Directors' Remuneration Policy

Policy report

The following sets out our new Directors' Remuneration Policy (the Remuneration Policy). It fundamentally continues our existing policy principles with some key proposed changes, which are discussed below.

This new Remuneration Policy will be presented for approval by shareholders at the 2021 AGM 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 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.

Operation

Set by the Board 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

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 Board 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 25% for each Director.

Supporting information

The maximum aggregate increase to fixed pay has been increased to 25% over the life of this Policy. This change is being made to provide the Committee flexibility in the case of any unforeseen circumstances. The Committee would engage with shareholders in the event that a material fixed pay increase is proposed.

* The current peer group includes Anheuser-Bush InBev, Bayer, BP, British American Tobacco, Danone, Diageo, GlaxoSmithKline, Heineken, Hermes Intl., L'Oréal, LVMH, Nestlé, Novartis, Reckitt Benckiser, Royal Dutch Shell, Sanofi, Total and Volkswagen (XET). 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.

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

Opportunity

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.

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.

Annual bonus

Purpose and link to strategy

Incentivises 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.

Directors are required to defer 50% of their bonus into shares or share awards for three years. Deferred bonus awards can earn dividends or dividend equivalents during the vesting period and may be satisfied in cash and/or shares. Deferral may be effected under the Unilever Share Plan, or by such other method as the Committee determines.

Ultimate remedy/malus and claw-back provisions apply (see details on page 81).

Opportunity

The maximum annual bonus opportunity under this Policy is 225% of fixed pay.

The normal target bonus opportunity for the CEO is 150% of fixed pay, and for the CFO is 120% of fixed pay. This results in normal maximums of 225% and 180% respectively.

Achievement of threshold performance results in a payout of 0% of the maximum opportunity.

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), along with any other measures chosen by the Committee, as appropriate. The Committee also sets the weightings of the respective metrics on an annual basis.

The Committee has discretion to adjust the formulaic outcome of the business performance multiplier, 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

There are two changes from the previous policy. The first is the requirement for 50% of bonus to be deferred, rather than voluntarily invested into the Management Co-Investment Plan (the historic long-term incentive plan). The second is that the Committee can now override any formulaic outcome (including to nil), instead of being limited to adjusting by 25%. This is in line with best practice and the UK Corporate Governance Code. Any exercise of discretion will continue to be disclosed in full in the relevant directors' remuneration report.

The Policy sets out a single maximum opportunity that applies to any potential Executive Director, this is different to the previous policy which sets out different maximum opportunities for each Director. This is intended to simplify the Policy, and provide flexibility if needed over the course of the Policy. If the Committee sought to increase the annual grant for the CFO, it would only do so after engaging with shareholders.

Performance Share Plan (PSP)

Purpose and link to strategy

Operation

The Performance Share Plan (PSP) replaces the Management Co-Investment Plan (MCIP) as the sole long-term incentive plan (LTIP). Under the PSP, Executive Directors are granted rights to receive free shares on vesting (awards) which normally vest after three years, to the extent performance conditions (described below) are achieved. Upon vesting, Executive Directors will have an additional two-year retention period (during which shares cannot be sold) to ensure there is a five-year duration between the grant of the award and release of the shares.

Ultimate remedy/malus and claw-back provisions apply (see details on page 81).

Opportunity

The maximum annual grant available under this Policy is 400% of fixed pay.

The normal maximum award for the CEO is 400% of fixed pay, and for the CFO is 320% of fixed pay. At target 50% of maximum vests, equating to 200% and 160% of fixed pay respectively. 0% of the award will vest for below threshold performance. The amount payable for threshold performance will be disclosed for each metric in the relevant directors' remuneration report.

Dividend equivalents may be earned (in cash or additional shares) on the award when and to the extent that the award vests. Dividends or dividend equivalents will also be payable in respect of dividends paid during the retention period.

Performance measures

The Committee sets performance measures for each PSP award. These will be tested over the three financial years starting with the financial year in which the award is granted.

