UNILEVER N V
Form 6-K
March 02, 2012
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Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR

15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March, 2012.

Commission File Number 001-04547

UNILEVER N.V.

(Translation of registrant s name into English)

WEENA 455, 3013 AL, P.O. BOX 760, 3000 DK, ROTTERDAM, THE NETHERLANDS

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of

Form 20-F or Form 40-F.

Form 20-F þ Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by

Regulation S-T Rule 101(b)(1): __________

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted

solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by

Regulation S-T Rule 101(b)(7): __________

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with

Rule 12g3-2(b): 82- __________.

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Cautionary statement

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as will , aim , expects , anticipates , intends , believes , vision , or the negative of the and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, among others, competitive pricing and activities, economic slowdown, industry consolidation, access to credit markets, recruitment levels, reputational risks, commodity prices, continued availability of raw materials, prioritisation of projects, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, consumer demands, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, finalising fair values related to prior acquisitions, the ability to complete planned restructuring activities, physical risks, environmental risks, the ability to manage sustainability, regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates, completion of the Sustainable Development Report 2011 and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the Group s Annual Report on Form 20-F for the year ended 31 December 2011 and the Annual Report and Accounts 2011. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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ANNUAL REPORT AND ACCOUNTS 2011

Creating a better future every day

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OUR MISSION

WE WORK TO CREATE A BETTER FUTURE EVERY DAY

We help people feel good, look good and get more out of life with brands and services that are good for them and good for others. We will inspire people to take small, everyday actions that can add up to a big difference for the world. We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

Our business model is designed to deliver sustainable growth. We are living in a world where temperatures are rising, water is scarce, energy is expensive, sanitation is poor, and food supplies are volatile and uncertain. We have to develop products that enable people to live well in a resource-stressed world, and encourage behaviour and habits that help them to live sustainably.

For us, sustainability is integral to our way of doing business. Executed well, it will be a powerful driver of business growth and is a core competence for any successful company.

EXAMPLES OF OUR BRANDS DELIVERING SUSTAINABLE GROWTH

PUREIT

Provides people with safe and affordable drinking water where supplies are of poor quality, and without the need for gas, electricity or a pressurised supply.

KNORR

Goes to extraordinary lengths to provide great-tasting products which help people to prepare delicious and nutritious meals for their families every day.

LIPTON

Is committed to sourcing all its tea sustainably to help conserve the environment and improve the livelihoods of tea workers, their families and communities.

DOVE

Helps women to realise their personal potential for beauty and encourages men to take better care of themselves by engaging them with products that deliver superior care.

COMFORT ONE RINSE

Saves up to 30 litres of water per wash for the millions of people who do their laundry by hand in water-scarce countries.

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The brand names shown in this report are trademarks owned by or licensed to companies within the Unilever Group. This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements, including within the meaning of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those disclosed in our forward-looking statements. For a description of factors that could affect future results, reference should be made to the full Cautionary statement on the inside back cover and to the section entitled Risks on pages 28 to 33. For information about our non-GAAP measures, see pages 26 and 27. In our report we make reference to Unilever s website. Information on our website is not incorporated herein and does not form part of this document. This Annual Report comprises regulated information within the meaning of sections 1:1 and 5:25c of the Act on Financial Supervision (Wet op het financieel toezicht (Wft)) in the Netherlands.

CHAIRMAN S STATEMENT

Against the backdrop of a continuing tough economic environment, Unilever delivered a good performance in 2011. We have a stronger business, with a compelling vision, a sharper organisation and an increasingly effective performance culture.

In a year marked by natural disasters and political turmoil, Unilever s performance stands out all the more. Beyond delivering solid results, the Group has been taking the right actions for the long term, building a sustainable growth model for our business.

This model reflects the values that are central to Unilever s approach to doing business knowing it can only prosper if the societies and communities in which it operates similarly benefit from its presence.

We also see good governance as an essential foundation for the long-term success of the Group, and your Directors firmly believe that acting with integrity and upholding the highest standards of corporate governance form an essential component of the delivery of the Group s strategy. You will find a description of Unilever s corporate governance structures and procedures, along with an explanation of the work of the Boards, beginning on page 36. Together these should give you a sense of how Unilever seeks to achieve these aspirations.

2011 was another busy year for the Boards, with a number of key initiatives undertaken.

Board evaluation

Following our internal evaluation of the Boards activities and effectiveness in 2010, we appointed an external consultancy in 2011 to carry out the evaluation. Their report was presented

to the Boards in December and concluded that overall the Boards were operating effectively. The report made a number of valuable recommendations and, as a result, Board meetings will now build knowledge-sharing sessions into the agenda where Directors can discuss experiences on specific topics of relevance to Unilever.

Understanding the business

During 2011 the Directors went out into the business and visited operations in Jakarta, Indonesia, and Rome, Italy. In both locations the Directors visited local markets and consumers in their homes. Rome is particularly important as the global centre for Unilever s ice cream business. Visits such as these give Non-Executive Directors the opportunity to meet senior managers across Unilever and help them to gain a deeper understanding of the Group.

Diversity

At Unilever we have long understood the importance of diversity within our workforce because of the wide range of consumers we connect with globally. This goes right through our organisation, starting with the Boards.

The subject of gender diversity at Board level is receiving considerable attention within the EU. In nominating directors, Unilever considers diversity in terms of nationality, race, gender and relevant expertise and directs that, wherever possible, the Boards should reflect Unilever s consumer base.

