# DIRECTORS’ REMUNERATION POLICY

## POLICY REPORT

**POLICY TABLE**
The following sets out our new Directors’ Remuneration Policy (the Remuneration Policy). It fundamentally continues our existing policy principles, updated as necessary to reflect the full extension of these to our Executive Directors as set out above. This new Remuneration Policy will be presented for approval by shareholders at the 2018 AGMs and, if approved, will apply to payments made after that date and will replace the existing remuneration policy in its entirety. It is intended that the new Remuneration Policy will apply for three years, although the Compensation Committee may seek approval for a new policy at an earlier point if it is considered appropriate. The supporting information section provides the rationale for any changes from the existing remuneration policy where appropriate.

## FIXED PAY

**PURPOSE AND LINK TO STRATEGY**
Supports the recruitment and retention of Executive Directors of the calibre required to implement our strategy. Reflects the individual’s skills, experience, performance and role within the Group. Provides a simple competitive alternative to the separate provision of salary, itemised benefits and pension.

**OPERATION**
Set by the Boards on the recommendation of the Committee and generally reviewed once a year, with any changes usually effective from 1 January (although changes may be made at any other time if the Committee considers that is appropriate).

Fixed pay is paid in cash and is generally paid monthly.

Fixed pay is set at an appropriate level to attract and retain Executive Directors of the required calibre, taking into account:
- our policy generally to pay at around the median of an appropriate peer group of other global companies of a similar financial size and complexity to Unilever,*
- the individual’s skills, experience and performance; and
- pay and conditions across the wider organisation.

**PERFORMANCE MEASURES**
N/A

* The current peer group includes Astrazeneca, BASF, Bayer, BHP Billiton, BMW [EFT], BP, British American Tobacco, BT, Carrefour, Centrica, Diageo [EFT], Danone, Diageo, GSK [SmithKline], Henkel [EFT], Imperial Brands, L’Oreal, Metro, National Grid, Nestlé, Novartis, Reckitt Benckiser, Rio Tinto, Roche, Royal Dutch Shell, SABMiller, Sanofi, Siemens, Tesco, Total and Volkswagen. The peer group used for benchmarking purposes is reviewed regularly and companies are added and/or removed at the Committee’s discretion to ensure that it remains appropriate.

## BENEFITS

**PURPOSE AND LINK TO STRATEGY**
Provides certain benefits on a cost-effective basis to aid attraction and retention of Executive Directors.

**OPERATION**
Benefits include provision of death, disability and medical insurance cover, directors’ liability insurance and actual tax return preparation costs. Other benefits may be provided in the future where it is considered necessary by the Committee and/or required by legislation.

In the event that Unilever were to require an existing or new Executive Director to relocate, Unilever may pay appropriate relocation allowances for a specified time period of no more than three years. This may cover costs such as [but not limited to] relocation, cost of living, housing benefit, home leave, tax and social security equalisation and education assistance.

In line with the commitments made to the current CEO upon recruitment, Unilever pays the social security obligation in the CEO’s country of residence to protect him against the difference between the employee social security obligations in his country of residence versus the UK.

Executive Directors are entitled to participate on the same terms as all UK employees in the Unilever PLC ShareBuy plan.

## OPPORTUNITY

Any increases will normally be in line with the range of increases awarded to other employees within the Group.

Increases may be above this level or applied more frequently in certain circumstances, such as:
- where there is, in the Committee’s opinion, a significant change in an Executive Director’s scope or role;
- where a new Executive Director has been appointed to the Boards at a rate lower than the typical market level for such a role and becomes established in the role; and
- where it is considered necessary to reflect significant changes in market practice.

The maximum aggregate increase for the current Executive Directors during the time in which this policy applies will be no higher than 15%. This excludes the proposed increase to fixed pay rates for the CEO and CFO for 2018.

**SUPPORTING INFORMATION**
Base salary, fixed allowances and (for the current CEO) the supplemental pension accrual have been consolidated into fixed pay to substantially simplify the package. We have introduced a formal maximum increase into the Remuneration Policy as well as the general guidance on increases set out above.

**BENEFITS**

Based on the cost to Unilever of providing the benefit and dependent on individual circumstances.

Relocation allowances – the level of such benefits would be set at an appropriate level by the Committee, taking into account the circumstances of the individual and typical market practice.

Social security obligation in the current CEO’s country of residence dependent on earnings and rates of social security.

Awards under the all-employee Unilever PLC ShareBuy Plan may be up to HMRC-approved limits. The only change in the value of the current benefits (for single figure purposes) will reflect changes in the costs of providing those benefits.

**PERFORMANCE MEASURES**
N/A

**SUPPORTING INFORMATION**
There are no changes relative to the previous remuneration policy, other than the consolidation of the supplemental pension accrual for the current CEO into fixed pay. The CEO received this accrual to compensate him for the arrangement forfeited on leaving his previous employer, which was conditional on remaining employed with Unilever to age 60 and subsequently retiring from active service or his death or total disability prior to retirement.
ANNUAL BONUS

PURPOSE AND LINK TO STRATEGY
Incentivizes year-on-year delivery of rigorous short-term financial, strategic and operational objectives selected to support our annual business strategy and the ongoing enhancement of shareholder value.

