

## Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2008 provided to Unilever's shareholders. It does not contain sufficient information to allow a full understanding of the results of the Unilever Group and the state of affairs of Unilever N.V., Unilever PLC or the Unilever Group. For further information the Unilever Annual Report and Accounts 2008 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2008 have been audited. Sections that have been audited are set out on pages 81 to 136, 140 to 141, 143 to 145 and 148 to 150. The auditable part of the Directors' Remuneration report as set out on page 60 has also been audited.

The maintenance and integrity of the Unilever website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.

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The Annual Report and Accounts does not constitute an invitation to invest in Unilever shares. Any decisions you make in reliance on this information are solely your responsibility.

The information is given as of the dates specified, is not updated, and any forward-looking statements are made subject to the reservations specified on the final page of the Report.

Unilever accepts no responsibility for any information on other websites that may be accessed from this site by hyperlinks.

## Corporate governance

### Introduction

Unilever aspires to high standards of corporate governance. We keep our corporate governance arrangements under constant review. NV and PLC are subject to various corporate governance requirements and best practice codes, the most relevant being those in the Netherlands, the United Kingdom and the United States. It is Unilever's practice to comply, where practicable, with the highest level of these codes and respond to developments appropriately.

### The Unilever Group

Unilever N.V. and Unilever PLC are the two parent companies of the Unilever Group. Together with their respective group companies, NV and PLC operate effectively as a single economic entity. This is achieved by a series of agreements between NV and PLC (the Foundation Agreements, see page 51), together with special provisions in the Articles of Association of NV and PLC. NV and PLC have the same Directors and adopt the same accounting principles. Shareholders of both companies receive dividends on an equalised basis. NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

NV and PLC have agreed to co-operate in all areas and ensure that all group companies act accordingly. NV and PLC are holding and service companies, and the business activity of Unilever is carried out by their subsidiaries around the world. Shares in group companies may ultimately be held wholly by either NV or PLC or by the two companies in varying proportions.

NV was incorporated under the name Naamlooze Vennootschap Margarine Unie in the Netherlands in 1927. Its objects and purposes are set out in Article 2 of its Articles of Association. PLC was incorporated under the name Lever Brothers Limited in England and Wales in 1894. Its objects and purposes can be found in Clause 3 of its Memorandum of Association.

Unilever PLC's Memorandum of Association and Unilever N.V.'s Articles of Association contain, among other things, the objects clause which sets out the scope of the activities that PLC and NV are authorised to undertake. The Memorandum of Association and Articles of Association are drafted to give a wide scope and provide that the primary objectives are: to carry on business as a holding company, to manage any companies in which it has an interest and to operate and carry into effect the Equalisation Agreement (see page 51).

The two companies have different shareholder constituencies and shareholders cannot convert or exchange the shares of one company for shares of the other. NV is listed in Amsterdam and New York. PLC is listed in London and New York.

### Unilever policies

The implementation of and compliance with our governance structure is facilitated through a business-orientated policy framework. Unilever policies are universally applicable within the Unilever Group. They are mandatory and have been developed to ensure consistency in all material respects amongst worldwide operations in key areas. They cover operational and functional matters, and govern how we run our business, in order to comply with applicable laws and regulations.

Our internal risk management and control systems are described on page 28.

### Developments in corporate governance

Patrick Cescau retired from Unilever at the end of 2008 and, following his appointment as a Director in October 2008, Paul Polman succeeded Patrick Cescau as Chief Executive Officer in January 2009. Paul Polman is the first Chief Executive Officer appointed from outside the Unilever Group.

The text that follows describes the corporate governance arrangements operating within Unilever and the changes anticipated in 2009. More information on our corporate governance arrangements is set out in the document entitled 'The Governance of Unilever', the Boards' statement of their internal arrangements, which can be found at

[www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

### The Boards

The Boards of NV and PLC comprise the same Directors and have the same Chairman. This ensures unity of governance and management by ensuring that all matters are considered by the Boards as a single intellect, reaching the same conclusions on the same set of facts, save where specific local factors apply.

The Boards are one-tier boards, comprising Executive Directors and, in a majority, Non-Executive Directors. The Boards have ultimate responsibility for the management, general affairs, direction and performance of our business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors have additional responsibilities for the operation of our business as determined by the Boards and the Chief Executive Officer.

Our Directors have set out a number of areas of responsibility which are reserved to the Boards and other areas for which matters are delegated to the Chief Executive Officer and committees whose actions are regularly reported to and monitored by the Boards. These are described on pages 48 and 49. Further details of how our Boards effectively operate as one board, govern themselves and delegate their authorities are set out in the document entitled 'The Governance of Unilever', which can be found at

[www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

### Appointment of Directors

Directors are normally appointed by shareholders at the AGMs. In order to facilitate the transition from Patrick Cescau to Paul Polman, Paul was appointed as an Executive Director at separately convened shareholder meetings of PLC and NV held on 28 and 29 October 2008 respectively. All existing Directors, unless they are retiring, submit themselves for re-election every year and shareholders can remove any of them by a simple majority vote. For a list of our current Directors and the periods during which they have served as such, please see pages 18 and 19.

In order to seek to ensure that NV and PLC have the same Directors, the Articles of Association of NV and PLC contain provisions which are designed to ensure that both NV and PLC shareholders are presented with the same candidates for election as Directors. This is achieved through a nomination procedure operated by the Boards of NV and PLC through Unilever's Nomination Committee.

Based on the evaluation of the Boards, its Committees and its individual members, the Nomination Committee recommends to the Boards a list of candidates for nomination at the AGMs of both NV and PLC. In addition, since 2006 shareholders of the companies have been able to nominate Directors and to do so they must put a resolution to both meetings in line with local requirements. In order to ensure that the Boards remain identical, anyone being elected as a Director of NV must also be elected as a Director of PLC and vice versa. If an individual fails to be elected to both companies then he or she will be unable to take their place on the Boards.

The provisions in the Articles of Association for appointing Directors cannot be changed without the permission, in the case of NV, of the holders of the special ordinary shares numbered 1 - 2400 inclusive and, in the case of PLC, of the holders of PLC's deferred stock. The NV special ordinary shares may only be transferred to one or more other holders of such shares. The joint holders of both the NV special ordinary shares and the PLC deferred stock are N.V. Elma and United Holdings Limited, which are joint subsidiaries of NV and PLC. The boards of N.V. Elma and United Holdings Limited comprise the members of the Nomination Committee. The Nomination Committee comprises Non-Executive Directors of Unilever only.

### Board meetings

Our Boards meet at least seven times a year to consider important corporate events and actions, such as:

- approval of corporate strategy;
- approval of the corporate Annual Plan;
- oversight of the performance of the business;
- review of risks and controls;
- authorisation of major transactions;
- preparation of the Annual Report and Accounts;
- declaration of dividends;
- agreement of quarterly results announcements;

- convening of shareholders' meetings;
- nominations for Board appointments;
- approval of Board remuneration policy; and
- review of the functioning of the Boards and their Committees.

The following table shows the attendance of Directors at Board meetings for the year ended 31 December 2008. If Directors are unable to attend a meeting, they have the opportunity before the meeting to discuss with the Chairman any agenda items or Board papers:

| Name                                  | Attendance |
|---------------------------------------|------------|
| Michael Treschow                      | 8 of 8     |
| Patrick Cescau* (to 31 December 2008) | 8 of 8     |
| Paul Polman* (from 29 October 2008)   | 2 of 2     |
| James Lawrence* (from 15 May 2008)    | 3 of 3     |
| Kees van der Graaf* (to 15 May 2008)  | 3 of 3     |
| Ralph Kugler* (to 15 May 2008)        | 3 of 3     |
| Geneviève Berger (to 30 June 2008)    | 3 of 3     |
| Leon Brittan                          | 8 of 8     |
| Wim Dik                               | 8 of 8     |
| Charles Golden                        | 8 of 8     |
| Byron Grote                           | 8 of 8     |
| Narayana Murthy                       | 7 of 8     |
| Hixonia Nyasulu                       | 8 of 8     |
| David Simon                           | 8 of 8     |
| Kees Storm                            | 8 of 8     |
| Jeroen van der Veer                   | 6 of 8     |

Attendance is expressed as number of meetings attended out of number eligible to attend.

