

VMO Savings Levers

October 2024



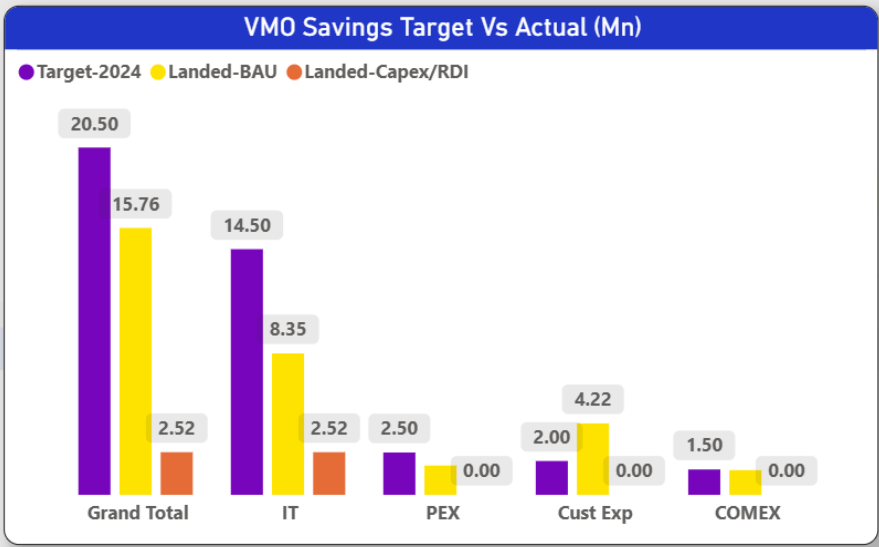
Unilever

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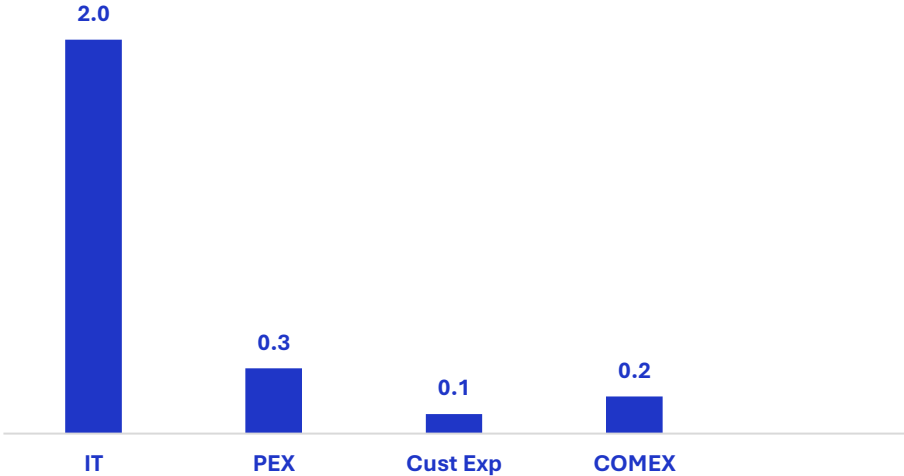
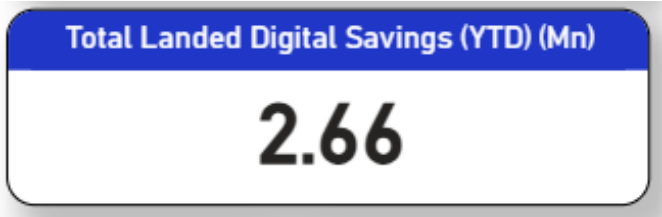
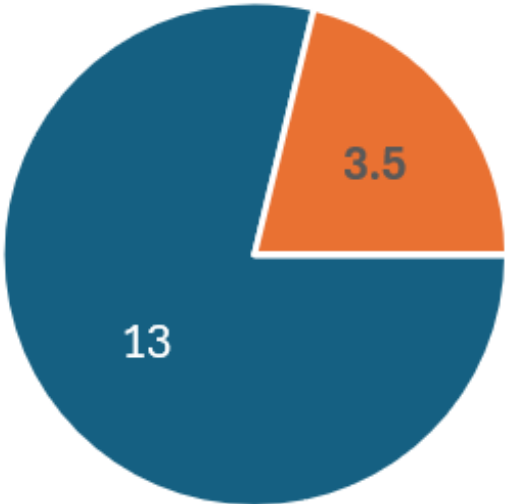
VMO Savings 2024 Summary

Savings Target for 2024 (Mn)				
Service Line	Target-BAU	Target-Capex RDI	Landed-BAU	Landed-Capex/RDI
IT	10.50	4	8.35	2.52
COMEX	1.50	0	1.46	0.00
Cust Exp	2.00	0	4.22	0.00
PEX	2.50	0	1.73	0.00
Total	16.50	4	15.76	2.52
Grand Total	20.50		18.28	



Digital Enabled Savings

(Subset of BAU Savings 16.5 Mn)