The ability to recognise performance through annual bonus enables us to manage our cost base flexibly and react to events and market circumstances.

OPERATION
Each year Executive Directors may have the opportunity to participate in the annual bonus plan. Executive Directors are set a target opportunity that is assessed against the Business Performance Multiplier of up to 150% of target opportunity at the end of the year.

Unless otherwise determined by the Committee, Executive Directors can invest up to a maximum of 67% of their gross annual bonus into Unilever shares under the MCIP (see the MCIP section on page 55).

Ultimate remedy/malus and claw-back provisions apply (see details on page 56).

OPPORTUNITY
Target annual bonus opportunities (as a percentage of fixed pay) are:
- CEO – 150%
- Other Executive Directors – 120%

Maximum annual bonus opportunities (as a percentage of fixed pay) are:
- CEO – 225%
- Other Executive Directors – 180%

Achievement of threshold performance results in a payout of 0% of the maximum opportunity, with straight-line vesting between threshold and maximum.

PERFORMANCE MEASURES

The Business Performance Multiplier is based on a range of business metrics set by the Committee on an annual basis to ensure that they are appropriately stretching for the delivery of threshold, target and maximum performance. These performance measures may include underlying sales growth (USG), underlying operating margin improvement (UOM) and free cash flow (FCF).

The Committee has discretion to adjust the formulaic outcome of the Business Performance Multiplier up or down by up to plus or minus 25%, based on results, if it believes this better reflects the underlying performance of Unilever. In any event, the overall Business Performance Multiplier will not exceed 150%. The use of any discretion will be fully disclosed in the Directors’ Remuneration Report for the year to which discretion relates.

The Committee may introduce non-financial measures in the future subject to a minimum of 70% of targets being financial in nature.

Performance is normally measured over the financial year.

SUPPORTING INFORMATION

Maximum opportunity has increased from 200% of base salary to 225% of fixed pay for the CEO, and from 150% of base salary to 180% of fixed pay for the CFO. The increase is designed to maintain target variable pay closely aligned to current levels. There will no longer be a personal performance multiplier on the annual bonus, which is driven entirely by business performance for Executive Directors.
MANAGEMENT CO-INVESTMENT PLAN (MCIP)

PURPOSE AND LINK TO STRATEGY
The MCIP encourages senior management to invest their own money into Unilever shares, aligning their interests with shareholders, and focus on the sustained delivery of high performance results over the long term.

OPERATION
The MCIP is a share matching arrangement whereby Executive Directors can invest their own money into Unilever shares (investment shares) and be awarded matching shares which vest at the end of a four-year performance period. Upon vesting, Executive Directors will have an additional one year retention period on their matching shares to ensure there is a five-year duration between the grant of the match shares and the first date on which the vested match shares can be sold.

Depending on Unilever’s performance, Executive Directors may receive up to 3 x the number the shares they have purchased provided that they keep them for the duration of the four-year period.

Executive Directors are able to choose whether they invest in PLC or NV shares or a 50/50 mix. Executive Directors receive a corresponding number of performance-related shares (matching shares). Matching shares will be awarded in the same form as the investment shares (ie in PLC or NV shares or a 50/50 mix).

Ultimate remedy/malus and claw-back provisions apply (see details on page 56).

OPPORTUNITY
Executive Directors may invest up to 67% of their gross annual bonus into Unilever shares (although in practice we anticipate that the figure of two thirds will actually be used wherever practicable).

The number of matching shares received at the end of the performance period is a multiple of the number of shares invested into the MCIP which depends on performance as follows (there is straight line vesting between each of the points below):

- **Threshold** – 0 x
- **Target** – 1.5 x
- **Maximum** – 3 x

The maximum possible opportunity as a percentage of fixed pay is therefore:

- **CEO** – 450% (225% x 67% x 3)
- **Other Executive Directors** – 360% (180% x 67% x 3)

Dividend equivalents may be earned (in cash or additional shares) on the award when and to the extent that the award vests.

PERFORMANCE MEASURES
The Committee sets performance measures for each MCIP matching share award. These will be tested over the four financial years starting with the financial year following the year to which the annual bonus relates.

MCIP performance measures are currently Underlying Sales Growth, Underlying Earnings Per Share growth, Return On Invested Capital, and the Unilever Sustainability Progress Index. Each measure has a 25% weighting. The Committee retains the discretion to change these measures and/or weighting for future grants, based on strategic priorities for Unilever at that time.

The Committee will ensure that the targets set are appropriately rigorous for the delivery of threshold, target and maximum performance.

The Committee retains the discretion to adjust the formulaic outcome of long-term business performance by up to plus or minus 10% to reflect its assessment of the underlying long-term performance. As a further safeguard, the Committee will apply an additional discretionary test if the result of combined annual bonus and MCIP performance multipliers exceeds 75% of the maximum total incentive opportunity (disregarding share price movements and dividend equivalents). To award incentive payouts above 75% of the maximum, the Committee will review the quality and sustainability of underlying performance, and may then apply its discretion to reduce or cap the MCIP performance multiplier for Executive Directors to the extent it deems appropriate. Any scale-back or cap in the MCIP performance multiple will be applied consistently to the two Executive Directors.