The performance measures for the PSP grants in 2021 will be: Competitiveness: % Business Winning Market Share (% Business Winning), Cumulative Free Cash Flow (current FX rates), Return On Invested Capital (ROIC), and Sustainability Progress Index (SPI). ROIC and SPI are used currently and the other two measures are new. Each measure will have 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 these performance measures to reflect its assessment of the underlying long-term performance. The use of any discretion will be fully disclosed and explained in the directors' remuneration report for the year to which discretion relates.

Supporting information

Maximum opportunity as a percentage of fixed pay has reduced from 450% of fixed pay under the previous MCIP to 400% of fixed pay for the CEO under the PSP and from 360% of fixed pay to 320% of fixed pay for the other Executive Directors. Conversely, target opportunity has increased from 150% of fixed pay to 200% for the CEO and from 120% to 160% for other Executive Directors. As per the rationale included in the chairman's letter this increase in target opportunity will only be realised subject to performance against stretching three-year performance conditions and will be delivered fully in shares which executives will not be able to sell until five years after grant.

The Policy sets out a single maximum opportunity that applies to any potential Executive Director, this is different to the previous policy which sets out different maximum opportunities for each Director. This is intended to simplify the Policy, and provide flexibility if needed over the course of the Policy. If the Committee sought to increase the annual grant for the CFO, it would only do so after engaging with shareholders.

The PSP, which operates under the plan rules approved at the 2017 AGMs, is assessed over a three-year performance period and there is a retention period for executive directors for two additional years before those shares are released. This is the same total timeframe as the previous MCIP which had a four-year performance period and one-year holding period.

The Committee can now override any formulaic outcome (including to nil), instead of being limited to adjusting by 10%. This is in line with best practice and the UK Corporate Governance Code. Any exercise of discretion will continue to be disclosed and explained in full in the relevant directors' remuneration report.

Previously the Committee considered the quality and sustainability of underlying performance if the outcomes of any annual bonus and the MCIP it was invested in exceeded 75% of maximum. This strict requirement is removed due to the delinking of annual bonus and long-term incentives. However, the Committee will continue to assess the quality and sustainability of performance when determining if any adjustments are required to overall formulaic outcomes.

Elements of previous policy that will continue

MCIP 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 directors' remuneration reports for their respective years. This applies to the MCIP awards granted in 2017, 2018, 2019 and 2020. 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: Claw-back is the recovery of payments made under the annual bonus (including deferred bonus shares) or vested LTIP awards, (both PSP awards under this Remuneration Policy, and awards under any previous remuneration policies). The Committee may decide to apply claw-back for up to three years from the payment of bonus awards, and up to two years from vesting for the PSP or MCIP awards (including where awards vest prior to or during the retention period), in the event of:

- a significant downward restatement of the financial results of Unilever;
- error in calculation or misleading data; or
- corporate failure.

Claw-back may apply to all or part of a participant's payment or award and may be effected, among other means, by reducing outstanding awards, or requiring the return of the net value of vested awards to Unilever.

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Malus: Malus is the adjustment of bonus, unvested deferred bonus awards or unvested LTIP awards (both PSP awards under this Remuneration Policy, and predecessor awards under any previous remuneration policies). The Committee may apply malus to reduce an award or determine that it will not vest or only vest in part. Malus applies to deferred bonus awards during the three-year deferral period and to unvested LTIP awards (PSP awards under this Remuneration Policy and predecessor awards under any previous remuneration policies) during the vesting period and retention period, 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; and
- for PSP awards and deferred bonus awards, error in calculation or misleading data or corporate failure.

The annual bonus will also be subject to malus on the same grounds as apply for deferred bonus awards and unvested LTIP awards. This power is an addition to the normal discretion to adjust awards and the additional sustainability test outlined in the policy table.

Ultimate remedy: Awards under the PSP (and predecessor long-term incentives under 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.

These powers are in addition to the normal discretion to adjust awards and the additional sustainability test outlined in the policy table.