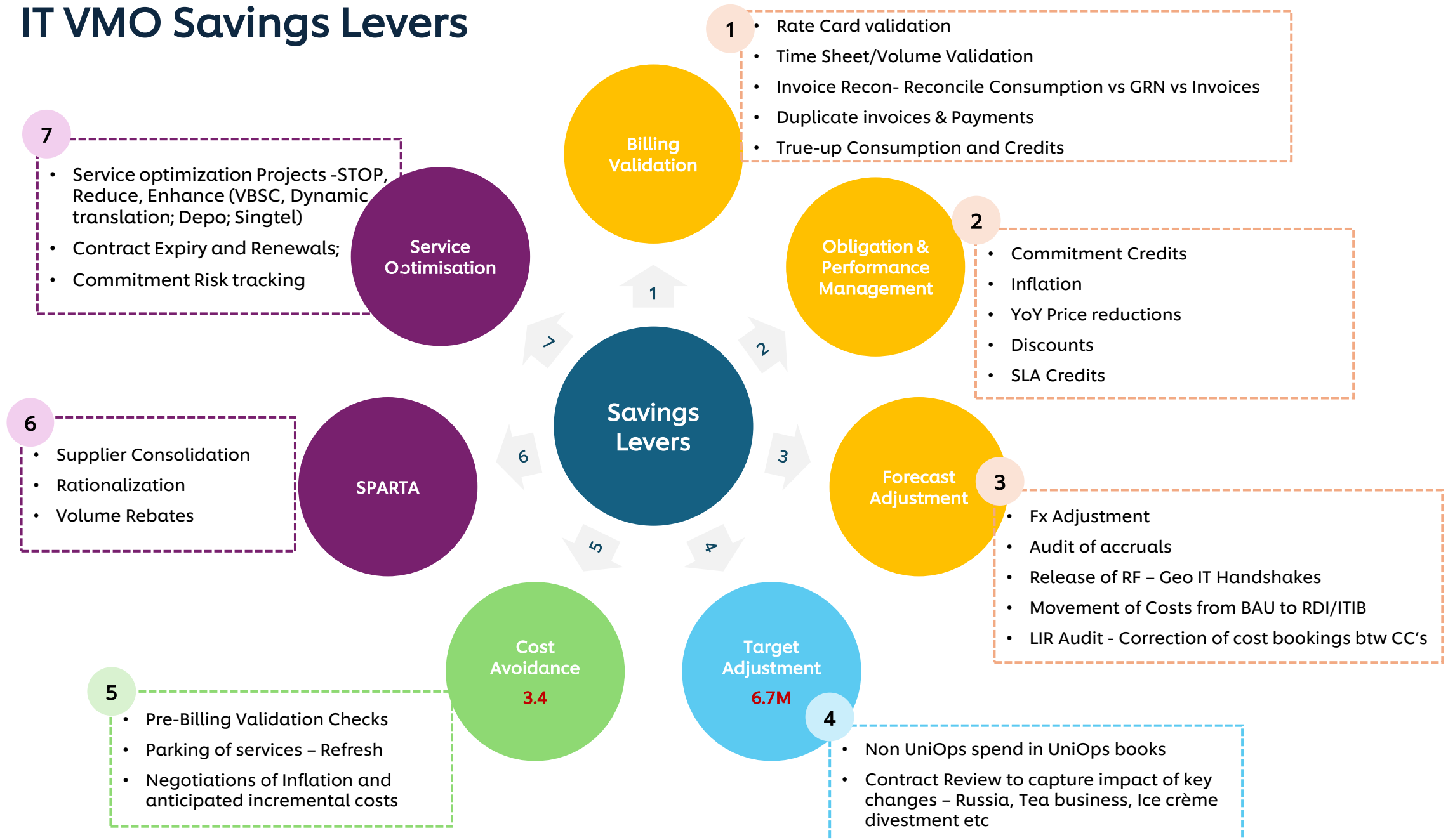
Information Technology Summary Slides

Sheik, Lalitha



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IT VMO Savings Levers



IT – VMO Led Savings (YTD Oct '24) – only BAU



Savings Landed
(YTD Actuals)

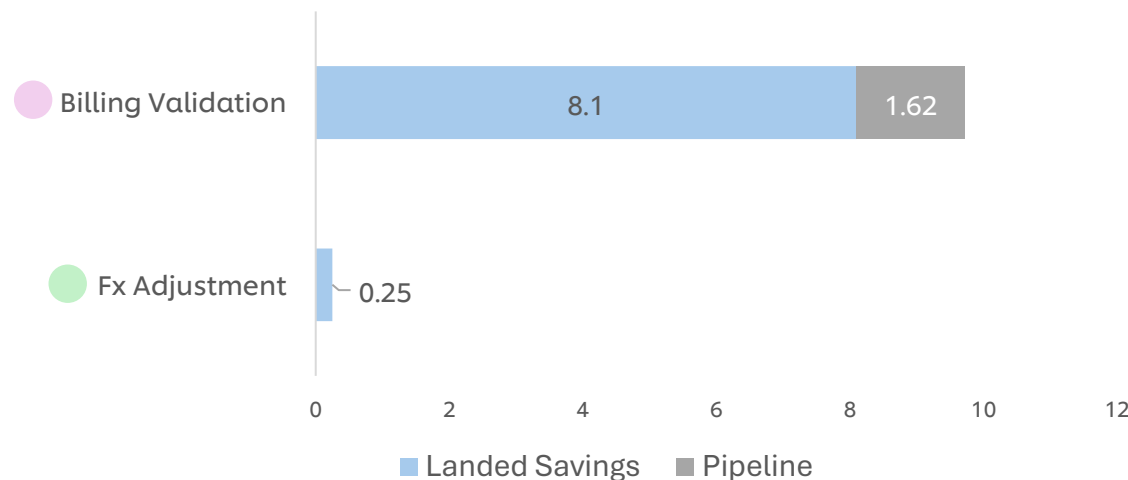
€ 8.35 M



Savings Pipeline

€ 1.62 M

YTD 2024 IT VMO Led Savings (€ Mn)



Sub-Levers for Landed Savings

Spend reconciliation

Contractual credits and rebates; Pyramid savings

Approved billing vs payments & provisions

Timesheet validation

Duplicate payments and Supplier account review

Fx Adjustments, Audit of accruals & LIR, BAU cost movement to RDI/ITIB



Key Interventions

1. IT - Accenture Billing Validation using (WHT, Fx Adjustment, Pyramid, Expense adjustments , estimated vs actuals) that could generate savings of 2.3Mn
2. IT - D365 AD/AM support – moving the across the billing location from Brazil to US to eliminate WHT & Local taxes – 0.5Mn
3. IT - 200+ IT Supplier SOW's (vs) actual billing - Recon through billing validation approach between Supplier/SL & recovery 2.8Mn in BAU established.
4. IT - Machu Pichu Timesheet implementation established through digital , supported savings of 0.5Mn
5. TS - Retro Billing Validation - ~1M across 10+ contracts; Invoice Recon via SOA reviews - ~1M
6. TS – Audit of LIR, SOA – Duplicate payments, Incorrect posting of credit notes as invoices, missing credit notes
7. Savings Landed for **Project/RDI Capex for IT – 2.2Mn** (this is over and above the 8.35Mn)