SUPPORTING INFORMATION
Maximum opportunity as a percentage of fixed pay has increased from 180% of basic salary to 450% of fixed pay for the CEO and from 135% of basic salary to 360% of fixed pay for the CFO to reflect that the Global Share Incentive Plan (GSIP) has been discontinued and the MCIP is the only long-term incentive plan. This significantly simplifies the overall remuneration structure and puts a strong focus on Executive Directors investing in Unilever shares.

There is now no minimum level of investment required (previously 25% of gross annual bonus). The maximum level of investment has increased from 60% to 67% of the gross annual bonus. This means that Executive Directors may have to invest a significant value of their fixed pay or personal funds in order to access the maximum possible value under the MCIP.

If Executive Directors choose not to invest in Unilever shares through the MCIP their total pay will be no more than fixed pay and annual bonus, which means their total pay will be significantly less than it is under Unilever’s existing remuneration policy. This constitutes a strong incentive for the Executive Directors to invest in the MCIP and so there is no longer a minimum investment in the MCIP.

The performance measures for the MCIP granted in 2017 have been amended to reflect some of the April 2017 initiatives to accelerate shareholder value (see pages 64 and 67).

The MCIP, which operates under the plan rules approved at the 2017 AGMs, is assessed over a four-year performance period and Executive Directors have to hold any vested MCIP match shares one additional year before those shares can be sold. This additional retention requirement on vested MCIP match shares falls away two years after Executive Directors leave Unilever. This fully aligns the requirement for additional retention with the existing post-termination holding requirements.
ELEMENTS OF PREVIOUS POLICY THAT WILL CONTINUE
MCIP and GSIP awards granted under a previous remuneration policy will continue to operate under the terms of that policy and the relevant plan rules. Further details of the terms of the awards made are included in the Annual Remuneration Reports for their respective years. This applies to the GSIP awards granted in 2015, 2016, 2017 and 2018 and the MCIP awards granted in 2015, 2016 and 2017. This provision will cease to apply once all of these awards have vested, been exercised or been forfeited as appropriate as per the relevant policy and plan rules. Additional details are set out below.

CLAW-BACK, ULTIMATE REMEDY, DISCRETION AND FLEXIBILITY
Claw-back: The Committee has discretion to reclaim or claw back some or all of the value of awards of performance-related payments to Executive Directors in the event of a significant downward restatement of the financial results of Unilever. This includes the annual bonus together with any awards that have been made and/or vested shares under the GSIP and the MCIP (awards under both this Remuneration Policy and any previous remuneration policy). This claw-back may be effected up to two years from vesting by reducing outstanding awards or requiring the return of the net value of vested awards to Unilever.

Ultimate remedy/malus: Grants under the GSIP and MCIP (under both this Remuneration Policy and any previous remuneration policy) are subject to ultimate remedy. Upon vesting of an award, the Committee shall have the discretionary power to adjust the value of the award if the award, in the Committee’s opinion taking all circumstances into account, produces an unfair result. In exercising this discretion, the Committee may take into account Unilever’s performance against non-financial measures. The Committee may apply malus to reduce a MCIP award granted under this Remuneration Policy or to GSIP or MCIP awards granted from 2013 under any previous remuneration policy, or determine that any such award will not vest or only vest in part in the event of a significant downward restatement of the financial results of Unilever, gross misconduct or gross negligence, material breach of Unilever’s Code of Business Principles or any of the Unilever Code Policies, breach of restrictive covenants by which the individual has agreed to be bound, or conduct by the individual which results in significant losses or serious reputation damage to Unilever. The annual bonus will also be subject to malus on the same grounds as apply for MCIP awards. This power is an addition to the normal discretion to adjust awards and the additional sustainability test outlined in the policy table.

For future awards under the MCIP, the Committee may change the terms of a performance measure or target in accordance with its terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so, and may adjust the number or class of shares subject to awards if certain corporate events (eg rights issues) occur. For legacy awards under the MCIP and GSIP, the Committee may change the terms of a performance measure or target during the performance period to take into account any structural changes relating to the shares or the Group (eg rights issues) in accordance with established market practice.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any relevant discretion) notwithstanding that they are not in line with this Remuneration Policy where the terms of the payment were agreed before this Remuneration Policy came into effect or at a time when the relevant individual was not a Director of Unilever N.V. or PLC and/or in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of Unilever N.V. or PLC. For these purposes, ‘payments’ includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are ‘agreed’ at the time the award is granted.

REMUNERATION SCENARIOS: OUR EMPHASIS ON PERFORMANCE-RELATED PAY
It is Unilever’s policy that the total remuneration package for Executive Directors should be competitive with other global companies and that a significant proportion should be performance-related.

For the remuneration scenarios below, the maximum and target pay opportunities have been chosen to be consistent with the current levels for Executive Directors. In reviewing the appropriate level of pay opportunity for the Executive Directors, the Committee considers internal and external comparators. Although pay is not driven by benchmarking, the Committee is aware that pay needs to be within a reasonable range of competitive practice. The Committee notes that total target pay for the Executive Directors is between median and lower quartile for the benchmark group used by the Committee (see page 53).

