Case study

Unilever

Corporate structure

Issue: We became concerned with consumer giant Unilever after the company announced its intention to move from a dual corporate structure to a single structure, based in the Netherlands. As a result, Unilever would leave the FTSE 100 index and cause a number of M&G funds to become forced sellers, with a subsequent capital gains tax bill.

Objective: To persuade the board of Unilever to abandon its attempt to unify the company and, as a result, remain in the FTSE 100 so that relevant M&G funds could retain their shareholding in the business.

Action: When news of Unilever's plans initially leaked in the first quarter of 2018, we wrote to the chairman voicing our concern that the company would no longer be bound by the rules of the Takeover Panel and would be moving into a more protectionist environment. We spoke with the chairman upon the announcement of plans in March 2018 and additionally voiced our objection to Unilever risking leaving the FTSE 100. In late Q3, having made our views public to the media, we subsequently met with the company's chairman and CFO to advise them that we were not convinced by the main stated benefit of unification. The benefit, said Unilever was to enable the company to make large scale M&A, involving either a demerger or an acquisition, easier to execute. We encouraged other shareholders to make their views public and engaged with the Investor Forum to rally support from its members.

Outcome: Unilever eventually abandoned the unification proposal, which we see as a success for the UK shareholder base. We have subsequently met with the chairman to discuss next steps.

Background: Having expressed our concerns to Unilever, the company reassured us that by removing its Trust Office and preference shares, which had super voting rights relative to ordinary shares, these were clear signs that the company was not trying to create a poison pill. Nonetheless, concerns regarding the future uncertainty surrounding Dutch laws remained.

We gained greater clarity in the third quarter when Unilever distributed its shareholder circular. This confirmed that the company would leave the FTSE 100 and, for some funds, M&G would be a forced seller with a capital gains tax liability. There was also the uncertainty that the exemption for Dutch withholding tax would not get passed through the Dutch coalition government in December.

M&G INVESTMENTS