I am pleased that already 25% of Directors on our Boards are women, and we will continue in our aim to increase that percentage. However, Unilever feels that gender is only one part of diversity, and Unilever Directors will continue to be selected on the basis of their wide-ranging experience, backgrounds, skills, knowledge and insight.

Changes to the Boards

Jeroen van der Veer retired as a Non-Executive Director at the end of the 2011 AGMs in May and, on behalf of the Boards, I would like to thank him for his valued contributions as Vice-Chairman and Senior Independent Director, and as Chairman of the Nomination and Remuneration Committees.

At the same AGMs Sunil B Mittal was elected as a Non-Executive Director bringing experience in developing markets that will further strengthen the expertise and independence of the Boards as well as broadening their diversity.

It remains for me to thank our 171,000 employees across the world for their hard work in delivering good results in such a challenging environment.

Michael Treschow

Chairman

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CHIEF EXECUTIVE OFFICER S REVIEW

2011 has been another year of real progress in delivering our Compass strategy. We made significant progress in the transformation of Unilever to a sustainable growth company despite difficult markets.

2011 was another turbulent year for the world economy, reflected in the instability of the Eurozone and sluggish consumer demand in North America. Growth in the emerging countries remained robust, although even here we saw some softening. It was also in these markets that we experienced our most intense competitor activity.

The uncertainty underpinning global markets gave rise to strong inflationary pressures and a sharp increase in commodity costs, stifling growth and significantly impacting costs. With unemployment rising and real incomes falling, there is no doubt that consumers are suffering.

Despite these conditions, 2011 was a strong year for Unilever. Underlying sales growth of 6.5% was ahead of our markets and continued the trend of improving top line performance. Growth was price and volume driven, reflecting the strength of our brands and their ability to compete in the most difficult conditions. Recent acquisition and disposal activity added a further 1.2% to turnover.

Growth was broad-based, although fuelled by an outstanding performance in the emerging markets a strategic focus for the business. Driven by markets like India, China, Turkey and South Africa all of which grew by double digits our emerging markets business grew by 11.5% and now accounts for 54% of Unilever s turnover.

In the developed world, growth was more subdued, at 0.8%, although even here we saw some strong performances. Our biggest developed markets the United States, Germany, the UK and France which represent 61% of our developed world business, grew between 1% and 4%.

The sharp rise in commodity prices meant we had to absorb an additional 2.4 billion of costs. Despite this, our operating profit was broadly in line with

2010. This is a good performance, not least given that we also continued to invest for long-term success adding, for example, an extra 150 million in advertising and promotional spend.

We maintained our record for efficiency gains, reducing overheads and delivering 1.5 billion in savings. We also re-affirmed our reputation for financial discipline, with strong free cash flow of 3.1 billion.

Last year s performance should also be seen in the context of geopolitical disturbances and natural disasters. The uprisings in North Africa and the Middle East, together with earthquakes in New Zealand and Japan and floods in Thailand, were among events that had a major impact on our operations. Our first concern during these incidents is for the welfare of our people and for their families, and thankfully we suffered no loss of life or serious injury.

How a company responds to these events says a lot about its values and we are proud that Unilever employees working alongside partners such as the World Food Programme were among the first to offer assistance to those caught up in these tragedies. In Thailand, for example, Unilever teams worked tirelessly to help get our customers many of whose stores and warehouses were flooded back in business.

One of the most pleasing aspects of the performance in 2011 was that we delivered strong results while continuing to make necessary long-term changes. Our vision is to double the size of the business while reducing our environmental impact. This requires us to operate very differently. At the heart of our new business model is the Unilever Sustainable Living Plan (USLP), which touches all aspects of our business: from the way we source our materials, develop our brands and make our products, to the way they are used and disposed of by our consumers. Its basic premise is that in a

resource constrained world, it is possible and necessary to decouple growth from environmental impact.

The USLP represents a long-term goal but progress during the first year was encouraging, not least our commitment to source agricultural raw materials from sustainable supplies. By the end of 2011, for example, almost two thirds of the palm oil used in our products was being purchased from certified sources.

Our leadership in this area has caught the imagination of employees and customers alike. It has won Unilever widespread external recognition. Last year, the company was named winner of the 6th International Green Awards just one of a number of high profile sustainability awards received in 2011.

Our business model is designed to provide long-term sustainable growth. This relies on delivering our corporate strategy, and in particular building our brands and providing bigger and better innovations. Again, we are making progress. The proportion of turnover coming from products launched in the past two years continues to be above 30%. Sales of Dove exceeded 3 billion in 2011 driven by innovations like Men+Care. And the use of advanced technology enabled our Knorr jelly platform to grow by 60% last year.

Our strategy relies equally on rolling out innovations faster and to more markets. The launch of Axe Excite to 100 markets in just over a year is typical of the speed and breadth we are able to achieve.

We are also introducing brands into many more markets. Magnum, for example, has enjoyed remarkable success since being launched in North America and Indonesia. We have also introduced Dove in China and Clear shampoo in South Africa. Our Comfort and Surf fabric conditioner brands have performed strongly since being introduced in Australasia, South Africa and the Philippines.

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At the same time we are strengthening our portfolio. Following the integration of the Sara Lee personal care business and Alberto Culver, we are now acquiring the Russian personal care company, Concern Kalina, increasing our ability to compete in the personal care market. Alberto Culver was Unilever s biggest acquisition in ten years and we have moved quickly to capitalise on these new assets. Within nine months, we had introduced TRESemmé into Brazil, Simple into the United States and Motions into South Africa great brands and fantastic examples of speed in action.

