

CASE STUDIES

Unilever: reining in executive pay

WHAT'S THE ISSUE?

Companies increasing executive pay without an adequate and detailed explanation could face considerable risks to their reputations. Excessive executive pay could also sap morale inside companies, if employees think it's unfair. Moreover, we expect any new CEO to be paid in line with their predecessor. They need to accumulate experience in the role before an increase in pay can be considered - and that takes time.

Ahead of the AGM of UK consumer goods company Unilever, we had qualms about the high base salary of the incoming CEO Hein Schumacher - 18.5% greater than his

predecessor's and considerably more than his current salary at Royal FrieslandCampina, a Dutch dairy company. We acknowledged the experience he would bring to the role. But we felt the salary increase should have been paid in instalments to spread the sharp hike in pay over a longer period of time, since this was his first senior leadership role at a truly large firm and he was new to the job. We also noted that over his career he had mainly worked in the food industry, with little background in various sectors crucial to Unilever, such as toiletries.

WHAT DID WE DO?

Following detailed conversations with the team and the equity analyst covering the company, we decided to vote against the remuneration report. Ahead of this, we wrote a detailed letter to the chair of the board, explaining our misgivings about the increase in the CEO's base salary.

WHAT HAPPENED?

The shareholder revolt against the pay arrangements secured 58.0% of the vote, making this the second largest vote against a remuneration report of the 2023 UK AGM season. As significant shareholders, we were invited for a meeting with the remuneration committee chair to discuss our vote. We passed on the concerns which we'd previously mentioned in our letter to the company. In August 2023, the remuneration committee chair told us that following conversations with shareholders, it had decided to freeze the CEO's base salary for the next two years. He therefore won't be eligible for a base salary increase in 2024 or 2025, with the next review of his salary due in 2026.

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The specific securities identified and described are for informational purposes only and do not represent recommendations.



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Vote against executive pay