IT – VMO Enabled Savings (YTD Oct '24)



Savings Landed
(YTD Actuals)

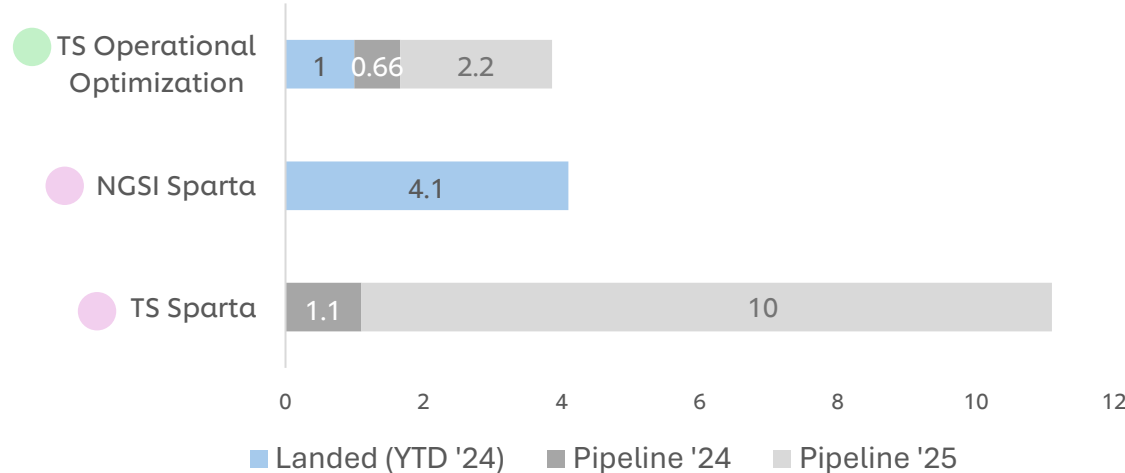
€ 5.1 M



Savings Pipeline
(2024 and 2025)

€ 14.0 M

YTD 2024 IT VMO Led Savings (€ Mn)



Sub-Levers for Landed Savings

Supplier Consolidation/
Rationalization

Volume Discount

Contract renewals/
negotiations

Descope and transition

Service Optimization via
Consolidation

Stop Service /Reduce
Consumption



Key Interventions

1. **NGSI SPARTA** - Accenture Diamond Handshake assistance on identifying levers , creating negotiation opportunities that could help in 5.3Mn savings in 2024
2. **NGSI SPARTA** - 10+ NGSi Suppliers Rebate reviews and alignment by having multiple level of conversation with Supplier Stakeholders
3. **IT Service Optimization** – On the Infosys SI COA BAU services , pipeline for 2024 created to support on the Target relief – 0.3Mn (with Service Line)
4. **TS SPARTA - Network Service Supplier Consolidation** 1.1Mn 2024 Pipeline and 7 Mn 2025 Pipeline ; **NS HW Maintenance Consolidation** - 2025 Pipeline ~3M
5. **TS Service Optimisation - Dynamic Translation Savings** - 600k 2024 (landed), 1.6 2025 pipeline; **Depot Consolidation** - 350k 2024 (landed), 600k in 2025 pipeline; **VBSC** - 360k in 2024; **VIP Resource Insourcing** - 200k in 2024; **Singtel**- 100k pipeline in 2024

Information Technology

Appendix

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Savings Levers Breakdown – IT and TS

Type of Savings	Lever	Sub-Lever	Description
VMO Led	Billing Validation	Invoice Recon	Matching goods and invoice receipts to ensure the reversal of excess goods receipts against a PO
		FX Adjustments	Difference between the PO value based on contractual FX and Invoice based on the current FX
		Approved billing vs payments & Provisions	Audit of provisions and accruals in Geo IT books in LIR for Global Contracts
		Spend Reconciliation	Reconcile contractual commit & consumption (True-ups, Consumption based contracts (Cloud))
		Supplier Account Review	Supplier statement of account review/ audit
		Duplicate Payments	Investments, consumption credits, YoY contractual reductions
		Contractual credits & Rebates	In TS, Reversing duplicate payments to suppliers
			In Non-TS, Booking pending credit notes in DCIW/ Cora
		Audit of LIR *	UniOps guidance and Compliance vs cost bookings (Ex. Russia, Swiss entity etc.)
		Timesheet Validation	In TS, Project & Programme Scope (Majorly) In Non-TS, SI Vendors Timesheet validation via Machu Picchu or other means
VMO Enabled	Forecast Adjustment	RF - Geo IT Handshakes *	Forecast adjustments with VMO interventions based on the contract or actual consumption.
		BAU to Project Reclasses *	Wrong Forecasting in BAU and whereas it should be adjusted based on the contracting support
	Sparta	Supplier Consolidation/Rationalization, Volume Discount	Supplier Consolidation / Rationalization via CPM, Volume Discount
VMO Enabled	Service Optimizations Initiatives	CCN, Credits, Unit Price reduction Validations	Discontinuation of Services, Changes to consumption volume or services, Support identification of commitments at Risk for solutioning Contract Expiry – Renewals & Extensions
Cost Avoidance	Cost Avoidance	Cost Avoidance	SOW Review, CTS '2024 RF reduction based on contractual commitments

* Only TS

Billing Validation Process – Benefits, Scope and Expansion

Benefits

- **Accurate Financial Reporting & Improved Cash Flow Management**: By matching goods receipts with invoice receipts, we can ensure any excess goods receipts posted against a purchase order is reversed and the blocked cost is returned to the original cost centre
- **Enhanced Internal Controls & Compliance**: GRIR clearing contributes to stronger internal controls by adding a reconciliation step that can uncover potential errors or discrepancies before they become more significant issues

Current Scope

- **Regions**: Currently we are focussing majorly on UK & Europe Region. This is due to limited SAP Access.
- **Current Scope**: We are extracting all the reports from only from S1P Landscape.

