record, he is an economist and Finance Leading by background, and I'm confident that together we're going to accelerate on this plan, a plan he is square behind. And there is still a vacancy on the Nutrition side. Obviously, in the future there could be more change, so I'm definitely not excluding external appointments, but when we have the right people available internally that are buying into what we want to do, that gives us a definitely a flying start. When you talked about superiority, a very quick one, we measure product superiority, approximately 70% of our current portfolio has product superiority we believe. But moving towards unmissable superiority, yes we are quantifying that, that is a score that is an internal mechanism, we are clearly measuring all these aspects and holding these, rolling that through to the top 30 brands with great speed and it's actually very disciplined and very quantifiable approach. I would like to leave that here for now because going into specific scores on these different metrics is probably not the right time, but it is indeed a very quantifiable method.

JEMMA: The next question from Jeff at BNP.

JEFF: Good morning. The first one is I appreciate you said you think you will create most value eye r u by running the existing Business Groups better, but if you could just explain in the new Business Group structure, what really is the value add of Unilever itself and in particular keeping food and HPC together, given you now have these separate Business Groups. The second question is Graeme explained that to hit top third TSR, which is your objective, you need to deliver the upper end of 3-5, so with that in mind, why are you guiding just to 3-5 not to the upper end, because 3-5 would seem to be inconsistent with the other target for top third TSR. Thank you.
HEIN: Thank you for your question. I will take the first one and hand over to Graeme for the second one on the financial framework. On the total, I think since the inception of Unilever of bringing together Lever Brothers and the Margarine Unite from the Netherlands there have been questions about are we better together or should there be more focus, I am super well aware of that, but the first couple of months have convinced me that at this point in time the biggest value creation opportunity we have is simply to run these businesses better. Yes, there is a significant amount of synergy between the different portfolios, whether that's in buying, whether that's in developing digital and technology, but also go to market. If you think about it and I spent quite some time in Indonesia and Africa, if you deliver food products to distributive trade, that is all going in the same van, it is the same ordering pattern than for HPC products. The synergies are there, but apart from the synergy discussion, I believe at this point in time there is value creation opportunity for all businesses to further improve.

GRAEME: I guess the answer is that if 3-5 still covers it, albeit as the upper end, it is still relevant guidance for us to give at this stage whilst we get the momentum moving. I want to reiterate a point that I think I made earlier. Really there's a big factor here about consistency of delivery, where I think the new organisation and what Hein said around culture and performance focussed remuneration etc, all of that helps in delivering that consistency. It's a much better way of running Unilever through the lens of the five Business Groups, with end-to-end accountability, consistency of investment behind strategy, that's what's going to deliver the consistency. There's a key factor in that value creation algorithm and quality of growth. You have heard our call out, which we do need to step up, it's been hard over the last three or four years to look at the underlying performance relatively of companies in the sector, our footprint during COVID and then inflation etc has made things relatively opaque, but you hear our confidence around stepping

up the consistency of our growth, stepping up the level of growth, and stepping up the quality of growth and I think they are the things that at least in the mid-term will secure that step up of returns.

JEMMA: Our next question comes from Karel at Kepler.

KAREL: Good morning, thank you for taking the questions. Two questions, the first on the European footprint and supply chain. We had quite some volume loss for a while now. Does this leave room for optimisation and how do you look at the European footprint. I see many local with modest gross margin particularly in food and Ice Cream franchise.

The second is on the innovation, RAD sits within the categories for a while, so how come there is disconnect and focus on smaller teams. Related to that, if you want to deliver innovations more on scale, how does the fragmentation of your revenue base across countries and categories come into play? Thank you.

HEIN: Thank you. Good questions on Europe, and with the volume pressure we've had. I think your question is mainly around do we see optimisation opportunity on smaller brands. I think at this point in time as we talked about, our focus has to be on the executing our top 30 brands very well and that bridges to your second question as well. Those top 30 brands constitute more than 70% of our total turnover, and at this point in time they probably wouldn't get that disproportionate investment in BMI as well as R&D. That is something we are actually changing fast and that is where I see opportunity. That doesn't mean that we're on a path to quickly die vest or sell all the remaining brands but we need to make sure these engines are working. As we showed today, the top 30 brands are growing ahead of the company average. Roughly 7.5% versus 5.2% for the company overall. I am very confident that that is the right thing to do and it will lead to a better execution of everything that we do. Do we see optimisation opportunities in the portfolio in Europe particularly on the food brands in the future, yes, the situation is dynamic, so we will continue to look for opportunities to optimise the portfolio around the edges. But I don't want to comment on that further today. At this moment I feel that we once again that we need to grow what we have and that we simply need to run our operations a little better in that respect.

JEMMA: The next question from Celine at JPN

CELINE: Good morning, thank you for taking my question. Two questions, on the growth rate of 3-5, there was no specific volume target or volume ambition, I am a bit surprised by this, because we have had in the past Unilever strategy volume was the centre of the strategy was in terms of top line market share gain, so can you elaborate on that. Specifically the point you made on premiumisation driving mix and driving gross margin at the same time do you think the portfolio of Unilever and its brand and I am thinking as well given 60% in the emerging market is the right pot for you right now to drive that at scale.