\*Executive Director

Board meetings are normally held either in London or Rotterdam, with one or two off site Board meetings a year. The Chairman is assisted by the Group Secretary, who ensures that the Boards are supplied with all the information necessary for their deliberations. The Chairman and the Group Secretary involve the Senior Independent Director (see page 47) in the arrangements for Board meetings.

### Board induction and training

Upon election, Directors receive a comprehensive Directors' Manual and are briefed thoroughly on their responsibilities and our business. Updates on corporate governance developments and investor relations matters are frequent agenda items at Board meetings. Ongoing training is provided for Directors by way of site visits, presentations, circulated updates, teach-ins at Board or Board committee meetings on, among other things, Unilever's business, environmental, social and corporate governance, regulatory developments and investor relations matters. In 2008, Board meetings were held at the offices of Hindustan Unilever in Mumbai which included a visit to local retail outlets and the Bangalore Research and Development Centre and in Unilever's operations in New York which included trade visits and a visit to the New Jersey Customer Insight and Innovation Centre.

### Board evaluation

The evaluation process of our Boards consists of an internal three-year cycle with an independent third-party evaluation carried out if the Boards consider appropriate. The last time an independent third-party evaluation was carried out was in 2006. In 2007 and

2008 the Chairman, in conjunction with the Senior Independent Director, conducted the internal evaluation process. An extensive questionnaire for all Board members formed part of the evaluation process. In addition, the Chairman conducted a process of evaluating the performance of each individual Board member, including an interview with each. The evaluation of the performance of the Chairman was led by the Senior Independent Director.

Committees of the Boards evaluate themselves under supervision of their respective chairmen taking into account the views of respective committee members and the Boards.

The results of the various evaluations were discussed by the Boards and changes were made in respect of Board practices and processes where considered necessary.

#### **Board support**

The Group Secretary is available to advise all Directors and ensure that Board procedures are complied with. The Boards have the power to appoint and remove the Group Secretary.

A procedure is in place to enable Directors, if they so wish, to seek independent professional advice at Unilever's expense.

#### **Board changes**

The current Directors, with their biographies, are shown on pages 18 and 19.

Geneviève Berger, Leon Brittan, Wim Dik, Charles Golden, Byron Grote, Narayana Murthy, Hixonia Nyasulu, David Simon, Kees Storm, Michael Treschow and Jeroen van der Veer were re-elected as Non-Executive Directors of NV and PLC at the 2008 AGMs.

On 1 July 2008 Geneviève Berger stepped down from the Boards as a Non-Executive Director to join the Unilever Executive team as Chief Research and Development Officer. Paul Polman became an Executive Director on 29 October 2008 and, following an orderly transition, took over from Patrick Cescau on 1 January 2009 as Chief Executive Officer.

At the 2008 AGMs, Kees van der Graaf and Ralph Kugler stepped down from the Boards, and Jim Lawrence was appointed an Executive Director to those Boards following his appointment as Chief Financial Officer in September 2007.

At the 2009 AGMs all current Executive and Non-Executive Directors will be nominated for re-election, except David Simon who will be retiring as a Non-Executive Director at the end of our 2009 AGMs after three terms of three years. During that time he has served as our Vice Chairman, Senior Independent Director and Chairman of our Nomination and Remuneration Committees. It is intended that David will be succeeded in those roles by Jeroen van der Veer, with effect from the conclusion of the 2009 AGMs.

#### **Chairman and Chief Executive Officer**

Unilever has a separate independent Non-Executive Chairman and Chief Executive Officer. There is a clear division of responsibilities between their roles. The Chairman is primarily responsible for leadership of the Boards, ensuring their effectiveness and setting their agendas. He is also responsible for ensuring that the Boards receive accurate, timely and clear information.

The Chief Executive Officer has been entrusted, within the parameters set out in the Articles of Association of NV and PLC and in the document entitled 'The Governance of Unilever', with all the Boards' powers, authorities and discretions in relation to the operational management of Unilever. The Chief Executive Officer has the authority to determine which duties regarding the operational management of the companies and their business enterprises will be carried out under his responsibility by one or more Executive Directors or by one or more other persons. This provides a basis for the Unilever Executive team (UEX) that is chaired by and reports to the Chief Executive Officer. For UEX members' biographies see page 58. For our business structure, please refer to 'About Unilever' on pages 21 and 22.

#### **Executive Directors**

All Executive Directors are members of the UEX.

The Executive Directors are full-time employees of Unilever. Information about their remuneration can be found in the report of the Remuneration Committee on pages 60 to 73 and on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

The Remuneration Committee takes the view that the entitlement of the Executive Directors to the security of twelve months' notice of termination of employment is in line with both the practice of many comparable companies and the entitlement of other senior executives within Unilever. It is our policy to set the level of severance payments for Executive Directors at no more than one year's salary, unless the Boards, at the proposal of the Remuneration Committee, find this unreasonable given the circumstances or unless dictated by applicable law.

The Executive Directors submit themselves for re-election at the AGMs each year. The Nomination Committee carefully considers each nomination for reappointment.

Executive Directors stop holding executive office on ceasing to be Directors. Executive Directors retire between the ages of 60 and 65, as decided by either them or Unilever.

We do not grant our Executive Directors any personal loans or guarantees.

There are no family relationships between any of our Executive Directors, other key management personnel or Non-Executive Directors. None of our Executive Directors or other key management personnel are elected or appointed under any arrangement or understanding, either with any major shareholder, customer, supplier or otherwise.

### Outside Appointments

Unilever recognises the benefit to the individual and to the Group of involvement by Unilever Executives acting as directors of other companies outside the Unilever Group, broadening their experience and knowledge. The number of outside directorships of listed companies is generally limited to one per individual. In the case of publicly listed companies approval is required from the Chairman. Outside directorships must not involve an excessive commitment or conflict of interest. Unilever Executives must at all times ensure that their time commitment to Unilever takes precedence over any outside directorship. Fees paid in connection with an outside directorship may be retained by the individual, reflecting that any outside directorship is for the responsibility of the individual and that Unilever takes no responsibility in this regard.

### Non-Executive Directors

The Non-Executive Directors share responsibility for the execution of the Boards' duties, taking into account their specific responsibilities, which are essentially supervisory. In particular, they comprise the principal external presence in the governance of Unilever, and provide a strong independent element. See pages 18 and 19 for their biographies.

### Role and Responsibility

The key elements of the role and responsibilities of our Non-Executive Directors are:

- supervision of and advice to the Chief Executive Officer;
- developing strategy with the Chief Executive Officer;
- scrutiny of performance of the business and Chief Executive Officer;
- oversight of risks and controls;
- reporting of performance;
- remuneration of and succession planning for Executive Directors; and
- governance and compliance.

Our Non-Executive Directors are chosen for their broad and relevant experience and international outlook, as well as their independence. They form the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Responsibility and Reputation Committee. The roles and membership of these key Board committees are described on pages 48 and 49. The profile set by the Boards for the Non-Executive Directors and the schedule used for orderly succession planning can be found on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

### Meetings

The Non-Executive Directors meet as a group, without the Executive Directors present, under the leadership of the Chairman. In 2008 they met five times. In addition, the Non-Executive Directors (including the Chairman) usually meet before each Board meeting with the Chief Executive Officer, the Chief Financial Officer, other senior executives and the Group Secretary.

### Senior Independent Director

Our Non-Executive Directors have appointed David Simon as Senior Independent Director. He acts as their spokesman. The Senior Independent Director is consulted by the Chairman on the agenda and arrangements for Board meetings. He is also, in appropriate cases, a point of contact for shareholders and other stakeholders. Upon David's retirement, it is intended that he will be succeeded by Jeroen van der Veer, with effect from the conclusion of the 2009 AGMs.

