



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

April 5, 2022

Nils Andersen
Chair and Non-Executive Director
Unilever House
100 Victoria Embankment
London EC4Y 0DY
United Kingdom

Dear Chair Andersen:

Recent reports indicate that activist investor Trian Partners (“Trian”) has built a substantial stake in Unilever PLC.¹ Analysts believe that Trian founding partner and CEO, Nelson Peltz, is likely to seek a board seat.² I write to express my concern that Trian board membership at Unilever could be on a collision course with Unilever’s execution of its strategy to maximize long-term shareholder value, including its strong commitment to sustainability and workers’ rights across its value chain. Therefore, I urge Unilever’s board to refrain from entering into a settlement agreement that would provide Trian with any board seats without first permitting shareholders to express their views on Trian’s nominees and strategies through an election of directors. Such an election could take place at an extraordinary general meeting in the event that a shareholder vote at the company’s May 4, 2022 annual general meeting is not feasible.

Recent market trends suggest that a hasty settlement may be a legitimate concern for investors. In 2021, activist investor campaigns concluded in settlement agreements more frequently and more quickly compared to prior years. For example, 32 percent of settlement agreements through August 2021 were reached within one month of the activist publicly initiating its campaign.³ Additionally, at a minimum, a quick settlement would conflict with the spirit of Principle J of the Financial Reporting Council’s The UK Corporate Governance Code, which calls for any appointments to be subject to a “formal, rigorous and transparent procedure.”⁴

As Comptroller of the City of New York, I am a trustee of four of the City’s five retirement systems and investment adviser and proxy voting fiduciary to all five systems (collectively, the “New York City Retirement Systems,” or “NYCRS”). NYCRS had \$275 billion in assets as of December 31, 2021 and have continuously held Unilever shares for more than 15 years. NYCRS currently holds approximately 3.6 million shares valued at nearly \$200 million. Consistent with their long-term investment strategy, NYCRS believes that prudent company strategy, including sustainable business practices — especially responsible labor, human rights and environmental

¹ <https://www.ft.com/content/a17a6811-78a8-4eb7-a2be-adbb8eb75119>

² <https://www.standard.co.uk/business/unilever-nelson-peltz-trian-partners-bernstein-barclays-jpmorgan-b978393.html>

³ 2018-UK-Corporate-Governance-Code-FINAL.pdf (frc.org.uk)

⁴ 2018-UK-Corporate-Governance-Code-FINAL.pdf (frc.org.uk)

practices — is fundamental to creating and protecting shareholder value. Unilever has led the way through its deeply rooted commitment to sustainability —with respect to both people and the planet — which has helped to drive prolonged value creation and risk mitigation.

Long-term investors should have a voice in board composition as a matter of principle and robust corporate governance. Similar views have been expressed by other leading Institutional investors, including Norges Bank Investment Management⁵ and State Street Global Advisors.⁶ In addition, I have concerns with respect to Trian and Mr. Peltz. While some boards may settle with activist investors to avoid the cost and distraction of a proxy contest, such settlements may invite disruptions inside the boardroom and hinder a board's ability to focus on long-term strategy. As Reuters reported earlier this year, "Trian likes to present itself as an additional resource to the board and often signals that it does not want to replace others. But once inside the boardroom, two of the insiders also said that Trian's voice *often takes over* and crowds out others."⁷

I am particularly troubled about Trian's track record of seeking short-term results with a weak commitment to sustainability. While Trian has yet to disclose its intentions, Mr. Peltz has recently served as a director or board chair of the companies below, which have been identified as laggards for their supply chain labor standards, an area in which Unilever is an industry leader.

Wendy's: While under Nelson Peltz's leadership as board chair, Wendy's inexplicably refused to join the Fair Food Program ("FFP"), the gold standard for preventing human rights abuses in its produce supply chain. Most of its main competitors, including McDonald's and Burger King, joined years ago. Created by the Coalition of Immokalee Workers, the FFP is recognized for preventing human rights abuses, such as human trafficking, as well as sexual assault and harassment. FFP has also received the Presidential Medal for Extraordinary Efforts in Combatting Modern-Day Slavery.⁸ It is credited with transforming Florida tomato farms once called "ground zero for modern day slavery"⁹ into "probably the best working environment in American agriculture."¹⁰ The program is also the model for "Milk with Dignity," which established Ben & Jerry's as the first company in the dairy industry to implement a legally binding worker-driven human rights program.¹¹ While Unilever has proactively addressed these risks, Wendy's has been unresponsive to repeated shareholder requests that the company join FFP. Furthermore, although company management recently offered to engage on the topic, Mr. Peltz has ignored multiple engagement requests from investors, including those made jointly with my office.