The Committee typically reviews, on at least an annual basis, the impact of different performance scenarios on the potential reward opportunity and payouts to be received by Executive Directors and the alignment of these with the returns that might be received by shareholders. The Committee believes that the level of remuneration that can be delivered in the various scenarios is appropriate for the level of performance delivered and the value that would be delivered to shareholders. The charts below show hypothetical values of the remuneration package for Executive Directors in the first full year of the policy (excluding the transition year) under three assumed performance scenarios. The dotted line reflects the point above which the Committee must make a further positive determination in order for the award value to vest, in line with the additional performance test set out in the Policy.

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<table>
<thead>
<tr>
<th>CEO - PAUL POLMAN Assuming 67% MCIP deferral</th>
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<tbody>
<tr>
<td>Maximum</td>
</tr>
<tr>
<td>17%</td>
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<td>26%</td>
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<tr>
<td>59%</td>
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<tr>
<td>€14.5m</td>
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<tr>
<td>Target</td>
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<tr>
<td>27%</td>
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<tr>
<td>36%</td>
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<td>55%</td>
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<td>€7.7m</td>
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<tr>
<td>Threshold</td>
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<tr>
<td>18%</td>
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<tr>
<td>€2.4m</td>
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</table>

<table>
<thead>
<tr>
<th>CFO - GRAEME PITHKETHY Assuming 67% MCIP deferral</th>
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<tbody>
<tr>
<td>Maximum</td>
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<tr>
<td>16%</td>
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<tr>
<td>28%</td>
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<tr>
<td>54%</td>
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<tr>
<td>€17m</td>
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<tr>
<td>Target</td>
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<tr>
<td>25%</td>
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<tr>
<td>38%</td>
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<td>58%</td>
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<tr>
<td>€11.1m</td>
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<tr>
<td>Threshold</td>
</tr>
<tr>
<td>18%</td>
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<tr>
<td>€2.1m</td>
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</table>
## DETAILS OF FIXED ELEMENT OF REMUNERATION FOR CEO AND CFO AND ASSUMPTIONS FOR SCENARIO CHARTS

### FIXED REMUNERATION

Assumptions as follows (for actual Executive Director pay details please see Annual Remuneration Report below):

- Fixed pay for CEO effective from 1 May 2018 = €1,773,772.
- Fixed pay for CFO = €1,162,874.
- Benefits assumed to be €612,296 for CEO and €23,648 for CFO.

### VARIABLE REMUNERATION

#### BELOW THRESHOLD
- No 2018 annual bonus payout and no vesting under the MCIP or the GSIP.

#### ON TARGET
- Target payout of the 2018 annual bonus (150% of fixed pay for the CEO and 120% of fixed pay for the CFO).
- Target vesting under the MCIP (1.5 x matching shares of the target 2018 annual bonus for CEO and CFO).
- Scenarios assume 67% of the gross annual bonus is invested.

#### MAXIMUM
- Maximum payout of the 2018 annual bonus (225% of fixed pay for the CEO and 180% of fixed pay for the CFO).
- Maximum vesting under the MCIP (3 x matching of the maximum 2018 annual bonus for CEO and CFO).
- Scenarios assume 67% of the gross annual bonus is invested.

### NOTES TO VARIABLE REMUNERATION

- Participants in the MCIP may choose how much they wish to invest in Unilever shares, up to 67% of the value of their gross annual bonus. At this level of investment (as shown above in the maximum scenario) the participant will likely have to invest all of their post-tax annual bonus and more than half of their after-tax fixed pay earned in the year (depending on the individuals’ personal tax situation). This would be a significant personal contribution into Unilever shares.
- Dividends, dividend equivalents and share price movements are ignored for the purposes of the illustrations above.

### MAXIMUM THAT COULD BE EARNED WITHOUT ADDITIONAL COMMITTEE APPROVAL

- The Committee have set a range of performance outcomes, above which the Committee will review both the quality and sustainability of actual underlying performance delivery, to ensure the appropriate payout is warranted.
- The above charts illustrate a pay outcome above which additional Committee approval may be required, being 75% of the maximum total incentive opportunity. See the MCIP section in the Remuneration Policy for full details.

### LEGACY ARRANGEMENTS

For the duration of this Remuneration Policy, entitlements arising before the adoption of this Remuneration Policy will continue to be honoured in line with the approved remuneration policy under which they were granted, or their contractual terms. The last award under the legacy MCIP was made on 11 February 2016, relating to the annual bonus earned in 2015, which will vest on 11 February 2019. The last award under the GSIP rules approved at the 2007 AGMs was made on 13 February 2017 and will vest on 13 February 2020. The last GSIP award under the Unilever Share Plan approved at the 2017 AGMs was made on 16 February 2018 and will vest on 16 February 2021. Further details of the terms of these awards can be found within the remuneration policy approved at the 2014 AGMs, and the relevant Annual Report and Accounts.

### PERFORMANCE MEASURES AND THE LINK TO STRATEGY

Performance measures are selected to align with Unilever’s short-term performance targets and long-term business strategy objectives. Unilever’s primary business objective is to create value in a sustainable way. Performance measures focus management on the delivery of a combination of top-line revenue growth and bottom-line profit growth that Unilever believes will build shareholder value over the longer term.