### Tenure

Our Non-Executive Directors submit themselves for re-election each year at the AGMs. Their nomination for re-election is subject to continued good performance which is evaluated by the Boards, based on the recommendations of the Nomination Committee. The Nomination Committee carefully considers each nomination for reappointment. The Non-Executive Directors normally serve for a maximum of nine years.

### Remuneration

The remuneration of the Non-Executive Directors is determined by the Boards, within the overall limit set by the shareholders at the AGMs in 2007, and it is reported on page 72. We do not grant our Non-Executive Directors any personal loans or guarantees nor are they entitled to any severance payments. Details of the engagement of our Non-Executive Directors can be seen on the Unilever website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

### Other appointments

Non-Executive Directors may serve on boards of other companies, provided such service does not involve a conflict of interest or restrict their ability to discharge their duties to Unilever.

### Independence

Taking into account the role of Non-Executive Directors, which is essentially supervisory, and the fact that they make up the key Committees of the Boards, it is important that our Non-Executive Directors can be considered to be independent.

Our definition of independence for Directors is set out in the document entitled 'The Governance of Unilever'. It is derived from the applicable definitions in use in the Netherlands, the UK and the US. All our current Non-Executive Directors are considered to be independent of Unilever. Our Boards reached this conclusion after conducting a thorough review of all relevant relationships of the Non-Executive Directors, and their related or connected persons. Leon Brittan has served on the Boards since 2000. The length of tenure under the Dutch Corporate Governance Code is set at a maximum of twelve years for non-executive directors.

However, the UK Combined Code on Corporate Governance suggests that length of tenure is a factor to consider when determining independence of a non-executive director. The UK Combined Code also provides that a non-executive director who serves more than nine years should be subject to annual re-election and subject to particularly rigorous review. It is our standard practice for all Directors to seek re-election annually. Moreover, our annual performance review has concluded that

Leon Brittan continues to demonstrate the essential characteristics of independence expected by the Boards. His length of service, and his resulting experience and knowledge of Unilever, is viewed by the Boards as being especially valuable, particularly given the extent of the changes to the Boards in recent years.

A number of relationships, such as non-executive directorships, exist between various of our Non-Executive Directors and companies that provide banking, insurance or financial advisory services to Unilever. Our Boards considered in each case the number of other companies that also provide or could readily provide such services to Unilever, the significance to those companies of the services they provide to Unilever, the roles of the Non-Executive Directors within those companies and the significance of those roles to our Non-Executive Directors.

It concluded that none of these relationships impact the independence of the Non-Executive Directors concerned. The Boards have formed the view that the fact that David Simon is a senior adviser of Morgan Stanley International is not material. The Boards have satisfied themselves that the services provided by Paton Tupper Associates (Pty) Limited and Barloworld Limited, of which Hixonia Nyasulu is a director and shareholder and director respectively, to Unilever South Africa is not material. The Boards further concluded that Narayana Murthy's directorship of HSBC Holdings plc, one of Unilever's preferred banks, is not impacted by the banking relationship and therefore that he should be considered independent. The Boards have also satisfied themselves that Leon Brittan's position at UBS Investment Bank and UBS Securities Company Limited does not involve him in any way in its broking relationship with Unilever.

None of our Non-Executive Directors are elected or appointed under any arrangement or understanding, either with any major shareholder, customer, supplier or otherwise.

## Committees

### Board Committees

The Boards have established the committees described below, all formally set up by Board resolutions with carefully defined remits. They are made up solely of Non-Executive Directors and report regularly to the Boards. For all committees, if Directors are unable to attend a meeting, they are given the opportunity before the meeting to discuss with the Chairman of the committee any agenda items or committee papers. All committees are provided with sufficient resources to undertake their duties. The terms of reference for each committee can be found on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

### Audit Committee

The Audit Committee is comprised only of independent Non-Executive Directors with a minimum requirement of three such members. It is chaired by Kees Storm, and its other members are Wim Dik, Charles Golden and Byron Grote. The Boards have satisfied themselves that all the current members of the Audit Committee are competent in financial matters and have recent and relevant experience and that, for the purposes of the US Sarbanes-Oxley Act of 2002, Kees Storm is the Audit Committee's financial expert. The Audit Committee's meetings are attended, by invitation, by the Chief Financial Officer, the Chief Legal Officer, the Group Controller, the Chief Auditor and our external auditors.

The Audit Committee assists the Boards in fulfilling their oversight responsibilities in respect of the integrity of Unilever's financial statements; risk management and internal control arrangements; compliance with legal and regulatory requirements; the performance, qualifications and independence of the external auditors; and the performance of the internal audit function. The Audit Committee is directly responsible, subject to local laws regarding shareholder approval, for the nomination, compensation and oversight of the external auditors.

The Audit Committee is compliant with the rules regarding audit committees applicable in the Netherlands, the UK and the US. The Audit Committee is supplied with all information necessary for the performance of its duties by the Chief Auditor, Chief Financial Officer and Group Controller. Both the Chief Auditor and the external auditors have direct access to the Audit Committee separately from management.

The following table shows the attendance of Directors at Audit Committee meetings for the year ended 31 December 2008:

| Name                  | Attendance |
|-----------------------|------------|
| Kees Storm (Chairman) | 6 of 6     |
| Wim Dik               | 6 of 6     |
| Charles Golden        | 6 of 6     |
| Byron Grote           | 6 of 6     |

Attendance is expressed as number of meetings attended out of number eligible to attend.

See page 74 for the Report of the Audit Committee to the shareholders.

### Nomination Committee

The Nomination Committee recommends to the Boards candidates for the positions of Director. It also has responsibilities for succession planning and oversight of corporate governance matters. It is supplied with information by the Group Secretary.

The document entitled 'The Governance of Unilever' sets out that the Nomination Committee comprises two independent Non-Executive Directors and the Chairman. The Nomination Committee is chaired by David Simon and its other members are Michael Treschow and Jeroen van der Veer. Following David's retirement at the end of the 2009 AGMs, it is intended that Jeroen van der Veer will succeed him as Chairman of the Nomination Committee.

The following table shows the attendance of Directors at Nomination Committee meetings for the year ended 31 December 2008:

| Name                                    | Attendance |
|---|------------|
| David Simon (Chairman)                  | 6 of 6     |
| Michael Treschow (from 6 February 2008) | 5 of 5     |
| Jeroen van der Veer                     | 4 of 6     |

Attendance is expressed as number of meetings attended out of number eligible to attend.

See page 59 for the Report of the Nomination Committee to the shareholders.

### Remuneration Committee

The Remuneration Committee reviews Directors' remuneration and is responsible for the executive share-based incentive plans. It determines, within the parameters set by our shareholders, specific remuneration arrangements for each of the Executive Directors, the remuneration scales and arrangements for Non-Executive Directors and the policy for the remuneration of the tier of management directly below the Boards. The Committee is advised by the Group Secretary on matters of corporate governance.

The document entitled 'The Governance of Unilever' sets out that the Committee comprises a minimum of three independent Non-Executive Directors. The Remuneration Committee is chaired by David Simon and its other members are Jeroen van der Veer and Michael Treschow. Following David's retirement at the end of the 2009 AGMs, it is intended that Jeroen van der Veer will succeed him as Chairman of the Remuneration Committee.

The following table shows the attendance of Directors at Remuneration Committee meetings for the year ended 31 December 2008:

| Name                                    | Attendance |
|---|------------|
| David Simon (Chairman)                  | 5 of 5     |
| Michael Treschow (from 6 February 2008) | 4 of 4     |
| Jeroen van der Veer                     | 3 of 5     |

Attendance is expressed as number of meetings attended out of number eligible to attend.

The detailed report of the Remuneration Committee to the shareholders on Directors' remuneration is on pages 60 to 73.

### Corporate Responsibility and Reputation Committee

The Corporate Responsibility and Reputation Committee has responsibility for the oversight of Unilever's conduct with regard to its corporate and societal obligations and its reputation as a responsible corporate citizen. It comprises a minimum of three Non-Executive Directors. It is chaired by Leon Brittan and its other members are Narayana Murthy and Hixonia Nyasulu. Ralph Kugler and Geneviève Berger stepped down as members of the Committee on 15 May 2008 and 30 June 2008 respectively.