Expansion

- **Potential Scope**: R1P Landscape and U2K2 Landscape can also be included in this activity.
- **Region Expansion**: AAR Region, AMS Region and remaining parts of European region can be included in the GRIR Activity.

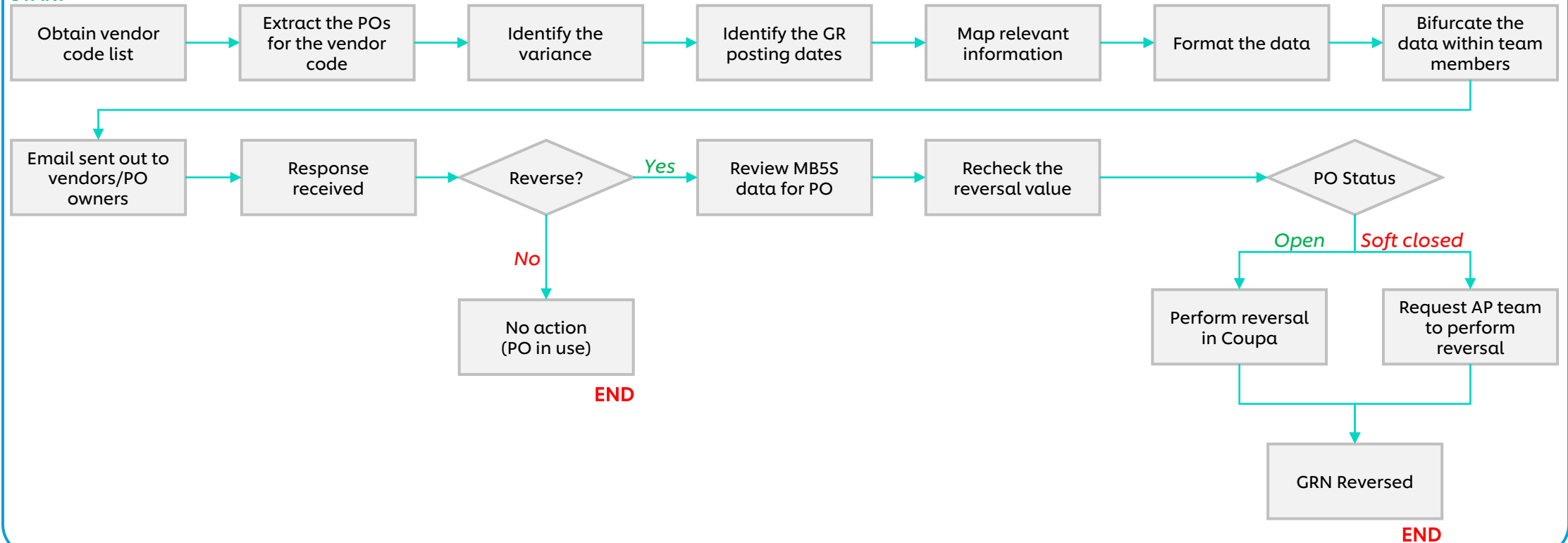
Billing Validation (GRIR) Process

GRIR Activity

A process to identify and reverse any excess goods receipts (GRN) posted against a purchase order (PO), returning the blocked cost back to the original cost centre

E2E Process Flow

START



Commercial Experience

Shalini



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ComEx Savings Initiatives – 2024

VMO Led Savings

Volume Consumption Analysis

- IBM P2P is on Cost per invoice model.
- Quarterly reconciliation of actual volumes Vs baseline volumes.
- Variable charges adjusted against billing of each country via. credits & charges

Variance Analysis

- On a monthly basis, VMO works with FET team to identify & correct incorrect bookings.
- Could be country bookings, accruals, RE entries, etc

Fx Analysis

- Bi-annual currency adjustment as per contract.
- Savings computed through currency movement and landed against BAU POs.

Billing Validation Savings

- Analysis of open GRs against prior year POs.
- Identification of open credit notes.
- Reversal of excess accruals.

Contractual SLA Tracking

- VMO tracks and monitors any SLA defaults.
- Works with SLs to verify and land in billing.

VMO Enabled Savings

CG FO Contractual Savings

- Contractually defined savings from 2022 to 2024
- VMO works with SL to align on POs/ CCs to land savings
- VMO lands savings through monthly billing of vendor

Other Contractual Savings

- Landing of sign-on bonus.
- Efficiency CCNs in billing.

Cost Avoidance

Monthly Billing validation leading to:

- Billing value corrections.
- CCN corrections.
- Invoice corrections.



