



# The role of Company pensions

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5 June 2006

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# Agenda

- Unilever now
- A bit of history
- The current context
- External influences
- Unilever Views

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# About Unilever

Around 200,000 employees  
In approaching 100 countries  
In 2005 generated annual sales of 40 billion

Unilever's mission is to add vitality to life. We meet everyday needs for nutrition, hygiene, and personal care with brands that help people feel good, look good, and get more out of life.

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### Eleven 1+ billion brands

150 million times a day, in 150 countries, people use Unilever products.

Eleven are 1+ billion brands; six are over 2 billion



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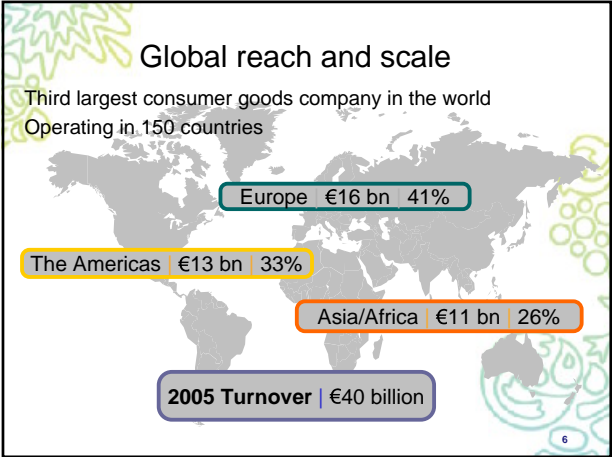
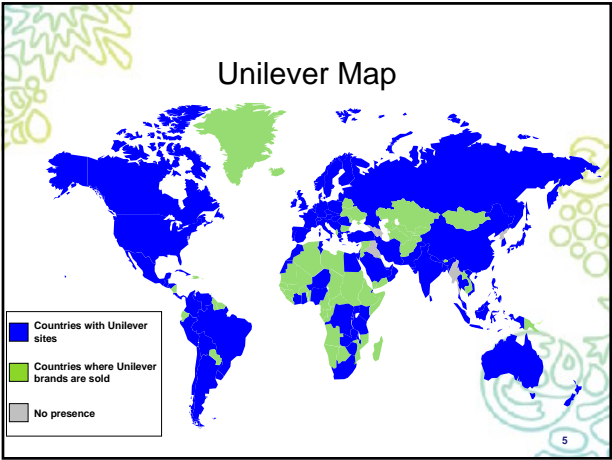
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## Unilever where its come from

Diversified conglomerate to focused FMCG  
Acquisition and disposal activity  
Brand focus

A paternalistic approach

Life long careers  
Expat opportunities  
Career management  
Tight approach for disposals  
Employee needs looked after

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## Unilever historical pensions approach

Strong emphasis on pensions  
aligned with paternalistic views  
part of being a leading company

Principles from Parent Countries generally applied

DB emphasis (final pay)

DC where clear market approach  
More local based for non-management

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## Unilever pensions infrastructure

Strong resource commitment

Central Pensions with global remit  
Well resourced internal consultant

Centrally organised with leverage in countries and across them

Policies and guidance for countries

Progressive outsourcing

Actuarial  
Investment  
Admin

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### Benefits policy

Benefits policy first approved in mid 1990 s  
Current principles unchanged since 1999  
Benefits policy was changed to state no preferred style (DB or DC)  
alignment with the median of the local peer group  
This policy is designed so that Unilever is competitively positioned  
Unilever pension plans in many countries have changed

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### Pensions in Unilever today

Over 80 funded pension plans in 42 countries, plus unfunded in over 60 countries  
16 bn of assets, 20 bn of liabilities (IAS19)  
3bn corresponds to unfunded plans  
Top 4 countries cover about 75% of assets  
The 10<sup>th</sup> plan has about 200m of liabilities  
Shifting to DC in many countries  
DC assets building up ( 2.4bn)  
40% of employees in DC  
Generally plans quite mature in Western Europe and US

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### Current business context

Very competitive environment  
Discounters  
Own brands  
Challenges  
Innovation  
differentiation  
Streamlining the business  
Delaying at the top  
Globalisation  
Outsourcing / supply management

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### Changing employment

- Shorter careers
- Shift in responsibility (to employee)
- Reducing expat opportunities
- Outsourcing

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### External influences

- Shifts in pensions in many markets
- Passing risk to employees
- Reducing costs
- Legislative change is making a more hostile environment - e.g.
  - UK increased trustee power/regulation
  - NL strengthened funding requirements/tax changes
- Financial markets
- Accounting
- Ratings agencies

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### Evolving role

Paternalistic

No involvement

Risk (sharing)

HR alignment

Education

Employee views

Market

Where are markets going?  
What role do we play and where?  
How do we position ourselves against a moving market?