The following table shows the attendance of Directors at Corporate Responsibility and Reputation Committee meetings for the year ended 31 December 2008:

| Name                               | Attendance |
|------------------------------------|------------|
| Leon Brittan (Chairman)            | 4 of 4     |
| Geneviève Berger (to 30 June 2008) | 2 of 2     |
| Ralph Kugler (to 15 May 2008)      | 2 of 2     |
| Narayana Murthy                    | 2 of 4     |
| Hixonia Nyasulu                    | 4 of 4     |

Attendance is expressed as number of meetings attended out of number eligible to attend.

See page 75 for the Report of the Corporate Responsibility and Reputation Committee to shareholders.

### Routine business committees

Committees are also set up to conduct routine business as and when they are necessary. They comprise any two of the Directors and certain senior executives and officers. They administer or implement certain matters previously agreed by our Boards or the Chief Executive Officer. The Group Secretary is responsible for the operation of these committees.

### Disclosure Committee

The Boards have set up a Disclosure Committee which is responsible for helping the Boards ensure that financial and other information required to be disclosed publicly is disclosed in a timely manner and that the information that is disclosed is complete and accurate in all material aspects. The Committee comprises the Group Controller, the Group Secretary, the Chief Legal Officer and the Group Treasurer.

### Director matters

#### Conflicts of interest

We attach special importance to avoiding conflicts of interest between NV and PLC and their Directors. The Boards are responsible for ensuring that there are rules in place to avoid conflicts of interest by Board members. Conflicts of interest are understood not to include transactions and other activities between companies in the Unilever Group.

At the 2008 AGM shareholders approved amendments to Unilever PLC's Articles of Association to reflect certain provisions of the UK Companies Act 2006 relating to conflicts of interest that came into force on 1 October 2008, enabling the Board to authorise conflicts or potential conflicts of interest. Following the change of law, the interests of Directors and their connected persons were reviewed by the Boards. Authorisation of situational conflicts was given by the Boards to the relevant Director in accordance with the Articles of Association of PLC. The authorisation included conditions relating to keeping Unilever information confidential and to the exclusion from receiving and discussing relevant information at Board meetings. Situational conflicts will be reviewed annually by the Boards as part of the determination of Director independence. In between those reviews Directors have a duty to inform the Boards of any relevant changes to the situation. The procedures that Unilever has put in place to deal with conflicts of interest have operated effectively.

#### Various formal matters

The borrowing powers of NV Directors on behalf of NV are not limited by the Articles of Association of NV. PLC Directors have the power to borrow on behalf of PLC up to three times the adjusted capital and reserves of PLC, as defined in its Articles of Association, without the approval of shareholders (any exceptions requiring an ordinary resolution).

The Articles of Association of NV and PLC do not require Directors of NV or Directors of PLC to hold shares in NV or PLC. However, the remuneration arrangements applicable to our Executive Directors require them to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay.

### Indemnification

Directors' indemnification, including the terms thereof, is provided for in Article 19 of NV's Articles of Association. The power to indemnify Directors is provided for in PLC's Articles of Association and deeds of indemnity have been issued to all PLC Directors. Appropriate Directors' and Officers' liability insurance is in place for all Unilever Directors.

### Shareholder matters

#### Relations with shareholders and other investors

We believe it is important both to explain our business developments and financial results to investors and to understand their objectives.

The Chief Financial Officer has lead responsibility for investor relations, with the active involvement of the Chief Executive Officer. They are supported by our Investor Relations department which organises presentations for analysts and investors. Such presentations are generally made available on our website. Briefings on quarterly results are given via teleconference and are accessible by telephone or via our website. For further information visit our website at [www.unilever.com/investorrelations](http://www.unilever.com/investorrelations)

The Boards are briefed on reactions to quarterly results announcements. They, or the relevant Board Committee, are briefed on any issues raised by shareholders that are relevant to their responsibilities.

Our shareholders can, and do, raise issues directly with the relevant Executive Director or the Chairman and, if appropriate, a relevant Non-Executive Director or the Senior Independent Director.

Both NV and PLC communicate with their respective shareholders at the AGMs as well as responding to their questions and enquiries during the course of the year. We take the views of our shareholders into account and, in accordance with all applicable legislation and regulations, may consult them in an appropriate way before putting proposals to our AGMs.

#### General Meetings of shareholders

The business to be conducted at the AGMs of NV and PLC is set out in the separate Notices of AGM for NV and PLC. It typically includes approval/consideration of the Annual Report and Accounts, appointment of Directors, remuneration framework, appointment of external auditors, approval of changes to the Articles of Association, and authorisation for the Boards to allot and repurchase shares, and to restrict pre-emptive rights of shareholders.

At the AGMs, a review is given of the progress of the business over the last year and there is a discussion of current issues. Shareholders are encouraged to attend the meetings and ask questions, and the question-and-answer sessions form an important part of the meetings.

General Meetings of shareholders of NV and PLC are held at times and places decided by our Boards. NV meetings are normally held in Rotterdam and PLC meetings are normally held in London, on consecutive days. The notices calling the meetings normally go out more than 30 days prior to the meetings and include further information on how to gain access to the AGMs and how to vote by proxy.

We welcome our external auditors to the AGMs and they are entitled to address the meetings.

#### Electronic communication

We are committed to efforts to continue more effective ways of communication with our shareholders around the AGMs. Electronic communication is already an important and established medium for shareholders, providing ready access to shareholder information and reports, and for voting purposes.

NV was one of the founders of the Dutch Shareholders' Communication Channel. NV shareholders participating in the Channel are able to appoint electronically a proxy to vote on their behalf at the NV AGM and NV shareholders who wish to participate should contact their bank or broker.

Shareholders of PLC can choose to receive electronic notification that the Annual Review, Annual Report and Accounts and Notice of AGMs have been published on our website, instead of receiving printed copies, and can also electronically appoint a proxy to vote on their behalf at the AGM.

Registration for electronic communication by shareholders of PLC can be made at [www.unilever.com/shareholderservices](http://www.unilever.com/shareholderservices). The UK Companies Act 2006 contains provisions facilitating communications between companies and their shareholders electronically and PLC has established such a facility after consulting with its shareholders in 2007 to offer them the opportunity to review their method of receiving shareholder communications in the future.

#### Voting rights

To be entitled to attend and vote at NV General Meetings shareholders must hold their NV shares on the record date, which is set by the Board of NV at a date not more than 30 days before the meeting. Shareholders do not need to block their shares. NV shareholders can cast one vote for each €0.16 nominal capital that they hold. This means that they can cast one vote for each NV ordinary share, or NV New York Registry Share. Shareholders can vote in person or by proxy. Similar arrangements apply to holders of depositary receipts issued for NV shares and the holders of NV preference shares (see page 54).

PLC shareholders can cast one vote for each 3<sup>1</sup>/<sub>9</sub>p nominal capital that they hold. This means shareholders can cast one vote for each PLC ordinary share, or PLC American Depositary Receipt of shares. Shareholders can vote in person at the meeting or by proxy. Proxies should be submitted at least 48 hours before the General Meeting to the Registrars, whose details can be found on page 159.

More information on the exercise of voting rights can be found in NV's and PLC's Articles of Association and in the respective Notices of Meetings.

Holders of NV New York Registry Shares or PLC American Depositary Receipts of shares will receive a proxy form enabling them to authorise and instruct a notary public or Citibank, N.A. respectively to vote on their behalf at the General Meeting of NV or PLC.

N.V. Elma and United Holdings Limited (the holders of NV's special shares), other group companies of NV which hold ordinary or preference shares, and United Holdings Limited, which owns half of PLC's deferred stock, are not permitted to vote at General Meetings.

Voting on each of the resolutions contained in the Notice of AGMs is conducted by poll. The final vote is published at the meetings and the outcome of the votes, including the proxy votes, is put on Unilever's website.