ComEx Savings 2024 and 2023

2024 Savings
€ 1.82 M

Non Uniops
€ .09 M

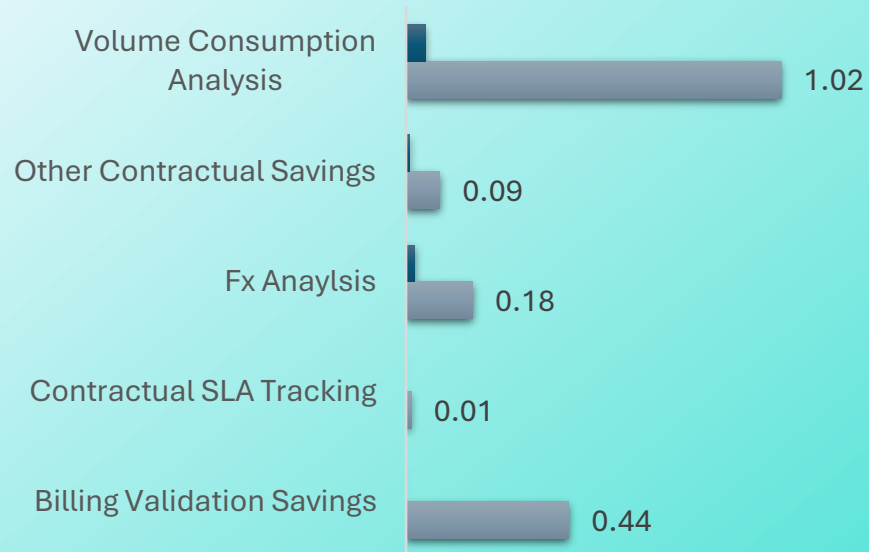
Uniops
€ 1.74 M

2023 Savings
€ 3.21 M

Non Uniops
€ .80 M

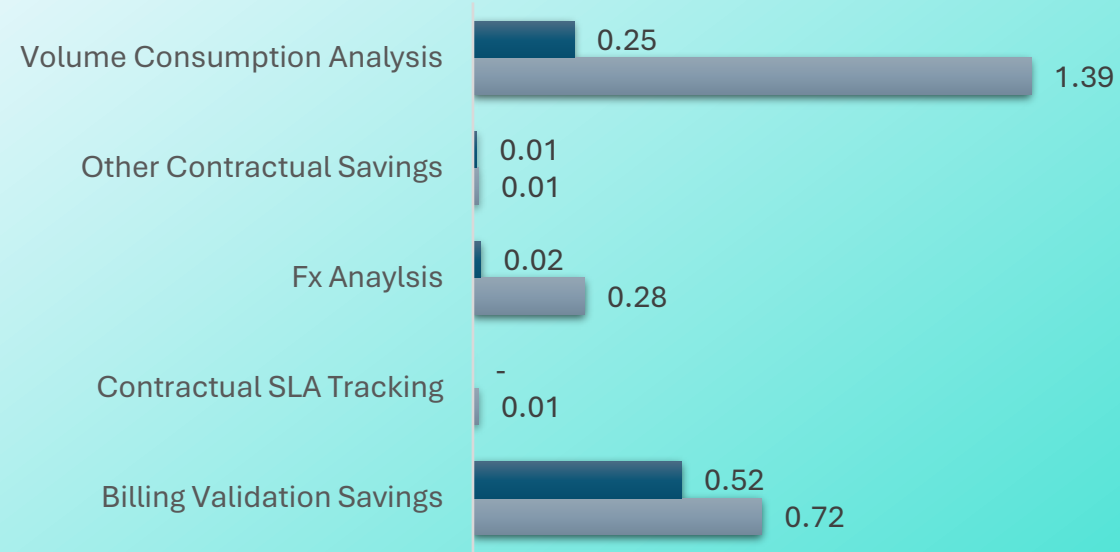
Uniops
€ 2.41 M

Savings 2024



■ Uniops ■ Non uniops

Savings 2023



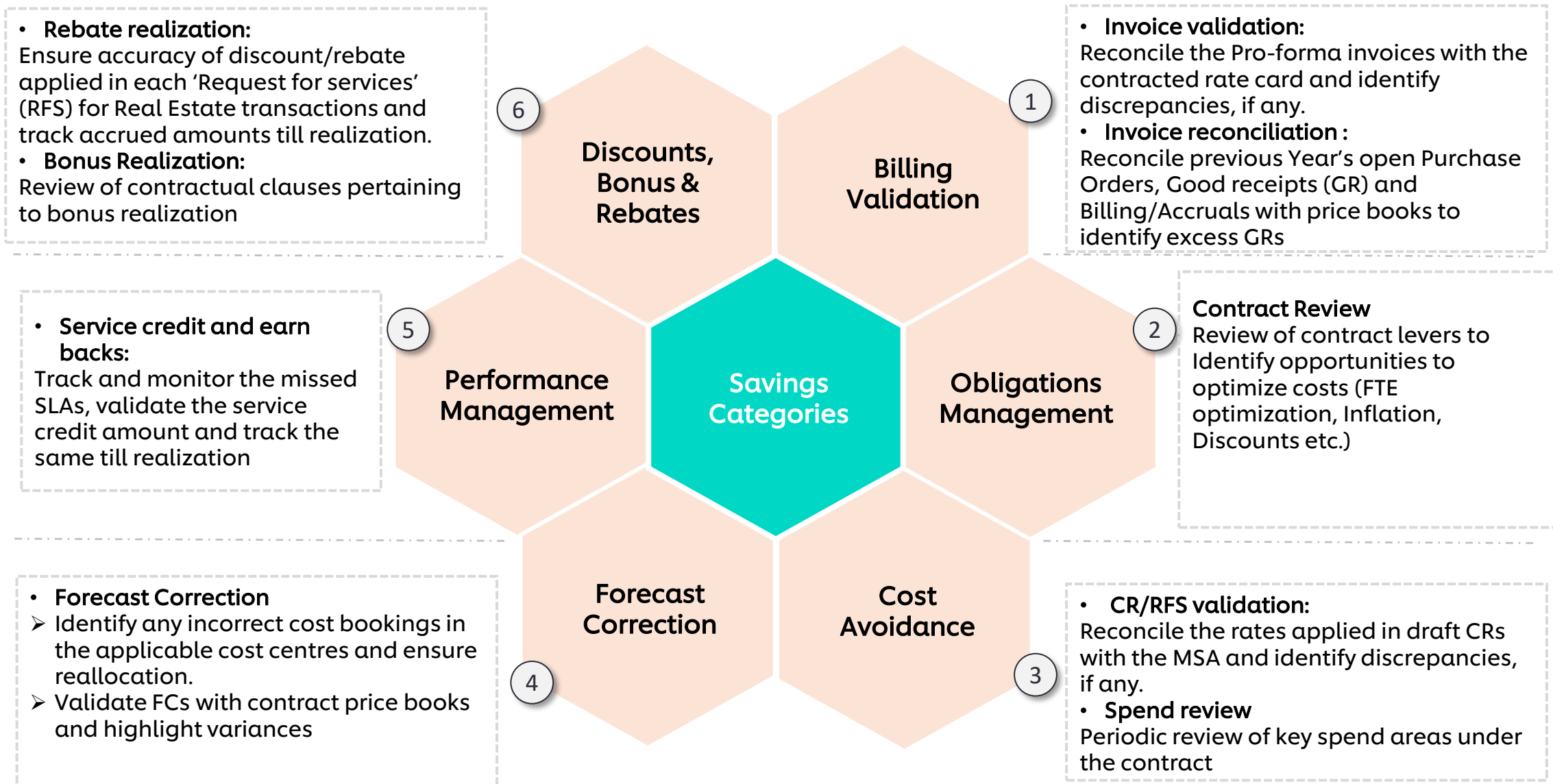
■ Non Uniops ■ Uniops

People Experience

Suneet



WTS & PEX Savings Categories



Value Delivered: Executive Summary

Scope

Vendors in Scope:

- Sodexo
- CBRE RE
- Alight
- ADP
- Navan
- Arval
- Amex
- K2
- Other

Total Potential savings: € 4.36 M
Total Landed : € 1.58 M (36%)



Value delivered

Value realization and leakage avoidance of €1.58 M.

Avoided leakages through invoice validation

€ 1.19M (24% Landed)

Identified savings through committed rebates/credits

€ 2.32M (18% Landed)

Saving identified through forecast/P&L correction

€ 0.46M (37% Landed)

Saving identified through cost avoidance and other category

€ 0.33M (64% Landed)

Category of Savings	Supplier involved	Description	UniOps		Non-UniOps	
			Potential savings	Landed till date	Potential savings	Landed till date
Billing Validation	CBRE RE	Lease Abstraction Validation 2023	0.06	-	-	-
	Sodexo	2023- Billing and CAT Reconciliation	0.11	0.11	0.32	0.11
	Multiple Vendors	Excess GRN reversal	0.70	0.50	-	-
Contract Management	Arval	Arval fleet bonus negotiated	0.26	0.19	-	-
Cost Avoidance	Alight, CBRE RE	Billing validation for extra data entry transaction and RFS Validation	0.10	0.59	-	-
