

**Subject: Responses to VEB Questions AGM Unilever PLC**

Dear European Investors VEB,

We refer to the questions contained in your letter to us dated 23 April 2026. We have responded to each of your questions in turn. We note that you can find the information below and further details in respect of the Ice Cream demerger, the Foods transaction and our performance on our website ([www.unilever.com](http://www.unilever.com)).

*1. Unilever has undertaken a far-reaching transformation with the Ice Cream demerger and the Foods transaction, yet investor enthusiasm remains subdued and the transformation has not translated into meaningful re-rating of the shares. Where, concretely, has value already been created for shareholders?*

- Over the last three years, Unilever has materially improved innovation, consumer engagement and execution, resulting in consistent outperformance in both HPC and Foods. The HPC business has delivered strong underlying sales growth and volume growth above the market, while improving margins.
- At the same time, the portfolio has been reshaped towards higher-quality growth, with stronger exposure to premium segments, digital channels, and structurally stronger markets such as the US and India. These improvements in growth profile, mix and capability alignment are already visible in the business, and will be increasingly evident following the Foods transaction.
- We expect, over time, this to be reflected in our share price.

*2. Given the absence of a control premium, what is the strategic rationale for divesting a highly profitable, wholly owned Foods business into a structure where Unilever retains only a minority stake? Why was a partial equity position preferred over full monetisation?*

- This combination aims to maximise long-term value, bringing together cash proceeds, retained ownership and synergy creation. The Board believes there was no clean realistic alternative that delivered a better outcome across all dimensions:
  - A full monetisation through a sale would have involved greater tax leakage and removed exposure to future upside.
  - A standalone separation would have similarly carried a higher tax burden with no ability to capture synergies.
- By contrast, the chosen structure allows shareholders to:
  - receive meaningful cash proceeds,

- together with Unilever, retain 65% ownership of the combined Foods business,
  - and participate in future value creation through both cost and revenue synergies.
- This is particularly important because the industrial logic of the combination is strong. The combined business is more focused, more synergistic and better positioned for growth than Foods would have been on a standalone basis. The value creation opportunity therefore extends beyond the initial transaction economics.
  - The retained stake reflects confidence in the future value creation and ensures continued alignment as the integration is executed. It also preserves flexibility, allowing for an orderly monetisation over time.

*3. Can Unilever provide a detailed breakdown of the 400 to 500 million euro in stranded costs. Specifically, which cost categories are involved and how will these be eliminated over time?*

- The stranded costs represent shared overheads and support costs that currently sit across the integrated organisation and will need to be addressed as part of the separation. These primarily relate to central functions and shared infrastructure, such as IT, finance, procurement, and other corporate and country-level support activities.
- Further information about stranded costs in connection with the McCormick transaction and the transaction more generally can be found on our website at: <https://www.unilever.com/investors/unilever-foods-to-combine-with-mccormick/>

*4. In many emerging markets, Foods and Home & Personal Care have historically shared distribution. How confident is Unilever that separating these will not lead to dis-synergies. What evidence supports the assumption that no material dis-synergies will arise?*

- Our confidence is grounded in how the business already operates today. Foods and Home & Personal Care are largely run as separate businesses in the areas that matter most for commercial execution.
- In our largest markets, which represent around 85% of the business, Foods already operates with dedicated sales forces, separate P&Ls and independent commercial organisations. Food Service is similarly fully standalone. Finally, key capabilities such as manufacturing, R&D and regulatory are already largely distinct.
- Where some level of shared distribution exists, particularly in smaller or emerging markets, this is often through distributor-led models, which are inherently more flexible and easier to separate without disruption.

- It is also important to recognise that we have already progressed part of this separation during the Ice Cream process, and we have a clear understanding of where dependencies exist and how to address them.

*5. Unilever is simultaneously reshaping its portfolio, organization and leadership. What gives the Board confidence that this level of change can be executed without loss of focus or operational disruption?*

- The Board's confidence is grounded first and foremost in proven execution. During the Ice Cream separation, Unilever demonstrated that it can perform and transform at the same time - accelerating growth, improving margins and managing costs, all while executing a complex carve-out.
- Importantly, we are not starting from a standing start. A significant part of the separation work has already been done, as discussed above. This materially reduces execution complexity compared to a fully integrated carve-out.
- We are also operating with a clearer and simpler business model than in the past. This reduces the risk of management distraction and allows the business to remain disciplined on execution.
- Execution is supported by dedicated teams and governance structures, including people with direct experience from the Ice Cream separation. This ensures that business group and market teams remain fully concentrated on driving performance.
- Finally, we are applying a tested playbook - including early action on stranded costs, the use of transitional service agreements to ensure continuity, and clear sequencing of activities.

*6. Unilever has reiterated its 4 to 6% underlying sales growth ambition. What are the key indicators over the next 12 to 24 months that would demonstrate this target is realistically achievable?*

- The most important indicator is consistent, volume-led growth. Management has been very clear that sustainable volume growth above 2% is the foundation of the model, and the clearest proof point that the business is becoming structurally stronger.
- Our recent track record already supports this. As we have stated publicly, over the last three years, the HPC business has delivered underlying sales growth of around 5.4% and volume growth of around 2.5%, clearly ahead of the market.