#### Shareholder proposed resolutions

Shareholders of NV may propose resolutions if they individually or together hold 1% of NV's issued capital in the form of shares or depositary receipts for shares, or if they individually or together hold shares or depositary receipts worth or representing the market value in shares as set in respect thereto by or pursuant to the law (currently €50 million). They must submit these requests at least 60 days before the date of the General Meeting, and the request will be honoured unless, in the opinion of the Boards, it is against a substantive interest of the Company. Shareholders who together represent at least 10% of the issued capital of NV can also requisition Extraordinary General Meetings to deal with specific resolutions.

Shareholders who together hold shares representing at least 5% of the total voting rights of PLC, or 100 shareholders who hold on average £100 each in nominal value of PLC capital, can require PLC to propose a resolution at a general meeting. PLC shareholders holding in aggregate 10% of the issued PLC ordinary shares are able to convene a general meeting of PLC.

#### Required majorities

Resolutions are usually adopted at NV and PLC shareholder meetings by an absolute majority of votes cast, unless there are other requirements under the applicable laws or NV's or PLC's Articles of Association. For example, there are special requirements for resolutions relating to the alteration of the Articles of Association, the liquidation of NV or PLC and the alteration of the Equalisation Agreement (see below).

A proposal to alter the Articles of Association of NV can only be made by the Board of NV. A proposal to alter the Memorandum and Articles of Association of PLC can be made either by the Board of PLC or by shareholders in the manner permitted under the UK Companies Acts. Unless expressly specified to the contrary in the Articles of Association of PLC, PLC's Articles of Association may be amended by a special

resolution. Proposals to alter the provisions in the Articles of Association of NV and PLC respectively relating to the unity of management require the prior approval of meetings of the holders of the NV special shares and the PLC deferred stock. The Articles of Association of NV and the Memorandum and Articles of Association of PLC can be found on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

#### Right to hold shares

Unilever places no limitations on the right to hold NV and PLC shares.

#### Foundation Agreements

##### Equalisation Agreement

The Equalisation Agreement makes the economic position of the shareholders of NV and PLC, as far as possible, the same as if they held shares in a single company. The Equalisation Agreement regulates the mutual rights of the shareholders of NV and PLC. Under the Equalisation Agreement, NV and PLC must adopt the same financial periods and accounting policies. Dividends are paid in accordance with a formula relating to the nominal values of NV's and PLC's issued share capital.

Each NV ordinary share represents the same underlying economic interest in the Unilever Group as each PLC ordinary share.

We pay ordinary dividends for NV and PLC on the same day. NV and PLC allocate funds for the dividend from their parts of our current profits and free reserves. We pay the same amount on each NV share as on one PLC share calculated at the relevant exchange rate. For interim dividends this exchange rate is the average rate for the quarter before we declare the dividend. For final dividends it is the average rate for the year. In arriving at the equalised amount we include any tax payable by the Company in respect of the dividend, but calculate it before any tax deductible by the Company from the dividend.

The Equalisation Agreement provides that if one company had losses, or was unable to pay its preference dividends, the loss or shortfall would be made up out of:

- the current profits of the other company (after it has paid its own preference shareholders);
- then its own free reserves; and
- then the free reserves of the other company.

If either company could not pay its ordinary dividends, we would follow the same procedure, except that the current profits of the other company would only be used after it had paid its own ordinary shareholders and if the Directors thought this more appropriate than, for example, using its own free reserves.

So far, NV and PLC have always been able to pay their own dividends, so we have never had to follow this procedure. If we did, the payment from one company to the other would be subject to any United Kingdom and Dutch tax and exchange control laws applicable at that time.

Under the Equalisation Agreement, the two companies are permitted to pay different dividends in the following exceptional circumstances:

- If the average annual sterling/euro exchange rate changed so substantially from one year to the next that to pay equal dividends at the current exchange rates, either NV or PLC would have to pay a dividend that was unreasonable (that is to say, substantially larger or smaller in its own currency than the dividend it paid in the previous year); or
- The governments of the Netherlands or the United Kingdom could in some circumstances place restrictions on the proportion of a company's profits which can be paid out as dividends. This could mean that in order to pay equal dividends one company would have to pay out an amount which would breach the limitations in place at the time, or that the other company would have to pay a smaller dividend.

In either of these rare cases, NV and PLC could pay different amounts of dividend if the Boards thought it appropriate. The company paying less than the equalised dividend would put the difference between the dividends into a reserve: an equalisation reserve in the case of exchange rate fluctuations, or a dividend reserve in the case of a government restriction. The reserves would be paid out to its shareholders when it became possible or reasonable to do so, which would ensure that the shareholders of both companies would ultimately be treated the same.

If both companies were to go into liquidation, NV and PLC would each use any funds legally available to pay the prior claims of their own preference shareholders. Then they would use any surplus to pay each other's preference shareholders, if necessary. After these claims had been met, they would pay out any equalisation or dividend reserve to their own shareholders before pooling the remaining surplus. This would be distributed to the ordinary shareholders of both companies on an equal basis. If one company were to go into liquidation, we would apply the same principles as if both had gone into liquidation simultaneously.

In principle, issues of bonus shares and rights offerings can only be made in ordinary shares. Again, we would ensure that shareholders of NV and PLC received shares in equal proportions. The subscription price for one new NV share would have to be the same, at the prevailing exchange rate, as the price for one new PLC share. Neither company can issue or reduce capital without the consent of the other.

The Articles of Association of NV establish that any payment under the Equalisation Agreement will be credited or debited to the income statement for the financial year in question.

Under Article 2 of the Articles of Association of NV and Clause 3 of the Memorandum of Association of PLC, each company is required to carry out the Equalisation Agreement with the other. Both documents state that the Agreement cannot be changed or terminated without the approval of shareholders. For NV, the

General Meeting can decide to alter or terminate the Equalisation Agreement at the proposal of the Board. The necessary approval of the General Meeting is then that at least one half of the total issued ordinary capital must be represented at an ordinary shareholders' meeting, where the majority must vote in favour; and (if they would be disadvantaged or the agreement is to be terminated), at least two-thirds of the total issued preference share capital must be represented at a preference shareholders' meeting, where at least three-quarters of them must vote in favour. For PLC, the necessary approval must be given by the holders of a majority of all issued shares voting at a General Meeting and the holders of the ordinary shares, by a simple majority voting at a General Meeting where the majority of the ordinary shares in issue are represented.

In addition, Article 3 of the PLC Articles of Association states that PLC's Board must carry out the Equalisation Agreement and that the other provisions of the Articles of Association are subject to it.

We are advised by counsel that these provisions oblige our Boards to carry out the Equalisation Agreement, unless it is amended or terminated with the required approval of the shareholders of both companies. If the Boards fail to enforce the Agreement, shareholders can compel them to do so under Dutch and UK law.

As announced on 5 February 2009, at the 2009 AGMs and at separate Meetings of Ordinary Shareholders we will be proposing resolutions to authorise the Directors to modify the Equalisation Agreement to facilitate the payment of quarterly dividends from 2010 onwards. This will allow us to change to a simpler and more transparent dividend practice for the Unilever group. These changes will result in more frequent payments to shareholders, and better align with the cash flow generation of the business.

The Equalisation Agreement can be found on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

#### **The Deed of Mutual Covenants**

The Deed of Mutual Covenants provides that NV and PLC and their respective subsidiary companies shall co-operate in every way for the purpose of maintaining a common operating policy. They shall exchange all relevant information about their respective businesses – the intention being to create and maintain a common operating platform for the Unilever Group throughout the world. The Deed illustrates some of the information which makes up this common platform, such as the mutual exchange and free use of know-how, patents, trade marks and all other commercially valuable information.

The Deed contains provisions which allow the Directors of NV and PLC to take any actions to ensure that the dividend-generating capacity of each of NV and PLC is aligned with the economic interests of their respective shareholders. These provisions also allow assets to be transferred between NV and PLC and their associated companies (as defined in the Deed) to ensure that assets are allocated in the most efficient manner. These arrangements are designed to create a balance between the two parent companies and the funds generated by them, for the benefit of their respective sets of shareholders.