Forecast Correction	BIR, Pay Stream and other HRS Vendors	P&L correction and incorrect intercompany booking reversed in P&L	0.46	0.17	-	-
Obligation Management	NAVAN	Service Credit 2023	0.03	0	-	-
Volume Discount	Amex	Unilever Rebate of American Express for 2023	0.42	0.42	-	-
	CBRE RE	CBRE Real estate volume rebate	0.75	0	1.15	-
Grand Total (€)			2.89	1.47	1.47	0.11

Customer Experience

Teena



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Agenda



**Customer Experience VMO Initiated
YTD Savings 2024 – What and How?**



FX Analysis - Objective



Types of FX Exposure



Key insights and recommendations



**Key Results of VMO team's
recommendations**

Customer Experience VMO Initiated YTD Savings 2024



Total VMO initiated savings

€ 4.3 M

(YTD - € 4.2 M, Potential - € 0.1 M)

vs. Target € 2.0 M



Target Relief Adjustments

€ 3.6 M



SL initiated; VMO acting as enabler

€ 0.3 M



Cost Avoidance

€ 0.6 M

Total BaU spend (2024)


€ 76 M

Savings opportunities delivered over the years

2024	€ 4.2 M
2023	€ 3.6 M
2022	€ 2.7 M
2021	€ 2.2 M

VMO initiated savings are in addition to the FTE efficiency savings glidepath which are baked in the iOps business case and price work books

What did we land...




Savings Landed

(YTD Actuals)


€ 4.2 M

2025 - € 0.9 M




Future potential Savings

€ 0.1 M



Total VMO initiated savings

€ 4.3 M

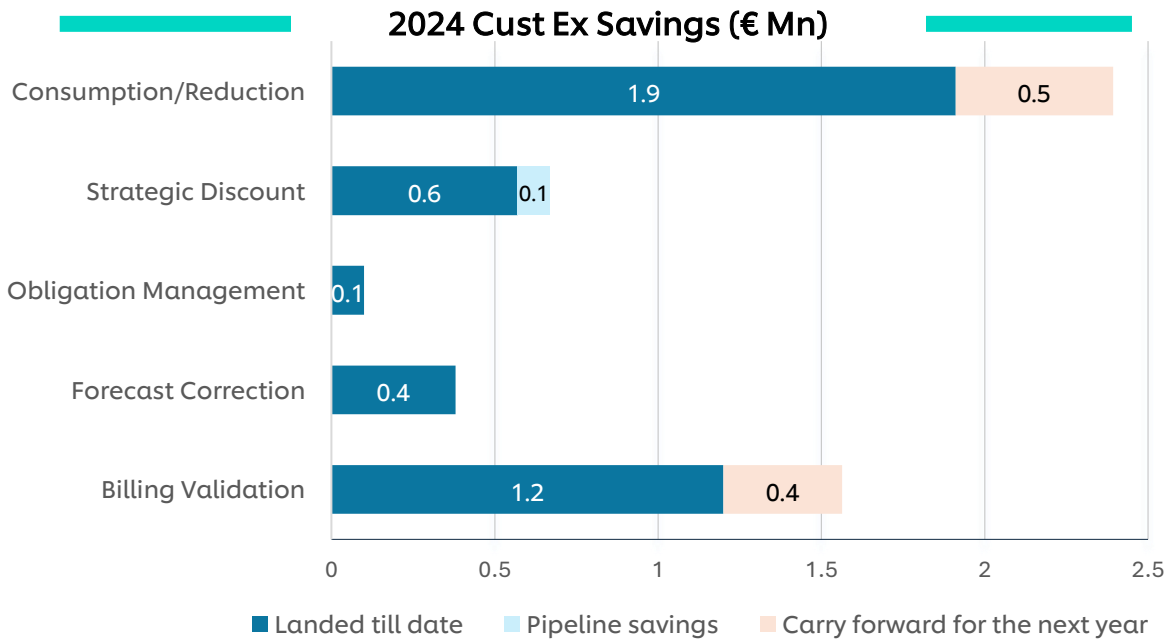


Impact of other VMO Initiatives

(Additional to P&L)