We are also changing the organisation. Today we are more agile, more consumer responsive and better able to leverage

global scale. We see the emergence of a culture rooted in strong values but with a sharper performance edge vital if we are to succeed in today s markets.

To support the transformation, we also continue to invest heavily in our people and their development. Last year, for example, we were proud to break ground on a new state-of-the-art training facility in Singapore. This 5.6 hectare site will act as a leading development centre for our emerging markets business.

So we look back on a year of progress, measured both by strong results and changes to the business. Unilever is moving from a company fit to compete to one that is fit to win. Shareholders are

benefiting from the changes: last year, Unilever s share price rose 14% on the AEX, making it the market s best performing stock in 2011.

2012 will be a tough year. But we are well prepared, and thanks to the dedication of our 171,000 wonderful employees we are confident that we can continue to outperform our markets and deliver sustainable growth and long-term value to all stakeholders.

Paul Polman

Chief Executive Officer

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OPERATIONAL HIGHLIGHTS

In 2011, we implemented our strategy with discipline, growing ahead of our markets and gaining share overall despite a tough economic environment.

Underlying sales growth ahead of our markets at 6.5% with price up 4.8% and volume growth 1.6%

Emerging markets delivered 11.5% underlying sales growth

Turnover up 5% at 46.5 billion despite a negative currency impact of (2.5)%

KEY FINANCIAL INDICATORS*

Basis of reporting: our accounting policies are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and as issued by the International Accounting Standards Board (IASB), as well as United Kingdom and Dutch law. Certain measures used in our reporting are not defined under IFRS or other generally accepted accounting principles. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-GAAP measures on pages 26 and 27.

* Further details of our key financial indicators can be found in our financial review starting on page 20.

+ These key non-financial indicators form part of the Unilever Sustainable Living Plan. 2011 data is preliminary. It will be independently assured by the end of June 2012 and reported in the online version of the Unilever Sustainable Living Plan report 2011 at www.unilever.com/sustainability.

PERSONAL CARE

Underlying sales growth 8.2%

Underlying volume growth 4.2%

Turnover 15.5 billion

Value market shares up overall, with strong gains in North America, where hair care and deodorants performed well, and in China, where skin cleansing and hair care saw strong gains

REFRESHMENT

Underlying sales growth 4.9%

Underlying volume growth 1.4%

Turnover 8.8 billion

Value market shares stable overall. Ice cream saw strong gains, especially in Latin America and South East Asia, but tea shares were down overall and particularly in the US and Russia

HOME CARE

Underlying sales growth 8.1%

Underlying volume growth 2.2%

Turnover 8.2 billion

Value market shares higher, particularly in the laundry business where strong performance was seen in China, India, South Africa and Western Europe

FOODS

Underlying sales growth 4.9%

Underlying volume growth (1.2)%

Turnover 14.0 billion

Value market share performance was mixed, with gains in bouillons and seasonings, but a decline in spreads, dressings and soups

REGIONAL HIGHLIGHTS

Asia, Africa and Central & Eastern Europe

Underlying sales growth 10.5%

Underlying volume growth 4.5%

Turnover 18.9 billion

The Americas

Underlying sales growth 6.3%

Underlying volume growth 0.4%

Turnover 15.3 billion

Western Europe

Underlying sales growth 0.7%

Underlying volume growth (1.2)%

Turnover 12.3 billion

OUR BUSINESS MODEL FOR SUSTAINABLE GROWTH

VISION

Our vision is to double the size of Unilever while reducing our environmental footprint. The two elements of this are interlinked. Our growth ambition is dependent on operating sustainably. These two aspects of the vision shape and form our business model.

EXTERNAL CONTEXT

When we wrote in our previous report that 2011 would be challenging, we could not have known how right that prediction would be. The world has been through a year of almost unprecedented turmoil and uncertainty, and is facing some serious challenges. This in turn frames the way we must manage our business and the issues we face.

THE UNILEVER SUSTAINABLE LIVING PLAN

In order to live within the natural limits of the planet there is no option but to decouple growth from social and environmental impact. The Unilever Sustainable Living Plan (USLP) sets out our path to achieving this. It includes around 60 targets and embraces all aspects of our own operations, going beyond them to the entire lifecycle of our products. Innovation and technology will be key to achieving our goals. Equally important will be our ability to change consumer behaviour.

The USLP will result in three big outcomes:

Short-term economic pressures have dominated 2011, with major instability in the Eurozone and a weak recovery by the US economy. Stubbornly high unemployment in many developed markets has created a continued squeeze on consumer spending. Commodity prices have been volatile and many have risen sharply. And the operating environment in emerging markets has seen increasing focus from competitors who all know that business success depends on driving growth in these markets.

2011 also saw a tragic series of natural disasters, from the earthquake and tsunami in Japan to the famine in the Horn of Africa. Each one required a response from us at a humanitarian, employer and operational level.

Furthermore, the interdependent challenges of food security, poverty reduction, sustainability of resources, climate change and social and economic development have never been greater.

We believe that many of these factors will continue for the medium term, and that this level of volatility and uncertainty is the new normal. Our business model has been evolved as a response to this operating environment, as we address the prospect of another 2 billion people on the planet by 2050.