**The Agreement for Mutual Guarantees of Borrowing**

Under the Agreement for Mutual Guarantees of Borrowing between NV and PLC, each company will, if asked by the other, guarantee the borrowings of the other. The two companies also jointly guarantee the borrowings of their subsidiaries. These arrangements are used, as a matter of financial policy, for certain significant public borrowings. They enable lenders to rely on our combined financial strength.

**Share capital matters****Combined earnings per share**

We calculate earnings per share on a combined basis. In our combined earnings per share calculation, we assume that both companies will be able to pay their dividends out of their part of our profits. This has always been the case in the past, but if we did have to make a payment from one to the other it could result in additional taxes, and reduce our combined earnings per share.

Further information about the calculation of earnings per share, including the calculation on a diluted basis, can be found in note 7 on page 96.

**Share capital**

NV's issued share capital on 31 December 2008 was made up of:

- €274 356 432 split into 1 714 727 700 ordinary shares of €0.16 each;
- €1 028 568 split into 2 400 ordinary shares numbered 1 to 2 400, known as special shares; and
- €113 599 014 split into several classes (4%, 6% and 7%) of cumulative preference shares ('financing preference shares').

The voting rights attached to NV's outstanding shares are split as follows:

|   | Total number of votes        | % of issued capital |
|---|------------------------------|---------------------|
| 1 714 727 700 ordinary shares           | 1 714 727 700 <sup>(a)</sup> | 70.53               |
| 2 400 special shares                    | 6 428 550                    | 0.26                |
| 750 000 4% cumulative preference shares | 200 906 250                  | 8.26                |
| 161 060 6% cumulative preference shares | 431 409 276                  | 17.75               |
| 29 000 7% cumulative preference shares  | 77 678 312                   | 3.20                |

(a) Of which 141 560 629 shares were held in treasury and 35 663 020 shares were held in connection with share-based payments as at 31 December 2008. These shares are not voted on.

NV may issue shares not yet issued and grant rights to subscribe for shares only pursuant to a resolution of the General Meeting of Shareholders or of another corporate body designated for such purpose by a resolution of the General Meeting. At the AGM held on 15 May 2008 the Board was designated, in accordance with Articles 96 and 96a of Book 2 of the Netherlands Civil Code, as the corporate body authorised until 15 November 2009 to resolve on the issue of – or on the granting of rights to subscribe for – shares not yet issued and to restrict or exclude the statutory pre-emption rights that accrue to shareholders upon issue of shares,

on the understanding that this authority is limited to 10% of the issued share capital of the Company, plus an additional 10% of the issued share capital of the Company in connection with or on the occasion of mergers and acquisitions.

At the 2008 AGM the Board of NV was authorised, in accordance with Article 98 of Book 2 of the Netherlands Civil Code, until 15 November 2009 to cause the Company to buy back its own shares and depositary receipts thereof, within the limits set by law, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the shares and not higher than 10% above the average of the closing price of the shares on Eurolist by Euronext Amsterdam for the five business days before the day on which the purchase is made. The Board agreed at the AGM that it would use the authority to purchase more than 10% of the Company's issued share capital.

The above mentioned authorities are renewed annually.

PLC's issued share capital on 31 December 2008 was made up of:

- £40 760 420 split into 1 310 156 361 ordinary shares of 31/9p each; and
- £100 000 of deferred stock.

The total number of voting rights attached to PLC's outstanding shares are shown hereunder:

|                               | Total number of votes        | % of issued capital |
|-------------------------------|------------------------------|---------------------|
| 1 310 156 361 ordinary shares | 1 310 156 361 <sup>(a)</sup> | 99.76               |
| £100 000 deferred stock       | 3 214 285                    | 0.24                |

(a) Of which 26 696 994 shares were held by PLC in treasury and 31 887 851 shares were held by NV group companies or by share trusts as at 31 December 2008. These shares are not voted on.

The Board of PLC under sections 80 and 89 of the UK Companies Act 1985 may, subject to the passing of the appropriate resolutions at a meeting of shareholders, issue shares within the limits prescribed within the resolutions. At the 2008 AGM the Directors were authorised to issue new shares pursuant to section 80 of that Act, limited to a maximum of £13 450 000 nominal value, which at the time represented approximately 33% of the Company's issued Ordinary share capital and pursuant to section 89 of that Act, to disapply pre-emption rights up to approximately 5% of PLC's issued ordinary share capital. These authorities are renewed annually.

At the 2008 AGM the Board of PLC was authorised in accordance with its Articles of Association to make market purchases of its ordinary shares representing just under 10% of the Company's issued capital and within the limits prescribed within the resolution until the earlier of the 15-month anniversary after the passing of the resolution or the conclusion of the 2009 AGM.

### **Margarine Union (1930) Limited: Conversion Rights**

The first Viscount Leverhulme was the founder of the company which became PLC. When he died in 1925, he left in his will a large number of PLC shares in various trusts.

When the will trusts were varied in 1983, the interests of the beneficiaries of his will were also preserved. Four classes of special shares were created in Margarine Union (1930) Limited, a subsidiary of PLC. One of these classes can be converted at the end of the year 2038 into 70 875 000 PLC ordinary shares of 3½p each. This currently represents 5.4% of PLC's issued ordinary capital. These convertible shares replicate the rights which the descendants of the first Viscount would have had under his will. This class of the special shares only has a right to dividends in specified circumstances, and no dividends have yet been paid. PLC guarantees the dividend and conversion rights of the special shares.

### **Foundation Unilever NV Trust Office**

As at 27 February 2009, around 73% of NV's ordinary shares and around 34% of NV's 7% cumulative preference shares were held by the Foundation Unilever NV Trust Office (Stichting Administratiekantoor Unilever N.V.), a trust office with a board independent of Unilever. As part of its corporate objects, the Foundation issues depositary receipts in exchange for these shares. These depositary receipts are listed on Euronext Amsterdam, as are the NV ordinary and 7% preference shares themselves.

Holders of depositary receipts can under all circumstances exchange their depositary receipts for the underlying shares (and vice versa).

Holders of depositary receipts are entitled to dividends and all economic benefits on the underlying shares held by the Foundation.

The members of the board at the foundation are Mr J H Schraven (chairman), Mr P P de Koning, Prof Dr L Koopmans and Mr A A Olijslager.

The Foundation reports periodically on its activities.

### **Voting by holders of depositary receipts**

Although the depositary receipts themselves do not formally have voting rights, holders of depositary receipts are in practice equated with shareholders. They can attend all NV's General Meetings, either personally or by proxy, and also have right of speech. The holders of the depositary receipts will then automatically, without limitation and under all circumstances, receive a voting proxy on behalf of the Foundation to vote on the underlying shares.

The Foundation is obliged to follow voting instructions of holders of depositary receipts. The same applies to the voting instructions of holders of depositary receipts not attending a shareholders' meeting and who issue voting instructions to the Foundation via the Dutch Shareholders' Communication Channel.

### **Voting by the Foundation Unilever NV Trust Office**

Shares for which the Foundation has not granted voting proxies or for which it has not received voting instructions are voted on by the Foundation in such a way as it deems to be in the interests of the holders of the depositary receipts. This voting policy is laid down in the Conditions of Administration that apply to the depositary receipts.

Specific provisions apply in the event that a meeting of holders of NV 7% cumulative preference shares is convened.

If a change to shareholders' rights is proposed, the Foundation will let shareholders know if it intends to vote, at least 14 days in advance if possible.

Hitherto the majority of votes cast by ordinary shareholders at NV meetings have been cast by the Foundation. Unilever and the Foundation have a policy of actively encouraging holders of depositary receipts to exercise their voting rights in NV meetings.

Unilever considers the arrangements of the Foundation appropriate and in the interest of NV and its shareholders given the size of the voting rights attached to the financing preference shares and the relatively low attendance of holders of ordinary shares in its AGMs.