Ultimate remedy/malus and claw-back will not apply to an award which has been exchanged following a change of control and claw-back will not apply where an award vests on a change of control.

Committee discretion to amend targets/measures: For PSP awards (or MCIP awards under the previous policy) and annual bonus, the Committee may change a performance measure or target (including replacing a measure) in accordance with the award's terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so. The Committee may also adjust the number or class of shares subject to MCIP, PSP and deferred bonus awards if certain corporate events (e.g. rights issues) occur.

The Committee will continue to review targets on all unvested awards in the event of any material acquisitions or disposals that were not included in the financial plan, or were not anticipated at the time of target setting. The Committee may make adjustments if deemed appropriate to ensure that all targets remain relevant and equally stretching in light of any M&A activity, other corporate events, or any other event that the Committee considers to be material, that was not foreseen at the time of target setting.

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.

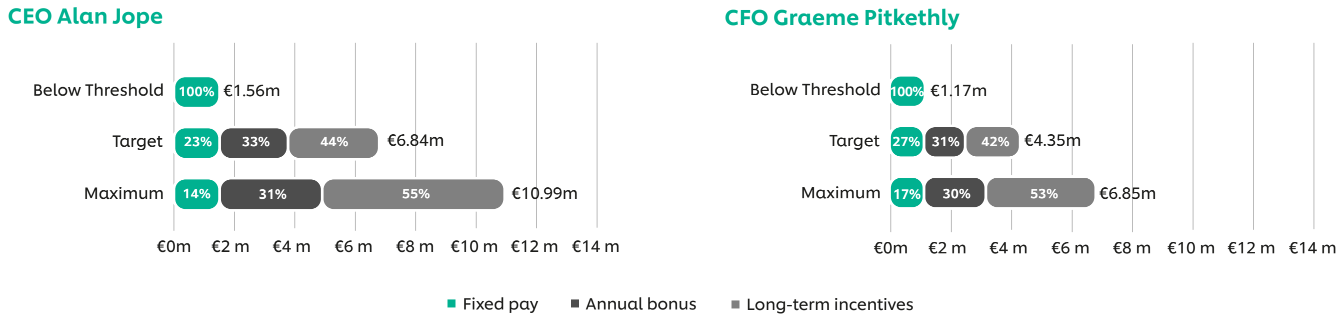
The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any relevant discretions) notwithstanding that they are not in line with this Remuneration Policy where the terms of the payment were agreed before this Remuneration Policy came into effect or at a time when the relevant individual was not a Director of Unilever and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of Unilever. 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 is slightly below lower quartile for the CEO and slightly below median for our CFO for the benchmark group used by the Committee.

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 under below threshold, target and maximum performance scenarios.



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 January 2021 = €1,508,000. ▪ Fixed pay for CFO = €1,135,960. ▪ Benefits assumed to be around €56,000 for CEO and €38,000 for CFO.	
Variable remuneration	Below threshold	▪ No 2021 annual bonus payout and no vesting under the PSP.
	On target	▪ Target payout of the 2021 annual bonus (150% of fixed pay for the CEO and 120% of fixed pay for the CFO). 50% of the bonus would be deferred for three years. ▪ Target vesting of 2021 awards under the PSP (200% of fixed pay for the CEO and 160% of fixed pay for the CFO).
	Maximum	▪ Maximum payout of the 2021 annual bonus (225% of fixed pay for the CEO and 180% of fixed pay for the CFO). 50% of the bonus would be deferred for three years. ▪ Maximum vesting under 2021 awards under the PSP (400% of fixed pay for the CEO and 320% of fixed pay for the CFO).
	Maximum with 50% share price increase	▪ As per maximum above, and in addition shows the impact of a share price increase of 50% from the date of grant to the date of vesting of the PSP award. The maximum remuneration payable to the CEO and CFO assuming a 50% share price between grant and vest of the PSP is EUR 14.01m and EUR 8.67m respectively.
	Notes to variable remuneration	▪ Dividends, dividend equivalents and (except as described above) share price movements are ignored for the purposes of the illustrations above.