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### Review of Corporate Policy

We are reviewing pension policy in our top few countries

Considering positioning on key principles and balance between the various local markets

- local markets in different positions and states of flux

Assessing the degree to which common principles can be applied

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### Policy Drivers

Competitiveness

- for talent
- of the business

Starting position and history

Reputation

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### Competitive remuneration

What is competitive?

- with what / whom?
- different needs for market segments
- different things to different people

Attracting / retaining the right talent

Cost and risk

- How to measure

Total remuneration or pensions

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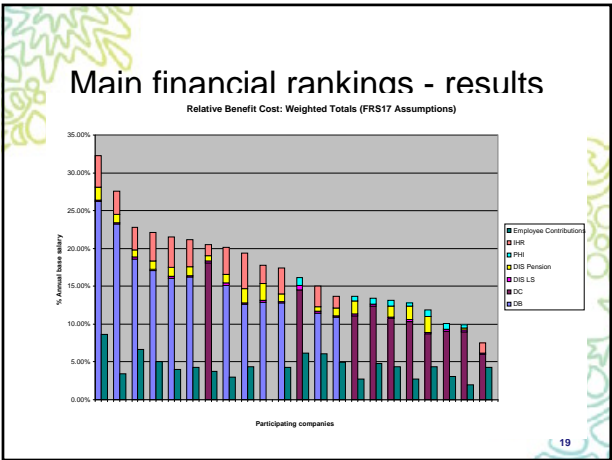
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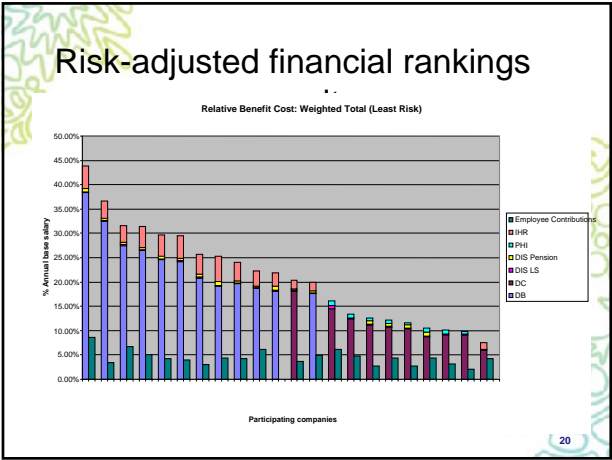
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### Pensions and remuneration

Why force reward into pensions?  
Does employee appreciation equal cost?  
Flexibility has value

Why not total reward and educate?  
Employee has full responsibility

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## The case for pensions

Can put up an offer that is attractive to employees

Financially efficient

## Sharing risk

## Governance

Savings built up are a tool for managing the older workforce

Are we transitioning to a model with genuine employee ownership?

May be in a generation or two

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### Unilever s current view

Local Market competitiveness is key guiding principle

BUT does this present some tension with

## Our principles and an inclination to lead

## Our reputation

Past approach which has emphasised pensions?

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## Reputation

We have considered pension an important part of our employee proposition

We should stand behind our commitments

## CSR - What does it mean for HR and Pensions

Pensions are part of the company brand

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## Pension Principles

## Sustainability for the business

## Positioning on risks

Investment, pre/post retirement

## Inflation

## Mortality

State / legislative

### Cost levels

## Core and flexibility

### Evolving overtime

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## Balancing principles and market

We can impact the direction of markets through our behaviours

Our views can be reflected where there is divergence in a market

But we would not want to be an isolated beacon

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## Other influences

Unions / works councils

### Different approaches for executives?

Different career alignment

### Different reward structures

## Tax planning opportunities

Individual arrangements that are portable and flexible

Future change

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## Summary

- Pensions continue to be an important part of Unilever's approach for employees
- Challenge balancing our principles and our past with a locally competitive approach
- Total remuneration can help reconcile positions
- Evolution, not revolution
  - Solutions unlikely to last forever

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