The measures chosen for the incentives will support the delivery of this objective, with distinct measures for each of the short- and longer-term incentive programmes. For the short-term incentive, we continue to have a balanced set of performance measures in terms of sales, profitability and cash flow. Performance measures for our long-term incentive relate to the key objectives driving long-term value creation for investors: growth [in the form of USG] is fundamental to our model; underlying earnings per share [UEPS] growth gives clear line of sight to share price via the Price/Earnings multiple; sustainability (USLP) is at the heart of our strategy for long-term value creation, and return on invested capital (ROIC) is an important measure of value creation, and an appropriate measure for ULE members given their decision-making responsibility regarding merger and acquisition activity.

The following sets out the performance measures for short- and long-term incentive plans to be awarded in 2018, as well as the business performance and the behaviours that they drive.
### Approach to Target Setting

<table>
<thead>
<tr>
<th>Incentive Plan</th>
<th>Performance Measure</th>
<th>Link to Strategy</th>
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<tbody>
<tr>
<td><strong>Short-term: Annual Bonus</strong></td>
<td>Underlying sales growth (USG) at constant rates</td>
<td>Clear, simple and well understood measure supporting the achievement of Unilever’s growth ambition</td>
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<tr>
<td></td>
<td>Underlying operating margin improvement (UOM) at current rates</td>
<td>Underlines the importance of achieving increasingly profitable growth</td>
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<tr>
<td></td>
<td>Free cash flow (FCF) at current rates</td>
<td>Provides clear focus on the achievement of Unilever’s cash generation ambition and on cost reduction</td>
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<tr>
<td><strong>Long-term: MCIP</strong></td>
<td>Underlying sales growth (USG) (compound annual growth rate (CAGR) at constant rates)</td>
<td>Supports the achievement of Unilever’s ambition to deliver sustainable growth over the longer term</td>
</tr>
<tr>
<td></td>
<td>Underlying earnings per share (UEPS) growth at current rates</td>
<td>Provides focus on shareholder value creation through a measure which is widely understood and applied externally by investors in valuing companies</td>
</tr>
<tr>
<td></td>
<td>Return on invested capital (ROIC)</td>
<td>Supports disciplined investment of capital within the business and discourages acquisitions with low returns and long paybacks (an especially relevant measure for members of the ULE who make investment decisions)</td>
</tr>
<tr>
<td></td>
<td>Unilever sustainability progress index (USLP)</td>
<td>The Unilever Sustainable Living Plan (USLP) helps to secure long-term value creation by decoupling our growth from our environmental impact, while increasing our positive social impact. To avoid over-focus on any one element of the USLP, the progress index is an assessment made by the Committee (with input from the Corporate Responsibility Committee) taking into account progress towards the targets in our reported USLP scorecard.</td>
</tr>
<tr>
<td><strong>Long-term: GSIP</strong></td>
<td>USG at constant rates</td>
<td>Supports the achievement of Unilever’s ambition to deliver sustainable growth over the longer term</td>
</tr>
<tr>
<td></td>
<td>UOM at current rates</td>
<td>Underlines the importance of achieving sustainable profitable growth over the longer term</td>
</tr>
<tr>
<td></td>
<td>Cumulative operating cash flow</td>
<td>Provides clear focus on the achievement of Unilever’s cash generation ambition and on cost reduction</td>
</tr>
<tr>
<td></td>
<td>Relative total shareholder return (TSR)</td>
<td>Provides a relative ranking of share price growth and dividend compared with a set of peer companies</td>
</tr>
</tbody>
</table>

The Committee sets performance targets for incentive plans, taking into account internal budgets, business priorities and external forecasts so that the targets are sufficiently stretching. Good performance results in target payout while maximum payout is only achieved for delivering exceptional performance.
DIFFERENCES IN PAY POLICY GENERALLY
As the Chairman’s letter sets out, we now propose to bring the reward arrangements for our Executive Directors in line with those introduced in 2017 for the rest of our ULE and 'Top 500' managers, ie simplifying pay for this whole population into three elements:

- fixed pay;
- annual bonus; and
- MCIP.

The core principle of our new Reward Framework is to continue to drive an ‘owner’s mindset’. All executives must now continuously invest more of their annual bonus in Unilever shares to maintain current levels of pay. We believe this drives executives to apply an even stronger owner’s mindset in everything they do. The implementation of the new Reward Framework for senior management below Board level has been a success, and we will extend the implementation in 2018 to the next layer of management to encompass Unilever’s top 5,000 managers.

Accordingly, our MCIP is now the only long-term incentive for this senior population. The new Reward Framework has been structured in a way to maintain broadly the same levels of pay for target performance, if they continue to invest 67% of their gross annual bonus in Unilever shares through the MCIP.

We plan to continue applying the principles driving these proposals to the way we pay all of our 15,000+ managers, not just our senior leaders. As a responsible employer with around 161,000 people in 113 countries as at year end, we are also very mindful of how we pay our many non-management staff.