Approach to target setting

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 and that will benefit all of our stakeholders.

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.

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.

The following sets out the performance measures for short- and long-term incentive plans to be awarded in 2021, as well as the business performance and the behaviours that they drive.

Performance measures and the link to strategy

Incentive plan	Performance measure	Link to strategy
Short-term: Annual Bonus	Underlying Sales Growth (USG) at constant FX rates	Clear, simple and well understood measure supporting the achievement of Unilever's growth ambition.
	Underlying Operating Margin Improvement (UOM) at current FX rates	Underlines the importance of achieving increasingly profitable growth.
	Free Cash Flow (FCF) at current FX rates	Provides clear focus on the achievement of Unilever's cash generation ambition.
Long-term: PSP	Competitiveness % Business Winning Market Share measure *New measure for this policy*	Growing faster than the market and so winning market share are key strategic drivers for our long-term sustainable growth.
	Cumulative Free Cash Flow at current FX rates measure *New measure for this policy*	Free Cash Flow from operating activities in current currency ensures sufficient cash is available to fund a range of strategic capital allocation choices.
	Return On Invested Capital (ROIC) at exit year %	Supports disciplined investment of capital within the business and encourages acquisitions which create long term value (an especially relevant measure for members of the ULE who make investment decisions).
	Unilever Sustainability Progress Index (Compass) (SPI)	Unilever is committed to demonstrating that the Compass, our purpose-led, future-fit strategy, drives superior performance, which protects our consumers, people, planet and society, customers, suppliers and business partners and shareholders. To capture the breadth and depth of the Compass in relation to the SPI, the Corporate Responsibility Committee and Compensation Committee agree a number of key performance indicators (KPIs) to assess progress towards the Compass targets in our reported Compass sustainability commitments (see page 10). These KPIs illustrate how Unilever aims to address a number of its principal risks such as brand preference, climate change, supply chain and ethics (see Our risks on page 44). For the 2021 PSP award, progress will be measured against the forerunner of the Compass, the Unilever Sustainable Living Plan (USLP).

Directors' Remuneration Report continued

Changes in pay policy generally

The key changes in the new Remuneration Policy are to:
- replace the current long-term incentive plan, the MCIP with the PSP – a long-term incentive plan that is operated entirely separately from the annual bonus plan;
- replace voluntary investment in the long-term incentive plan with a mandatory deferral of 50% of the annual bonus into shares or share awards, for three years;
- change the performance measures for the long-term incentive plan (to maximise the strategic alignment as outlined above);
- reduce maximum total pay; and
- maintain a five-year period from award to release on PSP by reducing the performance period from four years to three years, and increasing the retention period from one year to two years.

The Committee wants to increase the impact, traction and resilience of Unilever's incentives to drive sustainable long-term growth which can be better achieved with distinct short- and long-term incentive plans, enabling the Committee to set stretching but achievable performance targets over realistic timeframes. This change more closely aligns Unilever's reward structure with standard market practice.

By separating short- and long-term incentive plans the policy will further simplify executive pay. Currently, these are linked by our MCIP as the MCIP opportunity is driven by the outcome of the annual bonus plan. Delinking the two plans will deleverage incentives, reduce maximum pay and make our incentives more resilient and less dependent on the short-term incentive.

Change in target and maximum pay levels

In moving from the current MCIP to the proposed PSP structure, the quantum of the previous annual bonus has been unchanged and the quantum of the PSP has been increased at target and decreased at maximum. The overall result is an increase in target pay of 13%/12% for the CEO/CFO respectively and decrease in maximum pay of 6% for both individuals.

As fixed pay and annual bonus opportunities have been unchanged, this increase in target opportunity will only be realised subject to performance against stretching three-year performance conditions and will be delivered fully in shares which executives will not normally be able to sell until five years after grant. This is to create an even stronger alignment to both the long-term performance of the business and the shareholder experience, and to address shareholder comments on the levels of maximum pay available under the previous structure.