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WINNING WITH

BRANDS AND INNOVATION

Unilever owns some of the world s best known and best loved brands. But ensuring they maintain their place in people s lives requires us to innovate, improve and expand our brands every day.

Superior products, design, branding and marketing

At heart, our strategy with brands and marketing is simple: discover what consumers want and give it to them. But consumer needs are complex, and people are increasingly concerned about sustainability as well as functionality. The improvements we make to our products and the developments in our portfolio must be led by these needs if we are to beat our competitors at the point of sale.

For us, the product is the hero, and we focus on what s important: striving towards sustainable products that consumers prefer.

We operate a rigorous system of testing our products against their main rivals in every key market to ensure we deliver the attributes that consumers want. Whether it s toothpaste in India, tea bags in Russia, laundry liquids in Turkey or bouillon in South Africa, we want to find out what consumers desire from our products, whether they prefer them and why. Is it the taste, the fragrance, the cleaning properties or the packaging?

We conduct a careful analysis of what it is about a product that consumers are searching for.

Bigger, better, faster innovation

Science is one of the key drivers of Unilever s continuing success. We invest in research and development (R&D) to make sure we are first with the innovations that will make our brands bigger, better and more profitable. Central to innovation is our Genesis programme, an R&D process set up in 2009 which fuels our longer-term pipeline, applying breakthrough technology across categories. The programme is delivering results and we are already seeing some of these innovations in the market.

For example, we ve discovered how to extract and preserve the essence of freshly picked tea leaves, a complicated piece of science which is already being used in our PG Tips and Lipton Yellow Label ranges to give a unique fresh taste. In PG Tips that innovation is coupled with our unique pyramid-shaped bags to make an even better cup of tea.

Another example is Rexona for Women with Motionsense technology. Rexona has long been one of the world s biggest deodorant brands. We know from our consumer understanding that people love its performance and, most importantly, its fragrance.

However, as with all deodorants, the fragrance slowly faded over the course of the day. The conventional wisdom was that there was nothing that could be done about that, but we developed a new technology to combat the problem. We introduced Motionsense technology in 2011 with Rexona deodorant products. It s a new way of wrapping the fragrance up in tiny bundles that open slowly throughout the day when the body moves, releasing it when it s most needed. Subsequent testing showed that this gives Rexona a clear win over its key competitors.

No matter how confident we are that our products deliver on what we claim, we need to give consumers and regulators strong proof to underscore this. This is just as important when trying to get a government to back a handwashing programme as it is when advertising a face cream. We have a clinicals organisation in place with leading-edge expertise in clinical protocols, trials,

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analysis and data management that allows us to substantiate the claims we make for our products.

Getting the best ideas wherever they are

Our world-class R&D facilities are constantly making breakthroughs that keep Unilever at the forefront of product development. Integral to the way we work are partnerships with universities, scientists, large and small companies and entrepreneurs. This open innovation approach allows us to source the best ideas from across the world and contributes towards more than half the value of our innovation pipeline, allowing us to grow together with our partners. In 2011, around 500 partners had one or more of our projects under development.

KNORR GROWS GREEN

Knorr is one of our biggest brands and uses ingredients that are sourced from all over the world. We made the decision to source all Knorr s ingredients sustainably to reduce the impact on the environment while enhancing the taste of our products. We aim to have all our top 13 vegetables and herbs grown sustainably by 2015 one step in the Unilever Sustainable Living Plan s commitment to source all Unilever s agricultural raw materials sustainably by 2020.

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WINNING WITH BRANDS AND INNOVATION continued

In addition, we have been working with our strategic suppliers to develop co-innovation programmes and to ensure that they bring great ideas to Unilever first.

Applying knowledge across the business

One of our key strengths is how we quickly leverage ideas across our geographies, categories and brands, which allows us to focus investment and resources more wisely and efficiently for example, taking the fragrance technology expertise we used to improve Rexona and applying it to Skip detergent.

Reaching more consumers

To grow, we need to reach more consumers with our products and we are well placed to do so. For example, we can take brands into markets that many companies do not have the resources and experience to develop. In 2011, consistent with our strategy of making bolt-on acquisitions to strengthen our portfolio in key countries and categories, Unilever acquired Alberto Culver, helping accelerate our transition to becoming one of the world s leading personal care businesses.

New markets, new opportunities

The Alberto Culver acquisition gave us brands such as TRESemmé, VO5 and

Simple. TRESemmé already had a strong presence as a premium shampoo in North America and Western Europe, but it was unknown in the world s second biggest hair care market: Brazil.

Within days of completion, Unilever began work on an ambitious plan to take the TRESemmé brand to Brazil. As a business we have wide experience of rolling out brands into new markets across the world and, coupled with our new agile structure, this ensured a swift, successful launch. TRESemmé was launched in Brazil less than six months after the acquisition completed. We re already seeing considerable success in that market.

And the same is happening all over the world. With brands including TRESemmé, Dove and Suave, in 2011 we reinforced our position as a leading hair care supplier in the US, and achieved similar success on the other side of the Atlantic by taking the number one position in South Africa.

We re continuing with our acquisition strategy and bought a controlling stake in Concern Kalina, one of the leading local personal care companies in Russia. Success here would establish Unilever as a key player in a big emerging market, as well as giving us invaluable knowledge of local supply and distribution.