€ 4.2 M

2024 Cust Ex Savings (€ Mn)




Category	Landed till date (€ Mn)	Pipeline savings (€ Mn)	Carry forward for the next year (€ Mn)	Total (€ Mn)
Consumption/Reduction	1.9	0.0	0.5	2.4
Strategic Discount	0.6	0.1	0.0	0.7
Obligation Management	0.1	0.0	0.0	0.1
Forecast Correction	0.4	0.0	0.0	0.4
Billing Validation	1.2	0.0	0.4	1.6

■ Landed till date ■ Pipeline savings ■ Carry forward for the next year

Key Activities for realized savings

- NOLA & Brazil – move costs from Run to RDI to align with go-live dates **€ 2.4 M** (€1.9m 2024; € 0.5m 2025);
- Argentina prepayment to CG - FX benefit Q12024 (€ 0.7m)
- SLA credit in Genpact (€ 0.1m)
- COLA, currency conversion impact and removing double charging in Arabia, Thailand (€0.4m)
- Identified no double charge in billing UAPL and Argentina+credit from RPA billing in SA




Breakup of other VMO initiatives

1. € 3.6m Saving in Target Relief adjustment for Argentina 2024 is due to budget FX restatement in Cust Ex and Technology and achieved by VMO initiatives.

2. Cost avoidance – €0.6m – i) VMO ensured **no COLA impact for RDI charges for CG iOps**
ii) VMO identified **double penalty clause removal in CG Argentina local billing** - CCN2744

SL initiated, VMO enabled €0.3M (in addition to VMO initiated savings)
€ 0.2m in SEA region for scope release and reward negotiation ; € 0.1m in Argentina scope release (2024:€ 0.06m; 2025: € 0.05m)



And how did we land it...

Key Enablers



Fostering ownership mindset by taking proactive responsibility for identifying, communicating, and landing opportunities



Application of key skills recommended for VMO –e.g. **Commercial & Contract management, Analytical skills**, etc. and the use of **RPA Automated tool** for billing validation



Good understanding and interpretation of **contract terms, its application and impact on operations and commercials**.
Thorough understanding and awareness of **the MBS Commercial guidelines**, best efforts made to implement them.



Following best Practices, having robust Processes in place and adherence to RACI helped us identify opportunities



Ongoing review and analysis of key contract terms providing insights to further strengthen the contract and identify opportunities. Analysis e.g. **COLA, FX, Overhead charges, Technology and Tool charges, Withholding Tax**, etc.



Focusing on and Prioritizing High-Value Deliverables for impact maximization and effective resource allocation



Transforming challenges into opportunities for continuous growth and improvement



Being **vigilant and aware of Contractual Commitments** to help identify risk and non-compliance and be able to take immediate remedial action.

FX Analysis

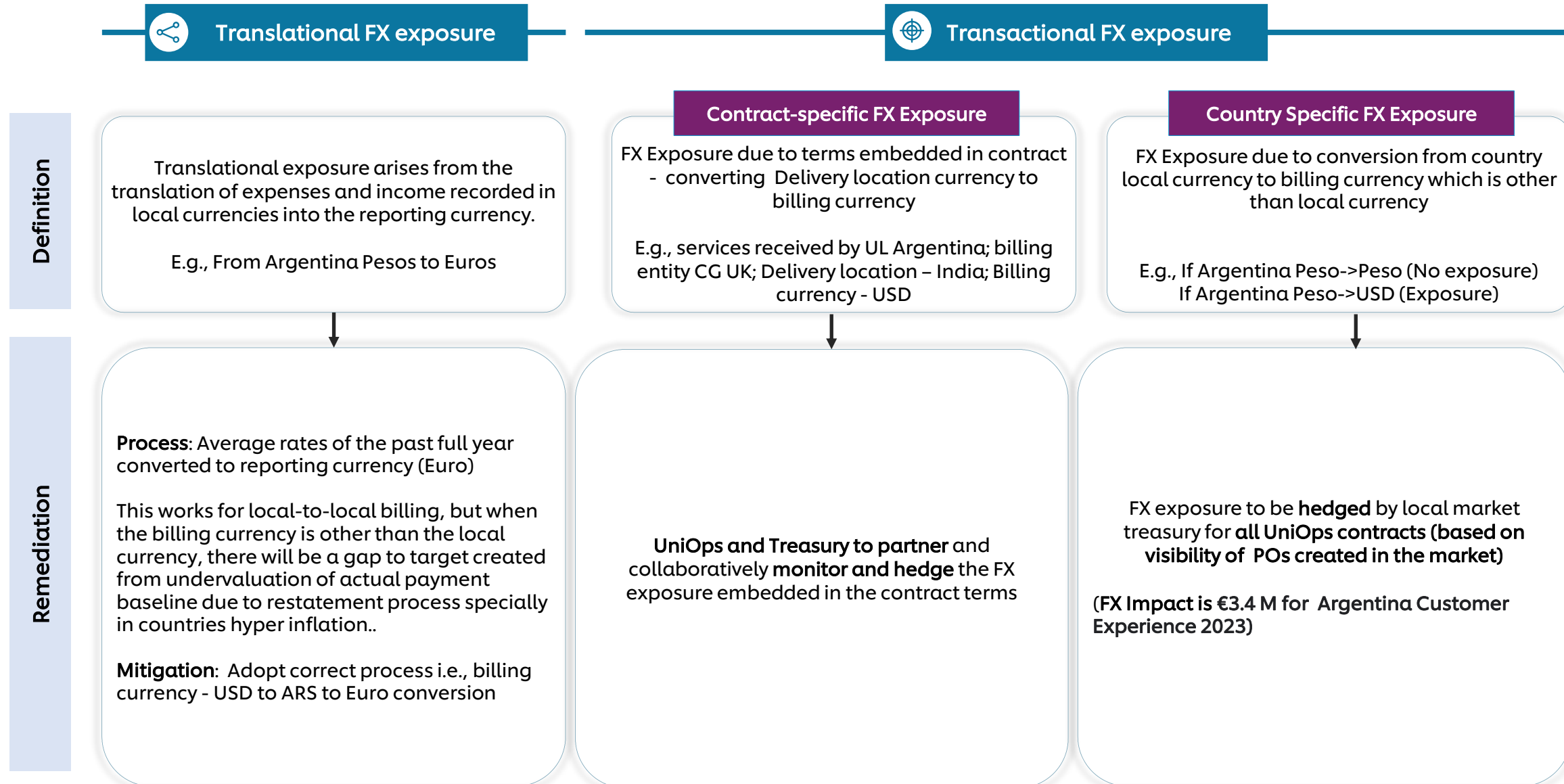
Reduce Unilever's contract exposure to FX