In determining the appropriate quantum, the Committee did consider external benchmarking data against a group of comparable major European companies. Whilst the Committee is not led by benchmarking data, or target a specific benchmark position, this data is used as a reference point to ensure that pay levels are not significantly out of line with the market. Under the proposed changes total target compensation is slightly below lower quartile for our CEO and slightly below median for our CFO. This is despite the fact that Unilever is above the upper quartile of this group by market capitalisation. The Committee believes this data shows that the proposals do not provide excessive levels of remuneration versus the market. In addition, the Committee believes that a lower level of target compensation would create undue risks in terms of retention or any future recruitment.

The Committee was also cognisant of the need to maintain a sufficient pay differential between the Executive Directors and the rest of the ULE and this modest increase at target pay helps the Committee to do this.

Application beyond the Board

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 and the requirement to defer 50% of bonus also extends to the ULE. The intention is to extend the new policy across all of Unilever's 14,400+ managers worldwide in 2021. 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 continue to encourage all our employees to adopt an owner's mindset with the goal of achieving our growth ambition, so they can share in the future long-term success of Unilever.

Stakeholders' considerations:
Guided by our purpose-led and future-fit business model the Committee has applied a multi-stakeholder approach in reviewing the current reward framework in view of the 2021 policy renewal. The Committee has therefore engaged with various stakeholders, both internally and externally as set out below.

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 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.

In establishing the Future Reward Framework, Unilever conducted an employee survey amongst its WL1+ population to seek their views on Unilever's approach to reward. Interviews and focus groups have also been organised for the management population to receive feedback on the proposed Future Reward Framework. In addition, the company consulted with the European Works Council and employee representation bodies in other relevant jurisdictions. Employees value the mix between fixed and variable pay, and the various benefits (including non-cash benefits), but there is also a desire for more flexibility in reward to fit individual's different life stages. The Future Reward Framework is well received for its simplicity and market alignment. It is seen as a more competitive, inclusive and fair reward programme. The ability to receive the bonus in cash rather than having to invest it to receive a long-term incentive award is valued in times of uncertainty caused by the Covid-19 pandemic. More senior employees would have preferred the continuation of an attractive opportunity to investment in Unilever shares. Based on feedback from the European Works Council, we will continue to explore opportunities to widen and deepen Unilever's all-employee share scheme.

Fairness in the workplace is a core pillar of the Compass and incorporates our Framework for Fair Compensation. As part of our Framework's living wage element, we are committed to pay a living wage to all our direct employees. At the end of 2020, 100% of Unilever's direct employees globally were paid at or above a certified living wage level. Further detail can be found on page 19. The living wage principle is also endorsed as good practice in Unilever's Responsible Sourcing Policy. The Committee already upholds its obligation under Section 172 of the UK Companies Act 2006 (see page 14) to consider the impact of what we do on our multiple stakeholders. These considerations shape the way the Committee looks at pay and sets pay rates for our Executive and Non-Executive Directors relative to our wider workforce. We will continue to advance these initiatives over the years ahead to enhance the livelihoods of all our employees.

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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 PSP components, and the performance measures for the incentives. Further details can be found on page 77.

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 500% fixed pay for the CEO and 400% fixed pay for the CFO. All shares beneficially owned and any awards not subject to performance conditions (but, for example, subject to retention or deferral periods) count towards the shareholding requirement (on an estimated net of tax basis if tax is expected to be payable). Incoming Executive Directors will be required to retain all shares vesting from any share awards (net of any sales to cover tax) until their minimum shareholding requirements have been met in full.

Any Executive Director who leaves after the date the new Remuneration Policy has effect will be required to maintain at least 100% of their minimum shareholding requirement for two years after leaving. These shares will be held in the Company nominee vested accounts. 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. This requirement can be waived in certain exceptional personal circumstances (e.g. death, disability, ill health).