Growing in developed markets

Our aim is to grow in developed markets too. For example, we re-launched Domestos in Western Europe in 2011 on the back of new technology that allows the product to cling to the toilet, for longer lasting germ kill. In Personal Care, we accelerated the launch of Mentadent Total oral care range in Italy to take on the fierce local market, ahead of the global re-launch.

Looking ahead

Our Dove brand is a great example of Unilever s ability to get it right with brands and innovation. In 2011 Dove became our first 3 billion Personal Care brand. This success has been made possible by focusing on three key objectives: better marketing making Dove a premium brand; better innovation for example, applying our leading-edge expertise to Dove hair care; and expansion into new markets, as with the Dove Men+Care range.

Already Unilever has new innovations, new patents, new brands and new markets in the pipeline for 2012. And every day we re working on ways to make our brands the best, most innovative and most agile in the world.

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Report of the Directors About Unilever

WINNING IN

THE MARKET PLACE

By 2020, the world s population is expected to reach 7.6 billion, and we aim to reach a significant number of these consumers with our brands. Our biggest opportunity lies in addressing all consumer needs across all markets and we re already finding new ways to do so.

Driving growth through market development

Growth through market development means reaching more users, creating more usage and delivering more benefits to consumers everywhere.

Already, 2 billion consumers worldwide use our products on any given day. We want to increase this substantially by 2020 and we will do this by:

- reaching up (offering premium brands to more affluent consumers);
- reaching down (making our products more affordable and accessible for consumers on lower incomes); and
- reaching wide (taking our brands to new geographies like Central Africa, to new consumer segments like male grooming and to new channels like e-commerce).

This approach is reaping rewards. In 2011 we continued rolling out our market development model to ensure a consistent approach across our markets. We proved this approach first in Asia and then in Latin America; now we are using it elsewhere to grow our markets by changing people s habits

and helping them find new ways to use our products.

For example, in 2011 we grew the Magnum Mini range by 8.8% in the UK by offering consumers an ice cream in a smaller version of a standard Magnum, more suitable for eating at home. And in South East Asia, laundry liquids grew by 9.3% as consumers traded up from powder.

In 2012, we will continue to target new consumers in new ways. Reaching up, we will compete for share in the fast-growing beauty segment by rolling out premium offerings such as Toni & Guy, Axe Hair, Dove Men+Care and Pond s Anti Aging premium range to more markets.

We will reach down in developed markets to financially pressured shoppers. In 2011, our highly successful launch of new pack sizes across many brands in the UK allowed retailers to sell our products at £1. In emerging markets, we will continue to offer small, affordable product sizes of our brands.

We will reach wide through our expansion in Africa, leading the market

development of savoury, laundry and skin cleansing with great brands such as Knorr, Sunlight detergent and Lifebuoy.

Growing sustainably with customers

All over the world we are helping our retail partners to grow sustainably, combining scale with local knowledge. In Mexico for example, in 2011 we worked alongside Walmart to improve the supply chain for their Superama retail chain.

We also worked closely with drug store customers, resulting in our highest recorded underlying sales growth of 9.2% in 2011 in this channel.

Working with global retailers is essential for growth, but some markets require a different approach India, for example, where reaching consumers is still about the local small shop. Through the Shakti programme, we have expanded a direct distribution network of micro-entrepreneurs who sell our products, doubling their household income in the process (see picture story on page 15).

Focusing on shoppers

We are now focusing much more closely on marketing to shoppers in the store. We continue to concentrate on sales fundamentals standards which measure our in-store performance in an increasing number of markets.

Meanwhile, our Perfect Store programme is creating optimal merchandising layouts for retailers, regardless of geography or space. By the end of 2011 more than 3 million shops had already signed up to our Perfect Store programme. We know the strategy is working in the Philippines, for example, our audit of 3,800 stores showed that the Perfect Store format is growing faster than those outside the programme. And in Germany, the Perfect Store programme boosted the entire savoury category, with sales of Knorr products significantly outpacing category and competitor growth.

GROWING BUSINESS,

GROWING LIVELIHOODS

Project Shakti meaning strength in Sanskrit is our distribution programme in India, creating opportunities for micro-entrepreneurs to sell our products in rural areas, enabling them to bring in extra money to support their families and earn respect within society. We employ around 45,000 female entrepreneurs, helping our brands reach over 100,000 villages. In addition, more than 30,000 male members of Shakti families are now involved, cycling to surrounding villages to sell Unilever products. As well as supporting the Unilever Sustainable Living Plan s goal to enhance livelihoods, local distribution programmes such as this have added around 80 million in incremental turnover.

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WINNING THROUGH

CONTINUOUS IMPROVEMENT

Small actions can make a big difference. Our focus on operational excellence doing everything better, every day is bringing consumers better quality and service, while substantial savings and better environmental performance are ensuring that growth is truly sustainable.

Lean, responsive, consumer-led

Consumer needs are changing and developing rapidly. To continue to meet them, we must take things we already do well like high quality products and excellent service and do them even better, faster and more efficiently.

Better quality

Almost a century ago, Lever Brothers offered consumers a £1,000 reward if they could show that their soap was anything less than perfectly pure, genuine and unadulterated . Consumer-perceived quality driving sustainable growth remains at the heart of Unilever today. We are systematically improving the quality of our products. In 2011, consumer complaints per million units fell by 19% and product quality incidents more than halved.

For example, we listened to feedback from consumers about Lifebuoy soap, and improved its fragrance and bar structure, resulting in a 0.8% market share growth in the global skin cleansing market in 2011.