### **Foundation Unilever NV Trust Office's shareholding**

Foundation NV Trust Office's shareholding fluctuates daily – its holdings on 27 February 2009 were:

- NV ordinary shares of €0.16: 1 247 992 862 (72.78%); and
- NV 7% cumulative preference shares of €428.57: 9 776 (33.71%);

Further information on the Foundation, including its Articles of Association and Conditions of Administration, can be found on its website at [www.administratiekantoor-unilever.nl](http://www.administratiekantoor-unilever.nl)

### **Requirements and compliance – general**

Unilever is subject to corporate governance requirements in the Netherlands, the UK and as a foreign private issuer in the US. In this section we report on our compliance with the corporate governance regulations and best practice codes applicable in the Netherlands and the UK and we also describe compliance with corporate governance standards in the US.

Under the UK Companies Act 2006 and rules of the US Securities and Exchange Commission, we are required to provide information on contracts and other arrangements essential or material to the business of the Group. We believe we do not have any such contracts or arrangements.

Our governance arrangements are designed and structured to promote and further the interests of our companies and their shareholders. The Boards reserve the right, in cases where they decide such to be conducive to the interests of the companies and the enterprise connected therewith or our shareholders, to depart from that which is set out in the present and previous sections in relation to our corporate governance. Further changes will be reported in future Annual Reports and Accounts and, when necessary, through changes to the relevant documents published on our website. As appropriate, proposals for change will be put to our shareholders for approval.

Further information can be found on our website and in the document entitled 'The Governance of Unilever'. This describes the terms of reference of our Board Committees, including their full responsibilities. It will be kept up to date with changes in our internal constitutional arrangements that our Boards may make from time to time and it is available on our website at [www.unilever.com/Investorrelations/corp\\_governance](http://www.unilever.com/Investorrelations/corp_governance)

### Requirements – European Union

Following implementation of the EU Takeover Directive, certain information is required to be disclosed in relation to control and share structures and interests of NV and PLC. Such disclosures, which are not covered elsewhere in this Annual Report, include the following:

- there are no requirements to obtain the approval of NV or PLC, or of other holders of securities in NV or PLC, for a transfer of such securities;
- there are no arrangements by which, with NV or PLC's co-operation, financial rights carried by securities are held by a person other than the holder of such securities;
- NV and PLC are not aware of any agreements between holders of securities which may result in restrictions on the transfer of such securities or on voting rights;
- neither NV or PLC are parties to any significant agreement which include provisions that take effect, alter or terminate such agreement upon a change of control following a takeover bid;
- NV and PLC do not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that most of Unilever's share schemes contain provisions which operate in the event of a takeover of Unilever, which provisions may for instance cause options or awards granted to employees under such schemes to vest after a takeover or be exchanged into new awards for shares in another entity; and
- the Trustees of the PLC employee share trusts may vote or abstain in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the employee share trusts or their dependents. Historically the Trustees tend not to exercise this right.

### Requirements – the Netherlands

#### General

NV is required to state in its Annual Report and Accounts whether it complies or will comply with the Principles ('P') and best practice provisions ('bpp') of the Dutch Corporate Governance Code (the Dutch Code) and, if it does not comply, to explain the reasons for this. As will be clear from the description of our governance arrangements, NV complies with almost all of the principles and best practice provisions of the Dutch Code, a copy of which is available at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl). The text that follows sets out certain statements that the Dutch Code invites us to make to our shareholders that are not included elsewhere in this Annual Report and Accounts as well as areas of non-compliance.

On 10 December 2008 the Dutch Corporate Governance Code Compliance Committee published a revised version of the Code, which is intended to become applicable to our annual reporting over 2009 and we therefore intend to report compliance under the revised Code in our Annual Report and Accounts 2009.

#### Board and Committee structures

NV has a one-tier board, consisting of both Executive and, as a majority, Non-Executive Directors. We achieve compliance of our board arrangements with the Dutch Code, which is for the most part based on the customary two-tier structure in the Netherlands, by, as far as is possible and practicable, applying the provisions of the Dutch Code relating to members of a management board to our Executive Directors and by applying the provisions relating to members of a supervisory board to our Non-Executive Directors. Management tasks not capable of delegation are performed by the Board as a whole. Reference is made to Ps II and III and corresponding bpps. Reference is also made to the UK Combined Code on Corporate Governance, which is fully tailored to the one-tier board model (see page 44).

#### Risk management and control

Reference is made to the description of Unilever's principal risks on pages 25 to 27 and risk management, internal controls and disclosure controls and procedures on page 28.

The Board considers that the internal risk management and control systems are appropriate for our business and in compliance with best practice provision II.1.3.

In best practice provision II.1.4 the Dutch Code invites our Board to make a statement on our internal risk management and control systems. In its reports published in 2005 and 2007 the Dutch Corporate Governance Code Monitoring Committee has made recommendations concerning the application of this best practice provision. In accordance with its recommendations and in light of the above, the Board believes that as regards financial reporting risks:

- the risk management and control systems provide reasonable assurance that the financial statements do not contain any material inaccuracies;
- the risk management and control systems have worked properly in 2008;
- there are no indications that the risk management and control systems will not work properly in 2009;

- no material failings in the risk management and control systems were discovered in the year under review or the current year up to the date of signing these accounts;

and, as regards operational, strategic, legislative, financial and regulatory risks, no material failings in the risk management and control systems were discovered in the year under review.

The aforesaid statements are not statements in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act 2002.

#### Retention period of shares

The Dutch Code recommends that shares granted to executive directors must be retained for a period of at least five years (bpp II.2.3). Our shareholder approved remuneration policy requires Executive Directors to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay. The Board believes that this is in line with the spirit of the Dutch Code.

#### Severance pay

It is our policy to set the level of severance payments for Directors at no more than one year's salary, unless the Board, at the proposal of the Remuneration Committee, finds this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law (bpp II.2.7).

#### Regulations for transactions in securities in other companies

The Dutch Code recommends that a director shall give periodic notice of any changes in his holding of securities in other Dutch listed companies (bpp II.2.6 and bpp III.7.3). We are a multinational company operating all over the world and our Directors come from a wide variety of countries. We therefore have a broader and more general requirement for our Directors, requiring them, upon request, to disclose to the Group Secretary their holdings and transactions in securities in any listed company.

#### Conflicts of interest

In the event of a (potential) conflict of interest, the provisions of the Dutch Code (P II.3 and III.6) are applied. Conflicts of interest are not understood to include transactions and other activities between companies in the Unilever Group.

#### Financing preference shares

NV issued 4%, 6% and 7% cumulative preference shares between 1927 and 1970. Their voting rights are based on their nominal value, as prescribed by Dutch law. The Dutch Code recommends that the voting rights on such shares should, in any event when they are newly issued, be based on their economic value rather than on their nominal value (bpp IV.1.2). NV agrees with this principle but cannot unilaterally reduce voting rights of its outstanding preference shares.

#### Anti-takeover constructions and control over the company

With reference to bpp IV.3.9, NV confirms that it has no anti-takeover constructions, in the sense of constructions that are intended solely, or primarily, to block future hostile public offers for its shares. Nor does NV have any constructions whose specific purpose is to prevent a bidder, after acquiring 75% of the capital, from appointing or dismissing members of the Board and subsequently altering the Articles of Association. The acquisition through a public offer of a majority of the shares in a company

does not under Dutch law preclude in all circumstances the continued right of the Board of the company to exercise its powers.

#### Provision of information

We consider it important to comply with all applicable statutory regulations on the equal treatment of shareholders and provision of information and communication with shareholders and other parties (P IV.2 and P IV.3).

#### Meetings of analysts and presentations to investors

We have extensive procedures for handling relations with and communicating with shareholders, investors, analysts and the media (also see page 50). The important presentations and meetings are conducted as far as practicable in accordance with bpp IV.3.1. Due to their large number and overlap in information, however, some of the less important ones are not announced in advance, made accessible to everyone or put on our website.