Remuneration Policy for new hires

Area	Policy and operation
Overall	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 PSP. For internal promotions, any variable remuneration element awarded in respect of a prior role may be paid out according to its original terms.
Fixed pay	Fixed pay would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.
Benefits	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.
Incentive awards	Incentive awards would be made under the annual bonus and PSP in line with the relevant remuneration policy. Off-cycle PSP awards may be made on joining for the year of joining, subject to the normal maxima.
Buy-out awards	The Committee may grant awards to compensate Executive Directors hired from outside for any awards they lose by leaving previous employers broadly on a like-for-like basis. 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 any other method as deemed appropriate by the Committee. Where possible, 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.

Directors' Remuneration Report continued

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 not for a fixed duration but are terminable upon notice (12 months' notice from Unilever, six months' notice from the Executive Director), and are available for shareholders to view at the AGM or on request from the Group Secretary. Starting dates of the service contracts for the current CEO and CFO: CEO: 1 January 2019 (signed on 16 December 2020); 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 dictated by applicable law).
Other elements	▪ Executive Directors may, at the discretion of the Board, 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, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate. Additional payments may be permitted at the proposal of the Committee if the Committee considers not allowing such a payment would be manifestly unreasonable given the circumstances. ▪ The Committee reserves the discretion to approve gifts to 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 Executive Director exceeds £5,000 it will be disclosed in the relevant directors' 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

	'Good leavers' as determined by the Committee in accordance with the plan rules*	Leavers in other circumstances*	Change of control
Investment shares under the MCIP	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.	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.
PSP awards and awards of matching shares under MCIP	Awards will normally vest following the end of the original performance period, taking into account performance and (unless the Board on the proposal of the Committee determine otherwise) pro-rated for time in employment. Alternatively, the Board may determine that awards shall vest upon termination based on performance at that time and pro-rated for time in employment (unless the Board on the proposal of the Committee determine otherwise). If an Executive Director dies or leaves due to ill health, injury or disability, awards will vest at the time of death or leaving at the target level of vesting (in case of death pro-rated for time in employment if the Director had previously left as a good leaver).	Awards will normally lapse upon termination.	Awards will vest based on performance at the time of the change of control and the Board, on the proposal of the Committee, have the discretion to pro-rate for time. Alternatively, Executive Directors may be required to exchange the awards for equivalent awards over shares in the acquiring company. The retention period of a PSP award will end on a change of control.
Deferred bonus awards	Unvested deferred bonus awards will continue in effect and vest on the normal timescale unless the Executive Director is terminated for misconduct or breach of the terms of their employment, unless the Committee decides otherwise.		Unvested deferred bonus awards vest in full.

* 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, or death in service. The Board 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 Board determines 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 Board 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 PSP awards, matching shares under legacy MCIP and/or deferred bonus awards 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.

Non-Executive Directors

Key aspects of Unilever's 2021 fee policy for Non-Executive Directors

Approach to setting fees	Non-Executive Directors receive annual fees from Unilever. The Board determine Non-Executive Director fee levels, which are limited to the aggregate amount permitted by the Company's articles of association, as approved by shareholders from time to time (which is currently £2 million (€2,253,013) per year, and will, subject to shareholder approval at the 2021 AGM increase to €5 million per year (which reflects the applicable limit as approved by shareholders prior to Unification). 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 without paying more than necessary. They are set taking into account: ▪ the commitment and contribution expected by the Group; ▪ fee levels paid in other global non-financial services companies based in Europe; and ▪ that 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 Senior Independent Director, chairing or membership of various committees. The Board may decide to pay fees in any other currency based on such foreign exchange rates as the Board shall determine, provided total Non-Executive Director fees stay within the annual limits as approved by shareholders from time to time. The 2021 fee structure can be found in the Directors' Remuneration Report on page 97. 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 Board, 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 relevant directors' 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 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 Board 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, failure to perform their duties competently, conduct bringing Unilever into disrepute, 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 Board 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 Board, the Directors and Unilever give due consideration to the time commitment required to fulfil the role appropriately.