- A second key indicator is the performance of our Power Brands, which are growing faster than the rest of the portfolio. Stronger growth in these brands reflects improved brand health, better innovation and more effective demand creation, and is critical to sustaining the overall growth algorithm.
- The mix of growth is also important. Over the next 12–24 months, investors should expect to see continued progress in:
  - premiumisation,
  - digital and social demand creation,
  - and stronger performance in key markets such as the US and India.
- These are the areas where we see the most structural tailwinds.
- Finally, consistency will be the defining proof point. The objective is not one or two strong quarters, but reliable delivery over time, demonstrating that growth is repeatable and supported by a stronger, more focused portfolio.

*7. Unilever aims to increase its premium mix in the portfolio from one-third to over 50%. How robust is this assumption in markets where consumers remain price-sensitive and private label competition is increasing?*

- Unilever’s focus is on higher-involvement categories such as Beauty, Wellbeing and Personal Care, where purchasing decisions are driven more by product efficacy, brand equity and experience than by price alone.
  - In these areas, consumer behaviour has remained stable, with limited evidence of meaningful downtrading, even in more challenging environments.
  - We have not seen significant changes in private label penetration in our categories.
- Our strategy is underpinned by long-term consumer and market dynamics that continue to support premiumisation including increased consumer access to information around product performance and ingredients, and structural changes in household composition - particularly the growth of smaller households - that are driving higher spend per capita in self-care and indulgence categories.
- Emerging markets will see premiumisation over time as incomes rise and channels modernise. This creates a dual benefit of volume expansion and mix improvement over time.
- We will support this strategy through investment in innovation, brand building and execution to sustain pricing power and differentiation.

*8. Within Beauty & Wellbeing, performance across the prestige portfolio appeared uneven in 2025. How does Unilever plan to turn around underperforming brands such as Dermalogica and Paula's Choice, while at the same time scaling newer growth assets like Dr. Squatch and Minimalist?*

- Overall, the approach is to simultaneously strengthen the core and scale the next generation of brands, delivering a more balanced and resilient growth profile within Beauty & Wellbeing. The improving trajectory in Prestige in Q1, combined with continued momentum in newer growth assets, supports confidence in our ability to deliver consistent, premium-led growth going forward.
- As detailed in our recent results announcement, the first quarter of 2026 provides encouraging evidence that this approach is working: growth in Prestige was around 10%, with Dermalogica returning to high-single digit growth and Paula's Choice stabilising, alongside continued strong momentum in leading brands such as Tatcha and K18.
- For established prestige brands, the priority is to restore consistent growth through sharper execution and brand elevation. This includes strengthening innovation pipelines, improving digital and social-first engagement, and ensuring clearer premium positioning. The application of the "desire at scale" model - combining superior science, stronger aesthetics and greater consumer advocacy - is helping to improve brand relevance and drive recovery.
- At the same time, newer growth assets such as Dr. Squatch and Minimalist, continue to be scaled by leveraging Unilever's global capabilities in distribution, brand building and international expansion, while preserving their digital-native DNA and strong consumer engagement.
- These newer brands are operating in high-growth, premium segments with strong e-commerce exposure, and are benefiting from focused investment and selective portfolio expansion.
- A key element of the strategy is the transfer of capabilities across the portfolio, particularly applying the digital-first marketing models, influencer ecosystems and rapid innovation cycles to the broader prestige portfolio, while leveraging Unilever's scale in R&D, supply chain and route-to-market for emerging brands.

*9. Historically, Unilever benefited from scale advantages in both distribution and advertising, particularly in categories such as Personal Care. With Amazon eroding distribution advantages, and social media and AI lowering barriers to entry in marketing, how is Unilever structurally adapting its brand investment model? How will the company defend its competitive moats under these changing dynamics?*

- The industry is undergoing a fundamental shift in how brands are built and how consumers discover and purchase products. In this context, Unilever is evolving its model to ensure that its competitive advantages remain relevant and durable.
- The focus is increasingly on strengthening capabilities in areas that continue to drive differentiation - namely brand equity, innovation, consumer engagement and execution at the point of purchase.
- Investment levels in brand investment have been significantly increased and redirected toward a more dynamic, digital-first approach. Rather than relying primarily on traditional mass media, the model is now centered on continuous engagement, with a strong emphasis on social platforms, creator ecosystems and peer-to-peer recommendation.
- At the same time, the nature of distribution advantage is evolving. While platforms such as Amazon have increased access for smaller players, our scale continues to matter in the ability to partner effectively with key platforms, invest in retail media, and execute consistently across both physical and digital channels. Dedicated capabilities are being built in areas such as e-commerce, social commerce and quick commerce, enabling our brands to win in each of these environments through superior visibility, availability and activation.
- Meanwhile, stronger investment in R&D and innovation is enabling the development of products with clear functional superiority, enhanced sensorial experience and premium positioning.
- Overall, scale continues to provide an important advantage, but in a more integrated way. The ability to combine global reach with local execution, to deploy innovation quickly across markets, and to leverage data and insights at scale allows for faster learning and more effective investment. This creates a reinforcing cycle where strong brands benefit from both global capabilities and local relevance.