Procter & Gamble: During Nelson Peltz's tenure as a P&G director and member of the Governance & Public Responsibility Committee, leading independent ESG ratings provider MSCI downgraded P&G from "AA" to "A" in 2020. P&G was downgraded due to the company's weak business ethics policies and practices relative to peers, particularly with respect to allegations of forced labor in Malaysia involving human rights of migrant laborers on palm oil plantations.

⁵ <https://www.reuters.com/article/us-activist-investors/big-funds-push-back-against-activist-investor-settlements-idUSKCN0ZY2DP>

⁶ <https://corpgov.law.harvard.edu/2016/10/17/protecting-the-interests-of-long-term-shareholders-in-activist-engagements/#:~:text=Protecting%20Long%2DTerm%20Shareholders%20in%20Settlement%20Agreements&text=Duration%20of%20Settlement%20Agreements%20Typical,in%20return%20for%20board%20seats.>

⁷ <https://www.reuters.com/article/trian-unilever-playbook-idCNL1N2U427M>

⁸ <https://fairfoodprogram.org/recognition/>

⁹ <https://www.cnn.com/2017/05/30/world/ciw-fair-food-program-freedom-project/index.html>

¹⁰ <https://www.nytimes.com/2014/04/25/business/in-florida-tomato-fields-a-penny-buys-progress.html>

¹¹ <https://migrantjustice.net/victory.>

By contrast, during Alan Jope's tenure as CEO, MSCI *upgraded* Unilever to "AA" from "A" in 2021. MSCI cited the company's innovation and research on sustainable design concepts for products, palm oil sourcing practices, and its corporate governance structure.¹² Similarly, in an April 2021 Rainforest Action Network study (evaluating the brands and banks driving deforestation and human rights abuses in the palm oil supply chain), Unilever received the single highest score among 10 consumer brands, while P&G was one of six companies that received the lowest.¹³

Some media reports have credited Mr. Peltz for P&G's strong share price performance since he joined its board in 2017. However, this view is not universally shared by investment analysts who follow the company. According to the Head of Barclays European Consumer Staples team, who covers Unilever, as well as Barclays US Household & Personal Care analyst Lauren Lieberman, who covers P&G, "most of what P&G has done to improve its performance came from its own internal strategy & organization redesign that was underway prior to Mr. Peltz's stake."¹⁴

While I am encouraged by Unilever's recent reaffirmation of its commitments to sustainability, equality and equity, Board leadership needs to remain similarly committed.¹⁵ With such leadership, prudent financial management, as well as Unilever's strong brand leadership and market presence, the company should be well-positioned to protect and create long-term value for its shareholders.

Finally, I believe it is incumbent on Unilever's Board to solicit investor views on any Trian nominees through the election of directors. I would be happy to discuss this matter with you. Please contact Michael Garland, Assistant Comptroller for Corporate Governance and Responsible Investment (mgarlan@comptroller.nyc.gov; (212) 669-2517), to schedule a discussion.

Sincerely,



Brad Lander
New York City Comptroller

cc: Alan Jope, Unilever CEO

¹²Unilever PLC (ULVR) ESG Ratings Tearsheet, MSCI, last report update, December 24, 2021.

¹³https://www.ran.org/wp-content/uploads/2021/04/RAN_KFS_Scorecard_vENG.pdf

¹⁴ Ackerman, Warren, "Unilever PLC: Colon Activist Nelson Peltz arrives on Unilever's register," Barclays Equity Research Instant Insights, January 24, 2022; (Lauren Lieberman ranked first in Institutional Investor's All-America Research Team survey in 2020); see <https://www.beverage-digest.com/ext/resources/Future-Smarts-2021/html/speakers/lauren-lieberman>

¹⁵<https://assets.unilever.com/files/92ui5egz/production/ebc4f41bd9e39901ea4ae5bec7519d1b606adf8b.pdf/Compass-Strategy.pdf>; <https://www.unilever.com/news/news-search/2022/equality-and-equity-we-need-both-to-make-a-difference/>