Remuneration arrangements are determined throughout the Group based on the same principle: that reward should support our business strategy and should be sufficient to attract and retain high-performing individuals without paying more than is necessary. Unilever is a global organisation with employees at a number of different levels of seniority and in a number of different countries and, while this principle underpins all reward arrangements, the way it is implemented varies by geography and level.

In principle, all our managers participate in the same Unilever annual bonus scheme with the same performance measures based on Unilever’s overall performance. All middle and senior management are invited to participate in the MCIP, which in 2018 will be extended to approximately 12,000 more junior managers worldwide as well. Wherever possible, all other employees have the opportunity to participate in the global ‘buy 3 get 1 free’ employee share plan called ‘SHARES’, which is offered in more than 100 countries.

Through these initiatives we will encourage all our employees fully to adopt an owner’s mindset with the goal of achieving our growth ambition, so they can continuously reinvest and share in the future long-term success of Unilever.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP
When determining the pay of Executive Directors, the Committee considers the pay arrangements for other employees in the Group, including considering the average global pay review budget for the management population, to ensure that remuneration arrangements for Executive Directors remain reasonable.

Unilever employs around 161,000 people in 113 countries as at year end and, given this geographic spread and other factors, the Committee did not consider that it was appropriate to consult employees on the Remuneration Policy for Executive Directors during the year. However, Unilever takes the views of its employees seriously and on an ongoing basis we conduct the ‘Rate-My-Reward’ survey to gauge the views of employees on the different parts of their reward package.

The Committee has taken note of Unilever’s Fair Compensation Framework and the advanced living wage awareness initiative together with responsible supplier policies within the Group. Over the last three years we have also offered the SHARES plan to our non-management staff around the world. We will continue to advance these initiatives over the year ahead and beyond to enhance the livelihoods of all our employees.


CONSIDERATION OF SHAREHOLDER VIEWS
The Committee takes the views of shareholders seriously. We maintain an open and regular dialogue with our shareholders on remuneration matters, including consulting with our largest investors and shareholder representative bodies, when we are considering making material changes to our Remuneration Policy. Accordingly, shareholders have been consulted extensively and their views have been influential in shaping this Remuneration Policy. Their feedback influenced our proposals in relation to the balance between fixed and variable pay, between the annual bonus and MCIP components, and the development of the additional sustainability test on payouts above set levels.

MINIMUM SHAREHOLDING REQUIREMENT
The remuneration arrangements applicable to our Executive Directors require them to build and retain a personal shareholding in Unilever (within five years from the date of appointment with extra time granted if requirements increase significantly) to align their interests with those of Unilever’s long-term shareholders. The current requirement is 5 x base salary for the CEO and 4 x base salary for the CFO. When the new Remuneration Policy takes effect, these requirements will be measured over fixed pay.

Upon leaving Unilever, all Executive Directors will be required to maintain at least 100% of their minimum shareholding requirement for one year after leaving, and at least 50% for two years after leaving. If the leaver has not yet met their shareholding requirements on departure they will be required to retain the shares they do own up to these limits. Upon vesting of MCIP match shares, Executive Directors will have to wait one additional year to ensure there is a five-year duration between the grant of the Match shares and the first date on which the vested Match shares can be sold.

The additional one year retention requirement for Executive Directors after MCIP match shares vest will fall away two years after Executive Directors leave Unilever. This fully aligns the requirement for additional retention with the existing post-termination holding requirements.
### REMUNERATION POLICY FOR NEW HIREES

<table>
<thead>
<tr>
<th>AREA</th>
<th>POLICY AND OPERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td>The Committee will pay new Executive Directors in accordance with the approved Remuneration Policy and all its elements as set out herein above. The terms of service contracts will not overall be more generous than those of the current CEO and CFO summarised below in the ‘service contracts’ paragraph. The ongoing annual remuneration arrangements for new Executive Directors will therefore comprise fixed pay, benefits, annual bonus and MCP1. In addition, the recruitment policy below permits the Committee to take the following actions, as appropriate, in the best interests of Unilever and its shareholders. For internal promotions, any variable remuneration element awarded in respect of a prior role may be paid out according to its original terms.</td>
</tr>
<tr>
<td><strong>Fixed pay</strong></td>
<td>Fixed pay would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Benefits provision would be in line with the approved relevant Remuneration Policy. Where appropriate the Executive Director may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the Executive Director is employed. In addition, the Committee may agree that Unilever will pay certain allowances linked to repatriation on termination of employment.</td>
</tr>
<tr>
<td><strong>Incentive awards</strong></td>
<td>Incentive awards would be made under the annual bonus and MCP1 in line with the relevant Remuneration Policy. In addition to normal incentive awards, additional awards may be made to align the joiner as quickly as possible with Unilever’s long-term goals, and to reflect value forfeited through an individual leaving their current employer.</td>
</tr>
<tr>
<td><strong>Transition awards</strong></td>
<td>In the event that we were to appoint a new Executive Director, the Committee’s preferred approach would be to align the incoming Executive Director with our own performance-based Reward Framework by requiring them to invest in Unilever shares from the outset and aligning them fully with our inflight MCP1 performance cycles and targets alongside their new MCP1 performance cycle. The policy will state that the long-term incentive will be vested in their first year of employment at Unilever. We see this as the most sustainable approach to the remuneration of incoming Executive Directors over the longer term. To achieve this, we propose where appropriate to offer incoming Executive Directors a Transition Award (TA) instead of a buy-out arrangement. The TA should normally be no more valuable than the awards forgone.</td>
</tr>
<tr>
<td><strong>Buy-out awards</strong></td>
<td>The Committee will determine the size of the TA based on individual circumstances, with the aim that the TA should normally be no more valuable than any awards forgone. As stated above, to be eligible for the TA, the Executive Director must invest no less than a corresponding percentage of actual annual bonus into new cycles of MCP1 starting in each of the years that the TA vests. The TA vesting in any year will be forfeited if the corresponding level of investment in MCP1 has not been made. The TA may be worth up to 25% of the new Executive Director’s initial target annual bonus and vested 25% per year thereafter at the actual performance multiplier (0x to 3x) for the MCP1 cycle ending in the corresponding year, and so is entirely subject to Unilever’s performance.</td>
</tr>
</tbody>
</table>