*10. Unilever paid 4.5 billion euro in ordinary dividends in 2025 against free cash flow of 5.9 billion euro, while Foods contributed 2.9 billion euro of operating profit. Once Foods is separated, what will replace that earnings and cash flow contribution to support the dividend on the same quality of cover?*

- The starting point is that the Foods transaction does not remove profit for shareholders - it reallocates it across two businesses. Shareholders will continue to have exposure to the Foods earnings and cash flow through their majority ownership in the combined Foods company, rather than through Unilever alone.
- Unilever will be a pure-play HPC company with a strong cash-generation model. These categories are structurally attractive, with high gross margins, strong cash conversion and a business model where growth is a source of cash rather than a use of cash, driven in part by negative working capital dynamics.
- While the absolute earnings base is smaller post-separation, the quality of the earnings in Unilever improves. The business has a stronger mix, greater exposure to premium and digital, and clearer headroom for margin progression, all of which support sustainable cash generation over time.
- It is also important to consider the use of transaction proceeds. A significant portion of the cash received will be used to strengthen the balance sheet and support enhanced capital returns, including a €6 billion share buyback programme over the 2026–2029 period.
- Finally, our capital allocation framework remains unchanged, with a continued commitment to a sustainable dividend payout of around 60% supported by strong cash conversion.

*11. Over what timeframe does the Board expect the remaining Unilever business to replace the profit and cash flow contribution historically generated by Foods, and what are the main building blocks of that replacement?*

- The objective is to improve the quality, growth profile and sustainability of earnings and cash flow in the remaining business over time.
  - The portfolio shift increases exposure to premium segments, digital channels and structurally stronger markets such as the US and India, where we see greater headroom for growth and value creation. This is complemented by margin headroom versus peers, allowing for continued reinvestment while improving profitability over time.

- In terms of replacing the profit and cash flow through M&A, we have been clear that we do not intend to pursue transformational acquisitions, however we will pursue bolt-on acquisitions.

*12. Following the Foods transaction, Unilever will have exposure to a more highly leveraged business. How does the Board assess the impact of this transaction on the group's overall financial resilience and balance sheet strength?*

- The combined business will initially operate with higher leverage, but it is supported by strong underlying fundamentals - attractive growth prospects, high gross margins and robust cash generation. These characteristics provide a clear and credible path to deleveraging, with leverage expected to reduce from around 4x to approximately 3x within two to three years, without compromising investment behind brands or the dividend profile.
- In parallel, Unilever will maintain a disciplined and resilient balance sheet, with leverage expected to be below 2x net debt to EBITDA at closing, and to normalise towards our 2x target over the medium term. This is fully consistent with our capital allocation framework and preserves financial flexibility.
- It is also important to view this from a shareholder perspective. Investors will have exposure to two businesses with complementary financial profiles: a focused HPC company with strong cash conversion and a high-quality earnings base, and a large, more focused Foods business with scale, synergy potential and a clear deleveraging trajectory.

*13. To what extent has Trian influenced the Board's decision-making regarding the Ice Cream and Foods divestments?*

- The Board's decision on both matters was unanimous reflecting a shared conviction that these actions are in the best interests of all shareholders.
- These decisions have been driven by strategy and long-term value creation, not by any individual director or shareholder. Both the Ice Cream separation and the Foods transaction are consistent with a clear strategic direction to simplify the portfolio, improve focus and align the business with areas of stronger growth and competitive advantage.
- The Foods transaction originated from an inbound proposal from McCormick, which created an opportunity to accelerate that strategy under attractive terms. It was assessed rigorously by the Board across strategic fit, financial outcomes and long-term value creation.

*14. What governance safeguards are in place to ensure that Trian's influence remains aligned with the interests of all shareholders?*

- Unilever operates under a well-established governance framework, with a majority of independent non-executive directors and clear processes designed to ensure that decisions are taken in the interests of all shareholders.
- Trian's representative sits on the Board as one director among others, with the same rights and responsibilities.
- All Board members are bound by the same fiduciary duties, and decisions are taken collectively through a structured and disciplined process, supported by detailed analysis and challenge.
- Key decisions, including portfolio changes such as Ice Cream and Foods, are subject to full Board scrutiny and debate, and ultimately require Board approval. As mentioned, the unanimous nature of these decisions reflects alignment across the Board on their strategic and financial merits.
- In addition, the Board is supported by its committees and governance processes, which provide further oversight, independence and balance in decision-making.
- We also maintain active engagement with our broader shareholder base, ensuring that a wide range of perspectives are considered.