Better choice

Through our on-shelf availability (OSA) programme, we work with retailers to improve our service to them, and their service to the shopper making our products available more of the time.

In 2011, stores in our OSA programme reduced empty shelves by 27%. We are expanding this programme to other customer channels and geographies.

Better service

Our supply chain combines the advantages of global scale with local agility. Our reach, particularly in emerging markets, is a significant competitive advantage, and we are constantly seeking ways to differentiate our supply chain. In 2011, for example, in Indonesia we created a dedicated supply chain for a selection of beauty products that more than doubled our sales for these products.

And when floods hit Thailand, our teams moved quickly to protect our people, factories and stocks carrying our products directly to customers shops. Unilever Thailand was ranked number one in the Advantage 2011 Customer Satisfaction Survey.

Agile and cost-competitive

We are making our operations more responsive to changes in demand, enabling us to optimise our capital investment, launch products more quickly and win market share. In 2011, for example, we delivered on our

objective to increase the speed of factory building, saving up to 25% of build time on large factories (see picture story on page 17). Meanwhile, we never lose sight of the importance of reducing costs and conserving cash.

Better margins

We look for improvements at every link in the value chain. Wherever we find savings, we aim to replicate them. This philosophy helped us to deliver record savings of 1.3 billion in 2011.

Managing cash

We continued to have negative working capital in 2011 and aim to bring stocks down further in the future through continuous improvement of our business planning processes.

Partnerships with suppliers

We spent well over 30 billion on goods and services in 2011, and our suppliers are vital partners in our sustainable growth ambitions. We work with them to create better, faster innovations and our suppliers are investing up to 1.3 billion to guarantee capacity for our future growth.

In line with our commitments in the Unilever Sustainable Living Plan, we increased the amount of agricultural raw materials obtained from sustainable sources.

Driving return on brand support

We spent 6.1 billion on advertising and promotion in 2011 with every brand, in every category, in every market focusing on the best possible returns.

Global scale, local agility

By evaluating the effectiveness of our marketing better, and rapidly adopting new cost-effective models that make us more competitive, we have been able to drive down advertising production and fees globally, reducing our overall spending in this area by more than 128 million. And we see equal potential for savings in local markets.

In Russia, Ukraine and Belarus alone, we released 19 million for investment through an operational excellence drive that included improving customer management, using handheld computers to track in-store performance and order sizes, and improving the tracking of our point-of-sale materials.

GROWING FAST, AND SUSTAINABLY

The Indonsa factory in Durban, South Africa, which opened in December, turned a flat-level site into an operational plant producing savoury brands like Knorr within 12 months. An investment of around 70 million, Indonsa aims to produce half the greenhouse gas emissions of the previous site and achieve zero waste to landfill. Critical in water-stressed Durban, it is water neutral as it uses rainwater harvesting and recycling techniques to avoid taking water from the local community.

WINNING WITH

PEOPLE

Our growth ambitions demand that our organisation has a structure and culture that make us fit to win in a fast-changing environment. Above all, they require us to find and develop the world s best talent and leaders a challenge we are striving to meet.

Leverage our operating framework for competitive advantage

Success in the future will depend on being lean, agile and competitive in a resource-challenged world. In three years, we have transformed our structure to enable us to move faster, innovate better and take full advantage of our global scale.

More focused categories

During 2011 we started to move from 11 product categories to four: Foods, Refreshment, Home Care, and Personal Care. This streamlining makes our decision-making faster, lets us share best practice more effectively, and creates greater scale for innovation and sustainability initiatives.

Getting closer to the consumer

We are also moving from 22 geographical clusters to eight. The clusters six of them primarily in emerging markets allow us to focus more closely on the consumer, help us spot wider opportunities, and create regional economies of scale.

Our global function network, including IT, Finance, R&D, Supply Chain and HR, further drives the benefits of scale and shared best practice.

Organisation and diverse talent pipeline ready to match our growth ambitions

Attracting, developing and retaining talent is essential if we are to meet our ambitions. We constantly audit the skills and leadership that will be needed across every cluster and in our key global functions to achieve our ambition of doubling the size of the business while reducing our environmental impact.

Seeking talent globally

The talent we need will come from all over the world. We ve introduced global standards for graduate recruitment, so that people have the same experience wherever they start. We have targeted universities, particularly in emerging markets, with our campus recruitment programme. In 2011, we were recognised as the most preferred graduate FMCG (fast-moving consumer goods) employer in 14 countries.

Developing leaders

We are expanding our Unilever Leadership Development Programme to deliver high quality training to more managers. All our senior leaders have been through the programme and are now mentoring our next generation of leaders. In 2011, we began building our

Four Acres leadership facility in Singapore (see picture story below) reinforcing our presence in emerging markets.

Furthering diversity

Our consumers come from every background, nationality and social group, and we want our people to reflect that diversity. Over the past few years, we have focused on improving the representation of women in the workplace. Today, 30% of our Non-Executive Directors are women, and the proportion of women in senior positions rose from 23% in 2007 to 28% in 2011. In our annual Global People Pulse Survey, gauging managers views of the company, approval of our diversity and inclusion measures rose by four percentage points in 2011 to reach 83%, well above the external benchmark of 74%.

Performance culture which respects our values

We are building a winning culture, in which every employee is encouraged to grow to his or her full potential. We have developed a new performance-based reward structure that recognises

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FINANCIAL REVIEW 2011

The virtuous circle of growth is starting to work for us.