Objective: *To minimize the effects of exchange rate movements on the Unilever P&L and to increase predictability of future cashflows*

*Created mainly for CG iOps contract with universal applicability

Types of FX Exposure



Translational FX Exposure

Current Situation



- Customer Experience CG contractual 2024 commitment in Argentina is **\$ 4M / € 3.8M**
- After converting to USD → ARS → EUR, the current forecast for 2024 stands at **€ 5.7M**

Impact on the Budget



- A budget of **€ 9.06M** was allocated to Argentina for 2024 (Converted using UL FX'22)
- The budget is **devalued by 80%**, bringing it down to **€ 1.79M** (Converted Using UL FX'23)

Objective



- Process in place to mitigate the FX impact due to FX translational process for countries with Hyper Inflation and billing in currency other than local currency.
- Requirement of an additional **€ 3.9M** (Base cost € 2M and € 1.9M for FX Impact) budget to cover the Argentina costs
- Unilever GCAT team to give the target relief adjustment to help close the gap to target

Key Achievements based on VMO recommendation



- As a result of the Translation Fx Analysis and collaboration with stakeholders, CG iOps contract in Argentina Cust Experience has received target relief adjustment. This has helped the SL meet it's target.
- **For 2024**, VMO team proactively started early engagement, involved the right stakeholders, and got the **€ 3.6 M target relief adjustment** (€ 2.7 Mn for Cust Exp BAU, 0.9 Mn for Cust Exp TS).
- **For 2023**, **€ 1.04 M target relief adjustment** for UniOps supply chain costs. (€ 0.33 Mn for Cust Exp BAU, € 0.11 Mn for Cust Exp TS).

Transactional FX Exposure – Contract Specific

Current Situation post COVID



- In countries where delivery location currency is getting **stronger** against the billing currency, UL is paying more due to **variable conversion rate** than fixed xr. (Ex. MXN > USD in LATAM iOps contracts)
- In countries where delivery location currency is getting **weaker** against the billing currency, UL is paying more due to **fixed conversion rate** than variable xr. (Ex. INR < USD in AAR iOps contracts)

FX Exposure



Impact on 2023 Forecast

- MXN has appreciated by ~29% post Covid (2020- April 2024) against USD
- 2023 H2 forecast has increased **€ 1M** verses H1 forecast
- **FX Exposure in NOLA Brazil**
- The Sensitivity analysis is performed on NOLA and Brazil iOps contract signed in December 2023. The exposure is due to terms embedded in contract i.e., Delivery location currency conversion to billing currency
- FX exposure in NOLA and Brazil iOps contract is ~44% (27M) of the total contract value (EUR 60 M). A 5-year impact for 3 HUBs (Mexico, India and Guatemala) estimated with **5% y-o-y increase is € 3.7 M** FX Exposure ((6.2% incremental cost).

Objective



- **Treasury to partner during contract negotiation to minimize FX risks embedded in the terms of the contract** and reduce UL Contract exposure due to currency fluctuation by **hedging the risk** due to currency fluctuation.
- Explore **stop-loss limit** for FX fluctuations (as introduced in COLA) to prevent both parties from excessive losses

Key Achievements based on VMO recommendation



- As a result of the Transactional FX analysis Procurement Finance along with Treasury has agreed to **Hedge the iOps Gen 2 contracts exposure to currency fluctuations in the highly volatile and high FX exposure markets (80:20)**

Key insights and recommendations

FX and foreign currency impact should be **balanced**. This should not be designed to have windfall for either parties, CG or UL



Trends of delivery location currency

In HUBs where delivery location currency is getting:

- **stronger against the billing currency**, beneficial to adopt the **fixed annual rate approach**
- **weaker against the billing currency**, beneficial to adopt a **variable monthly rate approach**



Upfront payment

- Clearing overdue before contractual payment date **could limit currency exposure**, especially in cases where countries are experiencing **hyper-inflation**.
- Arrive at optimal **balance between the cash flow and FX impact**
- For **advanced payments** appropriate **discounts** may be availed from the supplier.



Cap on currency fluctuations

- Put in a **stop-loss limit** for FX fluctuations to prevent CG and UL from excessive fluctuations / losses. Similar caps have been introduced for COLA.
- The limit can be a **% or a defined range** over which both parties can either renegotiate on FX rates or cap it at the range limits



Treasury to Partner in Contract negotiation and Hedging

- **Treasury to partner** during contract negotiation to **minimize FX risks embedded** in the terms of the contract and to reduce UL Contract exposure due to currency fluctuation by **Hedging** the **risk due to currency fluctuation** in the current contracts.

Thank You



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