#### Requirements – the United Kingdom

PLC is required, as a company that is incorporated in the UK and listed on the London Stock Exchange, to state how it has applied the principles and how far it has complied with the provisions set out in Section 1 of the 2006 UK Combined Code on Corporate Governance ('the Combined Code'), a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk)

In the preceding pages we have described how we have applied the principles and the provisions in the Combined Code. In 2008, Unilever complied with the Combined Code except in the following areas:

- The Remuneration Committee currently has two independent Non-Executive Directors on its membership. Michael Treschow was appointed a member of the Remuneration Committee in February 2008. The Committee and the Board are working to seek a new Non-Executive Director appointment for that Committee, and the membership of the Committee will be reviewed again in light of David Simon's forthcoming retirement.
- Due to the requirement for Unilever to hold two AGMs for its respective companies on consecutive days, it may not always be possible for all Directors, and possibly the Chairmen of the Audit, Remuneration and Nomination Committees, to be present at both meetings. The Chairman ensures that a majority of Directors attend both meetings and that at least one member of each Committee attends each AGM.

#### Risk management and control

Reference is made to the description of Unilever's principal risks on pages 25 to 27 and risk management, internal controls and disclosure controls and procedures on page 28.

Our procedures cover financial, operational, social, strategic and environmental risks and regulatory matters. They are in line with the recommendations of 'Internal Control – Revised Guidance for Directors on the UK Combined Code', published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in October 2005 ('The Turnbull Guidance').

**Requirements – the United States**

Both NV and PLC are listed on the New York Stock Exchange and must therefore comply with such of the requirements of US legislation, such as the Sarbanes-Oxley Act of 2002, regulations enacted under US securities laws and the Listing Standards of the New York Stock Exchange as are applicable to foreign private issuers. In some cases the requirements are mandatory and in other cases the obligation is to 'comply or explain'.

We have complied with the requirements concerning corporate governance that were in force during 2008. Attention is drawn in particular to the remit of the Audit Committee on page 48 and the Report of the Audit Committee on page 74.

Actions already taken to ensure compliance that are not specifically disclosed elsewhere or otherwise clear from reading this document include:

- the issuance of a Code of Ethics for senior financial officers;
- the issuance of instructions restricting the employment of former employees of the audit firm; and
- the establishment of a policy on reporting requirements under SEC rules relating to standards of professional conduct for US attorneys.

In each of these cases, existing practices were revised and/or documented in such a way as to conform to the new requirements.

The Code of Ethics applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the SEC, and a copy has been posted on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance). The Code of Ethics comprises an extract of the relevant provisions of Unilever's Code of Business Principles and the more detailed rules of conduct that implement it. The only amendment to these pre-existing provisions and rules that was made in preparing the Code of Ethics was made at the request of the Audit Committee and consisted of a strengthening of the explicit requirement to keep proper accounting records. No waiver from any provision of the Code of Ethics was granted to any of the persons falling within the scope of the SEC requirement in 2008.

We are required by US securities laws and the Listing Standards of the New York Stock Exchange to have an Audit Committee that satisfies Rule 10A-3 under the Exchange Act and the Listing Standards of the New York Stock Exchange (NYSE). We are compliant with these requirements. We are also required to disclose any significant ways in which our corporate governance practices differ from those typically followed by US companies listed on the NYSE. In addition to the information we have given you in this document about our corporate governance arrangements, further details are provided in the document entitled 'The Governance of Unilever', which is on our website at [www.unilever.com/investorrelations/corp\\_governance](http://www.unilever.com/investorrelations/corp_governance)

We are compliant with the Listing Standards of the New York Stock Exchange applicable to foreign private issuers. Our corporate governance practices do not significantly differ from those required of US companies listed on the New York Stock Exchange.

We also confirm that our shareholders have the opportunity to vote on equity compensation plans.

**Risk management and control**

Reference is made to the description of Unilever's risks on pages 25 to 27 and risk management, internal controls and disclosure controls and procedures on page 28.

Based on an evaluation by the Boards, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Group's disclosure controls and procedures, including those defined in United States Securities Exchange Act of 1934 - Rule 13a – 15(e), as at 31 December 2008 were effective, and that subsequently until the date of the approval of the Annual Report by the Board, there have been no significant changes in the Group's internal controls, or in other factors that could significantly affect those controls.

Unilever is required by Section 404 of the US Sarbanes-Oxley Act of 2002 to report on the effectiveness of internal control over financial reporting. This requirement will be reported on separately and will form part of Unilever's Annual Report on Form 20-F.

## Corporate governance Biographical details

The Chairman, Vice-Chairman, Executive Directors and Non-Executive Directors of NV and PLC are shown below. Please refer to pages 18 and 19 for their biographical details and their responsibilities in connection with Board committees.

### Chairman

Michael Treschow

### Vice-Chairman

The Lord Simon of Highbury CBE

### Executive Directors

Paul Polman (Chief Executive Officer)  
James Lawrence (Chief Financial Officer)

### Non-Executive Directors

The Rt Hon The Lord Brittan of Spennithorne QC DL  
Professor Wim Dik  
Charles Golden  
Byron Grote  
Narayana Murthy  
Hixonia Nyasulu  
Kees Storm  
Jeroen van der Veer

### Unilever Executive (UEX)\*

#### Paul Polman

Chief Executive Officer  
(see details on page 18)

#### Doug Baillie

President, Western Europe

Nationality: British. Aged 53. Appointed President of Western Europe in May 2008. Joined Unilever 1987. Previous posts include: CEO, Hindustan Unilever Limited and Group Vice President, South Asia 2006, Group Vice-President - Africa, Middle East & Turkey (AMET) 2005, President, Africa Regional Group 2004, National Manager, Unilever South Africa, 2000, Managing Director Lever Pond's South Africa 1997, Vice President, Home and Personal Care for the Africa Business Group 1994, Sales Director 1988.

#### Vindi Banga

President Foods, Home & Personal Care

Nationality: Indian. Aged 54. Appointed to UEx April 2005 as President Foods. Appointed President Foods, Home & Personal Care in May 2008. Joined Unilever 1977. Previous posts include: Business Group President Home and Personal Care, Asia 2004 in addition to Non-Executive Chairman, Hindustan Lever 2004-2005. Chairman and Managing Director, Hindustan Lever 2000-2004.

#### Professor Geneviève Berger

Chief Research and Development Officer

Nationality: French. Aged 54. Appointed to UEx July 2007. Professor and Hospital Practitioner, Medical University Teaching Hospital, Paris 2003-2008. Member, Technical Committee, Institute of Electrical and Electronics Engineers (IEEE). Chairman, Advisory Board, Health for the European Commission. Director, Biotech and Agri-Food Department 1998-2000 and Director of Technology 2000, the French Ministry for Education. Director General, National Centre for Scientific Research (CNRS), France 2000-2003. Previously Non-Executive Director of Unilever N.V. and Unilever PLC 2007-2008.

#### James Lawrence

Chief Financial Officer  
(see details on page 18)

#### Harish Manwani

President Asia, Africa, Central & Eastern Europe

Nationality: Indian. Aged 55. Appointed to UEx April 2005 as President Asia Africa. Appointed President Asia, Africa, Central & Eastern Europe in May 2008. Joined Unilever 1976. He is also Non-Executive Chairman, Hindustan Lever. Previous posts include: Business Group President, Home and Personal Care, North America 2004. Business Group President, Home and Personal Care, Latin America 2001 and Senior Vice President, Hair Care and Oral Care 2000.

#### Sandy Ogg

Chief Human Resources Officer

Nationality: American. Aged 55. Appointed Chief HR Officer April 2005. Joined Unilever 2003. Previous posts include: SVP Human Resources, Foods 2003. Prior to joining Unilever he worked for Motorola as SVP, Leadership, Learning and Performance Management.

#### Michael Polk

President Americas

Nationality: American. Aged 48. Appointed President Americas March 2007. Joined Unilever 2003. Previous posts include: President Unilever USA. Prior to joining in Unilever, he held various senior positions at Kraft Foods including President, Biscuits and Snacks Sector and President, Asia Pacific Region. External appointments: Director, GS1 Global, Students in Free Enterprise, and Grocery Manufacturers of America.

\* UEx members are treated as executive officers and senior management for US purposes and key management personnel for IFRS purposes. All members of the UEx have existing agreements with varying terms, however, all agreements include a notice period of twelve months although local law and practice may sometimes impact these provisions. Details of the remuneration paid and share awards are shown in aggregate in note 31 on page 135.