We have successfully accelerated our growth and at the same time have continued the steady and sustainable expansion of operating profit.

Underlying sales growth*

Underlying volume growth*

Underlying operating margin*

Strong cash flow*

billion

Delivering against our priorities

Underlying sales growth ahead of our markets, with volumes broadly in line

Markets continued to grow in value in 2011, with double digit growth in emerging markets and mid single digit growth overall. Market volume growth has slowed however, reflecting the impact of rising prices and weak consumer confidence especially in Western Europe and North America.

Against this background, underlying sales growth of 6.5% was a strong performance. It was growth ahead of our markets, and was driven by outstanding performance in emerging markets and in the Home Care and Personal Care categories. In Foods and Refreshment, whilst price increases have impacted volumes, growth was in line with relevant markets and several key businesses gained share. Volume growth overall was 1.6%, a step down from 2010 but broadly in line with our markets. Price growth of 4.8% was ahead of our markets as we increased prices more than others in a number of categories.

Performance was particularly strong in emerging markets, which delivered underlying sales growth of 11.5%, a significant proportion of this from volume. Double digit growth was achieved in a wide range of countries including China, India, Turkey, South Africa and Mexico.

Growth continued to be driven by innovation, with good progress in the year in rolling out bigger innovations more quickly across more markets. The launch of new brands into new markets was also accelerated and acquisitions played an important role, with Alberto Culver performing particularly strongly.

Underlying operating margins protected in a difficult environment

Underlying operating margin for the year was 14.9%, down slightly on the 15.0% achieved in 2010. In the context of substantial cost inflation and depressed consumer demand in the developed world we have built market shares and held margins to within 0.1% of the prior year, reflecting the strength of our business.

Gross margin was down by 1.8% at constant currency, reflecting unusually high levels of cost inflation. Strong pricing and excellent savings delivery were achieved in the year, but these were insufficient to fully compensate for the level of cost inflation suffered.

The lower gross margin was largely mitigated by overheads, where outstanding progress in savings programmes reduced the impact on margin by 1.0% for the year at constant currency. Although part of this reduction was one-off, the various continuous improvement initiatives across the business have been a major success, resulting in accelerated savings in a wide range of areas.

Advertising and promotions expenditure increased by 150 million, but was 0.7% lower as a percentage of turnover, at constant currency.

Healthy cash delivery

Cash generation was healthy, with free cash flow of 3.1 billion. This was below the 2010 figure of 3.4 billion, the difference largely reflecting a significant step up in net capital expenditure to 2.0 billion, due to capacity expansion in the fast-growing emerging markets.

The net working capital movement was a small cash outflow in 2011. This related to a series of financial items, with no significant movement in trade working capital, which has now been negative overall for nine consecutive quarters.

Key positive drivers of cash flow in 2011 were improved operating profit, which contributed around 0.1 billion, and income tax payments, 0.1 billion lower.

Financial overview 2011

Consolidated income statement

(highlights) for the year ended 31 December

Key performance indicators*

	2011	2010	% change
Turnover (million)	**46,467**	44,262	5%
Operating profit (million)	**6,433**	6,339	1%
Profit before tax (million)	**6,245**	6,132	2%
Net profit (million)	**4,623**	4,598	1%
Diluted earnings per share ( )	**1.46**	1.46	0%

	2011	2010	2009
Underlying sales growth (%)	**6.5**	4.1	3.5
Underlying volume growth (%)	**1.6**	5.8	2.3
Underlying operating margin (%)	**14.9**	15.0	14.8
Free cash flow (million)	**3,075**	3,365	4,072

Turnover at 46.5 billion increased 5.0%, despite a negative impact of 2.5% due to currency. Underlying sales growth increased to 6.5%, driven by emerging markets. Underlying volume growth was 1.6% and the price effect was 4.8%.

Operating profit was 6.4 billion, compared with 6.3 billion in 2010, with higher credits for one-off items, lower profits arising from the disposal of group companies and higher acquisition and integration costs. Underlying operating profit increased by 4.2% to 6.9 billion, with underlying operating margin decreasing by 0.1% to 14.9%.

The cost of financing net borrowings was 448 million, 34 million higher than last year. The average level of net debt increased, in part due to the acquisition of Alberto Culver. The average interest rate was 3.7% on borrowings and 2.3% on cash deposits. The net pensions financing credit was 71 million compared with 20 million in 2010.

The effective tax rate was 26.5% compared with 25.5% in 2010, reflecting the geographic mix of pre-tax profits and the impact of the Italian frozen foods disposal in the 2010 rate.

Net profit from joint ventures and associates, together with other income from non-current investments, contributed 189 million compared to 187 million in the prior year.

Fully diluted earnings per share were flat at 1.46. Higher underlying operating profit and lower pension costs were partially offset by lower profits from business disposals. In addition, restructuring charges (including acquisitions) were higher, the impact of foreign exchange was negative and finance costs and the tax charge increased.

We report our performance against four key financial indicators:

- underlying sales growth;
- underlying volume growth;
- underlying operating margin; and
- free cash flow.

The performance of the KPIs is described on page 20, on this page and within the segmental commentaries on pages 22 to 23. The KPIs are described on pages 26 to 27. The non-financial KPIs are described on pages 6 and 19.

Acquisitions and disposals

During 2011 Unilever continued to shape its portfolio through M&A activities. The most significant was the acquisition of Alberto Culver, Inc., completed on 10 May 2011, and the full year impact of the acquired Sara Lee s personal care business, which completed on 6 December 2010.