**Notes**

- The Committee reserves discretion to make appropriate joining arrangements with the intention that the TA or buy-out awards in aggregate should normally be no more valuable than the awards forgone. Accordingly, the Committee may elect to compensate Executive Directors hired from outside for any awards they lose by leaving previous employers on a like-for-like basis (although a TA may form part of this). Incoming Executive Directors will be required to retain all shares vesting from any share awards until their minimum shareholding requirements have been met in full.
- If a buy-out award is required, the Committee would aim to reflect the nature, timing, and value of awards forgone in any replacement awards. Awards may be made in cash, shares, or a combination of cash and shares, and may be granted by any other method as deemed appropriate by the Committee of Unilever. Where a TA is made, share awards will be replaced with share awards. Where performance measures applied to the forfeited awards, performance measures will be applied to the replacement award or the award size will be discounted accordingly. In establishing the appropriate value of any buy-out the Committee would also take into account the value of the other elements of the new remuneration package. The Committee would aim to minimise the cost to Unilever, although buy-out awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced.
SERVICE CONTRACTS

POLICY IN RELATION TO EXECUTIVE DIRECTOR SERVICE CONTRACTS AND PAYMENTS IN THE EVENT OF LOSS OF OFFICE

| SERVICE CONTRACTS & NOTICE PERIOD | Current Executive Directors’ service contracts are terminable upon notice (12 months’ notice from Unilever, 6 months’ notice from the Executive Director), and are available for shareholders to view at the AGMs or on request from the Group Secretary. Starting dates of the service contracts for the current CEO and CFO: CEO: 1 October 2008 (signed on 7 October 2008); and CFO: 1 October 2015 (signed on 16 December 2015). |
| TERMINATION PAYMENTS | A payment in lieu of notice can be made, to the value of no more than 12 months’ fixed pay and other benefits (unless the Boards, at the proposal of the Committee, find this manifestly unreasonable given the circumstances or unless dictated by applicable law). |

OTHER ELEMENTS

- Executive Directors may, at the discretion of the Boards, remain eligible to receive an annual bonus for the financial year in which they cease employment. Such annual bonus will be determined by the Committee taking into account time in employment and performance.
- Treatment of share awards is as set out in the section on leaver provisions, below.
- Any outstanding all-employee share arrangements will be treated in accordance with HMRC-approved terms.
- Other payments, such as legal or other professional fees, reparation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate.
- The Committee reserves the discretion to approve gifts to Executive Directors who are retiring or who are considered by the Boards to be otherwise leaving in good standing (eg those leaving office for any reason other than termination by Unilever or in the context of misconduct). If the value of the gift for any one Executive Director exceeds £5,000 it will be disclosed in the Annual Remuneration Report. Where a tax liability is incurred on any such a gift, the Committee has the discretion to approve the payment of such liability on behalf of the Executive Director in addition to the value of the gift.

LEAVER PROVISIONS IN SHARE PLAN RULES

| INVESTMENT SHARES (MCIP) | ‘GOOD LEAVERS’ AS DETERMINED BY THE COMMITTEE IN ACCORDANCE WITH THE PLAN RULES* |
| MATCHING SHARES (MCIP), PERFORMANCE SHARES (GSIP) | LEAVERS IN OTHER CIRCUMSTANCES* |
| Investment shares are not impacted by termination (although they may be transferred to the personal representative of the Executive Director in the event of his or her death without causing the corresponding matching shares to lapse). | Investment shares are not impacted by termination. |
| Awards will normally vest following the end of the original performance period, taking into account performance and (unless the Boards on the proposal of the Committee determine otherwise) pro-rated for time in employment. Alternatively, the Boards may determine that awards shall vest upon termination based on performance at that time and pro-rated for time in employment (unless the Boards on the proposal of the Committee determine otherwise). If an Executive Director dies, awards will vest at the time of death at the target level of vesting (pro-rated for time in employment if the director had previously left as a good leaver). | Awards will normally lapse upon termination. |

CHANGE OF CONTROL

- Investment shares may normally be disposed of in connection with a change of control without causing the corresponding matching shares to lapse. Alternatively, Executive Directors may be required to exchange the investment shares for equivalent shares in the acquiring company.

