Explanation of Unilever's % Business Winning Measure

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Why do we measure competitiveness?

- We want to ensure we grow ahead of our markets, no matter whether they are growing strongly or are facing challenges
- Competitiveness is one driver of Underlying Sales Growth, and supports our number one priority of accelerating top line growth within our multi-year framework of 3-5%
- Winning market share in the majority of our portfolio is an important indicator of operational excellence and stepping up our competitiveness continues to be a priority
- We have included % business winning in our long term reward framework, this ensures that everyone from manager level upwards is targeted on winning in the market place
- It is a measure also used by other companies to communicate competitiveness

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Why is % business winning the best measure of competitiveness?

Incentivises broad-based growth

- The metric incentivises all cells to keep winning share, not just the big cells
- Once you are winning in a cell there is no BW% benefit to winning bigger in that cell (but you need to keep winning to avoid it turning negative), because the outcome is a binary “winning” or “losing”. To achieve business winning at our target level, we have to win across a broad range of different cells
- The alternative metric of growing aggregate market share (across all the businesses we are in) can incentivise a continued focus on winning big in large market cells, and neglecting share growth in other cells

All winning cells contribute, independently of market growth

- The alternative metric of growing aggregate market shares (weighted on market size of each cell) can give misleading outcomes. As market growths and market positions differ across the portfolio, an overall increase in share can be generated without gaining share at a local cell level (e.g. aggregate share could improve just by having a low market share in a declining category without actually growing share in any cell) – see appendix for example calculations
- Under the business winning metric, only *winning cells* contribute to the global number

We consider success as consistently exceeding 50% business winning on a 12 month Moving Annual Total (MAT)/L52W basis

How is % business winning calculated?

- We measure competitiveness on a MAT/ L52W basis
- MAT / L52W is the best period to look at, as shorter periods (such as L12W) can be very volatile and are not a good indicator of long term competitiveness
- Any individual cell (e.g. Brazil deodorants) is winning when the value market share over a 12 month period improves vs. the prior corresponding period
- Only share gain counts towards % business winning
- Cells are weighted by turnover when calculating overall % business winning, so large cells contribute more than small cells
- Holding share does not count as a win

See next slides for calculation illustration

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Market share assessed at a cell level

Any individual cell (e.g. Brazil deodorants) is winning when the value market share over a 12 month period, improves vs. the prior corresponding period

Example 1: a single cell assessment

	MAT (L52W)			
	Value Market Share over a current 12 month period	Value Market Share over the previous 12 month period	Bps share movement	Winning/ losing
Brazil deos	30.3%	30.0%	+30bps	Winning

Illustrative numbers only

Overall Business Winning is weighted on size of each cell

Unilever has many cells of different sizes.
Example 2: a business with just 3 cells of different sizes

	Turnover* % of total	June MAT / L52W	Sept L12W	Dec L12W	Mar L12W	June L12W
Cell X	40%	Losing	Losing	Winning	Losing	Winning
Cell Y	35%	Winning	Winning	Winning	Winning	Losing
Cell Z	25%	Winning	Winning	Losing	Winning	Winning
%Business Winning	Cell Y 35% + Cell Z 25%	60%	60%	75%	60%	65%

Simple average

does not equal 65%

* Weighted basis prior full year turnover

Summary

- % business winning is the most appropriate measure for incentivising long term competitiveness
- USG is our short term incentive measure and % business winning is our long term incentive measure. They complement each other and help drive competitive growth
- Success is consistently being above 50% business winning on a 12 month MAT / L52W basis
- Strong governance is in place through Board Compensation Committee

Appendix

Example 1: Two cells can lose share, but aggregated market share (in bps) can still show an improvement

Business winning does not recognise cells that are losing market share. This is a fair representation of cells that are losing share, and easily allows us to identify and correct losing cells.

Example 2	Market size CY	Market Size PY	Market Growth	Turnover *(FY PY)*	Market Share CY	Market Share PY	Share bps mvmt	% BW
Cell 1	1000	900	11%	300	39%	40%	- 100	No
Cell 2	450	500	-10%	40	9%	10%	- 100	No
Total	1450	1400	4%	340	29.7%	29.3%	40	0%

Although both cells are losing, total market share is positive due to market size and growth

% business winning reflects share losses in both cells

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Example 2: Two cells can win share, but aggregated market share (in bps) can still show a decline

Business winning recognises cells that are winning market share, without being distorted by market size or growth. This is a fair representation of share gains on a cell basis, which is how we run the business.

Example 1	Market size CY	Market Size PY	Market Growth	Turnover *(FY PY)*	Market Share CY	Market Share PY	Share bps mvmt	% BW
Cell 1	1000	900	11%	200	25%	24%	100	Yes
Cell 2	250	100	150%	1	2%	1%	100	Yes
Total	1250	1000	25%	201	20.4%	21.7%	- 130	100%

Although both cells are winning, total market share is negative due to market size and growth

% business winning reflects share gains in both cells

Example 3: Cells with a large market size (but low turnover) can be disproportionately represented in aggregated market share measures

Business winning is weighted based on a cell's turnover, so is not distorted by external size of market which may not be relevant to our business.

Example 3	Market size CY	Market Size PY	Market Growth	Turnover *(FY PY)*	Market Share CY	Market Share PY	Share bps mvmt	% BW
Cell 1	400	300	33%	200	81%	80%	100	Yes
Cell 2	4000	4000	0%	50	1%	3%	- 200	No
Total	4400	4300	2%	250	8.3%	8.4%	- 10	80%

High weighting given to cell with low turnover

%BW reflects win in cell with larger turnover