My second question is on next year and the balance of potential of cost inflation and how that sits with the P&L. We are looking at cost inflation, some of that has been evident in your emerging markets where yourself and competitors have put up prices. If I look at next year, I could have a huge gross margin extension next year but depends on how much investment will be made in terms of pricing or promotion. Can you talk about that, how we should look at this equilibrium for 24 please.

HEIN: Thank you for your questions. I know that three questions, one was around the composition of our medium term 3-5% between sales and volume. Question about innovation and premiumisation and the third one on the 2024 finance framework. I will take the one on innovation and Graeme will take the one on the growth target and the 2024 financial framework. On innovation and premiumisation, I think this builds a bit on the question of Karel, yes, we have around 450 brands or so, but don't forget that once again, 30 top brands constitute 70% of the total turnover and are growing faster. So that's number one. Secondly, I talked about big innovation and technology platforms and I called out three or so. They do fuel essentially almost all of the portfolio. So we're not, I would say, diluting our R&D efforts too much, at least that's not in the plan. In fact, we are trying to bring that somewhat more together. And if you think about brands, for example, Dirt is Good, it could be Persil in one country, Omo in another country or Surf in another country, but these brands different in technology wise from a very coherent innovation strategy that is enabled by the new organisation. So I think we have a pretty strong handle on that one. Then on premiumisation, just a quick one, actually we see premiumisation across the emerging market world. That is an important theme. We clearly want to participate in that. There's one exception and that's in Africa, where mainstream consumers at this point are very focussed on affordability. Obviously for all the known reasons,

inflation hit them much harder than mainstream consumers in other countries, so when looking at the world at large, I don't think that there is a premiumisation game going on there and there we are focussed on making sure we drive entry packs, so that consumers can participate in our brands and grow up with brands and get that brand familiarity, but in the other areas of the world we are very focussed on premiumisation, including in emerging markets. Graeme, on the 3-5% and constitution of volume versus value and 2024.

GRAEME: Good morning. Let me start with the theme of cost inflation and cost inflation outlook. We are guiding again for this year to the 2 billion of Net Material Inflation that we saw last time we spoke. And obviously that is weighted towards H1 versus H2 when we see a much lower level of inflation. It's fair to say we can see as coming out the back of this incredible inflation period we've had now and we expect our current outlook for inflation next year has its normalising back to the levels that we had before we entered the inflation spike. The reason I mention that is because your diagnosis is right. That does provide a tailwind to gross margin that comes through. I don't expect that we will have deflation on pricing, other than in a couple of specific areas. It's possible in India because our couple of our categories in India, fabric cleaning and skin cleansing are heavily correlated to the underlying commodity price and local competition enters the market and we have to adjust pricing that to maintain competitiveness and volume position. The second one is Indonesia where we have been resetting our pricing and we're starting as we said in the presentation to see the benefits of that in terms of moving back into share positions and share gain positions in a few categories. They are the two ones I would call out. You are right, it does provide a tailwind of gross margin. As we have said, that provides the bank for reinvestment and we will reinvest and this is getting to your question about quality of growth now, in sustaining consistent higher level of growth with better quality in the form of a higher volume component. We have never guided to a specific number in volume and we don't do that. The capital markets this year we said that we wanted to see that and we broadly spoke about it being balanced between price and volume roughly 50-50, but we want more volume as a component of our growth and we want to deliver that more consistently. In terms of 24, we expect 24 to be within the framework we set but we are going to come back to you with the full year results in February and give you more detail on 2024.

JEMMA: Our final question comes from Victoria at Bank of America.

VICTORIA: I have one left, when I look at all optimisation, focus on key brands, change in culture, it's similar to every other company are doing. My question is with growth acceleration do you expect market share gains and where do you expect to gain market share, is it from local producers or do you see some specific competitor characteristics where you think you can regain lost market share?

HEIN: Thanks Victoria, very clear, and yes many of the themes that we are talking about, you would recognise in CPG companies and I agree with that but it comes down to execution. It comes down to our abilities and our capabilities to do so, since it's the last question, if you allow me Victoria, I want to reiterate something I think that's really important. I talked about opportunities to improve in Unilever, but I talk about that from a position of hey, we have inherent significant strengths, but we need to dial them up where we can and we need to be much sharper in our choices that we make and make things a lot simpler and do it with great level of impact. That's what the plan is about and that's what we talked about. When you talk about share improvement, I think most importantly, we're not in the game here of just simply stealing share. For us priority number one is to make the market and therefore to develop the market and enlarge the categories. When I talk about innovation, technology platforms, they are very much aimed at making sure that we offer the consumer something extra, something that's not there. So that we together with our retail partners create more value for the category as a whole. If we do that well, since we are number one or two in 80ers of our business in the category, that will mean we will grow our share accordingly. And within that market development framework we see as we talked in the previous question, we see premiumisation as an important trend, but there are others to address. That's something that I will really look forward to come back to you on in the next couple of quarters and talk more on examples that I mentioned today in the speech, I talked about Domestos and Dove, but there's much more to say and I'm really looking forward to bringing those to life.

JEMMA: Thank you all very much for your questions and we will bring the call to a close there. If there are further questions, please do e-mail into the IR team and we will make sure we set up a time to speak to you. Thank you very much and enjoy the rest of your day.