* An Executive Director will usually be treated as a good leaver if he or she leaves due to ill-health, injury or disability, retirement with Unilever’s agreement or redundancy. The Boards may decide to treat an Executive Director who leaves in other circumstances as a good leaver. An Executive Director will not be treated as a good leaver if he or she chooses to leave for another job elsewhere unless the Boards determine otherwise, if he or she is summarily dismissed or leaves because of concerns about performance. In deciding whether or not to treat an Executive Director as a good leaver, the Boards will have regard to his or her performance in the role.

If Unilever is affected by a demerger, special distribution or other transaction which may affect the value of awards, the Committee may allow matching shares under the current and legacy MCIP and performance shares under the GSSIP to vest early over such number of shares as it shall determine (to the extent any performance measures have been met) and awards may be pro-rated to reflect the acceleration of vesting at the Committee’s discretion.
DIRECTORS’ REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS

KEY ASPECTS OF UNILEVER’S 2018 FEE POLICY FOR NON-EXECUTIVE DIRECTORS

APPROACH TO SETTING FEES

Non-Executive Directors receive annual fees from Unilever N.V. and PLC. The Boards determine Non-Executive Director fee levels, which are limited to €5,264,200 in total per year (which number is based on the limits as currently approved by N.V. and PLC shareholders using 2017 average FX rate [1$ = €1.14210]).

Unilever’s policy is to set fees at a level which is sufficient to attract, motivate and retain high-class talent of the calibre required to direct the strategy of the business. They are set taking into account:

- Unilever’s Group-wide reward philosophy;
- the commitment and contribution expected by the Group; and
- fee levels paid in other global non-financial services companies based in Europe.

Fees are paid in cash.

OPERATION

Unilever applies a modular fee structure for Non-Executive Directors to ensure we fairly reflect the roles and responsibilities of Committee membership and Chairmanship. Our basic philosophy is to pay the Chairman an all-inclusive fee. Other Board members receive a basic fee and additional fees for being Vice-Chair, chairing or membership of various Committees. The fees are currently split 50/50 between PLC (in sterling) and NV (in euros).

The Boards may decide to pay fees in any other currency based on such foreign exchange rates as the boards shall determine, provided total Non-Executive Director fees stay within the annual limits as approved by shareholders from time to time. The 2018 fee structure can be found in the Annual Remuneration Report on page 71. The fee structure may vary from year to year within the terms of this Remuneration Policy.

Fees are normally reviewed annually but may be reviewed less frequently.

Additional allowances are made available to Non-Executive Directors where appropriate, to reflect any additional time commitment or duties.

OTHER ITEMS

Non-Executive Directors are encouraged to build up a personal shareholding of at least 100% of their total annual fees over the five years from appointment.

Non-Executive Directors are not entitled to participate in any of the Group’s incentive plans.

All reasonable travel and other expenses incurred by Non-Executive Directors in the course of performing their duties are considered to be business expenses and are reimbursed together with any tax payable. Non-Executive Directors also receive expenses relating to the attendance of the Director’s spouse or partner, when they are invited by Unilever.

Other benefits or additional payments may be provided in the future if, in the view of the Boards, this is considered appropriate. Such benefits and/or payments would be within the total annual limits as approved by shareholders as described above.

The Committee reserves the discretion to approve gifts to Non-Executive Directors who are retiring or who are considered by the Board to be otherwise leaving in good standing (e.g. those leaving office for any reason other than termination by Unilever or in the context of misconduct). If the value of the gift for any one Non-Executive Director exceeds £5,000 it will be disclosed in the Annual Remuneration Report. Where a tax liability is incurred on any such gift the Committee has the discretion to approve the payment of such liability on behalf of the Non-Executive Director in addition to the value of the gift.

REMUNERATION POLICY FOR NEW NON-EXECUTIVE DIRECTOR HIRES

In the event of hiring a new Non-Executive Director, the Committee will align the remuneration package with the Remuneration Policy as set out above.

NON-EXECUTIVE DIRECTORS’ LETTERS OF APPOINTMENT

The terms of engagement of Non-Executive Directors are set out in letters of appointment which each Non-Executive Director signs upon appointment. Non-Executive Directors are currently appointed for a one-year term, subject to satisfactory performance, renomination at the discretion of the Boards on the recommendation of the Nominating and Corporate Governance Committee and re-election at forthcoming annual shareholder meetings. It is Unilever’s expectation that Non-Executive Directors serve for a minimum of three years. The letters of appointment allow for Unilever to terminate a Non-Executive Director’s appointment in cases of gross misconduct, bankruptcy or where the Non-Executive Director is prevented from occupying such a position by law.

The letters do not contain provision for notice periods or compensation if the Non-Executive Directors’ appointments are terminated by Unilever. Non-Executive Directors may terminate their engagement upon three months’ notice. Except in exceptional circumstances, the Boards will not propose Non-Executive Directors for renomination when nine years have elapsed since the date of their appointment. Letters of appointment are available for inspection on request from the Group Secretary.

In considering appointments to the Boards, the Directors and Unilever give due consideration to the time commitment required to fulfil the role appropriately.