Alberto Culver, Inc. was acquired for 2.7 billion in cash and the provisional estimate of goodwill arising on acquisition, recognised in our 2011 balance sheet, is 1.3 billion. The acquisition accounting will be finalised during 2012.

During the year, the Group has updated the provisional acquisition accounting recorded at 31 December 2010 for the Sara Lee acquisition. Certain adjustments to the 31 December 2010 balance sheet have been recorded, including the update of the valuation of assets held for sale in relation to the Sanex business which was disposed during 2011.

Further details of these and other acquisitions and disposals during 2009, 2010 and 2011 can be found in note 21 on pages 104 to 106.

We have presented some parts of the financial review within other sections of this Annual Report and Accounts, including the financial statements section. We believe this integrated approach provides a better flow of information and avoids duplication.

*Certain measures used in our reporting are not defined under IFRS. For further information about these measures, please refer to the commentary on non-GAAP measures on pages 26 to 27.

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FINANCIAL REVIEW 2011 continued

Turnover by regions

Operating profit by regions

Asia Africa CEE

	million 2011	million 2010	% Change
Turnover	**18,947**	17,685	7.1
Operating profit	**2,216**	2,253	(1.6)
Underlying operating margin (%)	**12.7**	13.4	(0.7)
Underlying sales growth (%)	**10.5**	7.7	
Underlying volume growth (%)	**4.5**	10.2	
Effect of price changes (%)	**5.8**	(2.2)	

Key developments

Market growth remained strong throughout the region, with high single digit increases particularly in buoyant markets across East and South Asia. Conditions in Russia and CEE, however, were more subdued.

Underlying sales growth of 10.5% was ahead of our markets and well balanced between volume and price. China and India both contributed double digit volume growth; South Africa, Turkey and Indonesia also performed strongly.

Value market shares were up for the region as a whole, driven by strong growth in Home Care and Personal Care, while Foods value shares were slightly down. Share gains were seen across many key markets, including China, Indonesia, the Philippines and South Africa. Volume shares were flat.

Underlying operating margin was down 0.7%, primarily reflecting the impact of higher commodity costs.

Other key developments included further progress on the roll-out of the regional IT system and the acquisition of the Concern Kalina business in Russia.

The Americas

	million 2011	million 2010	% Change
Turnover	**15,251**	14,562	4.7
Operating profit	**2,250**	2,169	3.7
Underlying operating margin (%)	**15.6**	16.0	(0.4)
Underlying sales growth (%)	**6.3**	4.0	
Underlying volume growth (%)	**0.4**	4.8	
Effect of price changes (%)	**5.9**	(0.7)	

Key developments

Market growth in Latin America continued at a healthy pace of around 10%. North America was more challenging as consumer demand remained sluggish. Overall market growth for the region was in mid single digits.

Underlying sales growth of 6.3% was slightly ahead of the market. Volume growth reflected the pricing action taken to recover commodity cost inflation, especially in the North American Foods business.

Value market shares were up for the year in Foods and Personal Care, with particularly strong performance in Mexico, Argentina and the US Personal Care business.

Underlying operating margin was down by 0.4%, with savings only partially offsetting the pressure from higher input prices on gross margin.

Other key developments included the roll-out of the regional IT system to the US, the rapid integration of Alberto Culver, the acquisition of the Colombian laundry business from Colgate-Palmolive and the disposal of the Brazilian tomato business.

Western Europe

	million 2011	million 2010	% Change
Turnover	**12,269**	12,015	2.1
Operating profit	**1,967**	1,917	2.6
Underlying operating margin (%)	**17.2**	16.1	1.1
Underlying sales growth (%)	**0.7**	(0.4)	
Underlying volume growth (%)	**(1.2)**	1.4	
Effect of price changes (%)	**2.0**	(1.8)	

Key developments

Market conditions in Western Europe were difficult, as austerity measures and continued uncertainty in the Eurozone continued to depress consumer demand. Market growth was marginally positive, due to price increases as volumes fell slightly.

Underlying sales growth of 0.7% reflects stronger performance in the UK and France, partially offset by negative growth in markets such as Spain and Greece. Volumes overall were down by 1.2%, with 2.0% growth coming from price.

Value market shares overall were stable, with gains in the UK and France offset by declines in other markets. Volume shares were stable in Home Care and Personal Care, but declined slightly in Foods, reflecting the impact of price increases.

Underlying operating margin improved by 1.1%, boosted by significant progress in reducing overheads.

Other key developments included the integration of the Sara Lee Personal Care brands and the Alberto Culver business, and the acquisition of ice cream businesses in Greece and Denmark.

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Turnover by category

Operating profit by category

Personal Care

	million 2011	million 2010	% Change
Turnover	**15,471**	13,767	12.4
Operating profit	**2,536**	2,296	10.5
Underlying operating margin (%)	**18.0**	18.0	
Underlying sales growth (%)	**8.2**	6.4	
Underlying volume growth (%)	**4.2**	7.9	
Effect of price changes (%)	**3.8**	(1.4)	

Key developments

Personal Care grew strongly in 2011 to become Unilever s largest category, with underlying sales growth of 8.2%. The acquisitions of Alberto Culver and the Sara Lee brands started to contribute positively.

Growth was well balanced between volume and price, and reflected strong performance across the portfolio, particularly in deodorants, hair care and skin cleansing.

Value market shares were up overall, with strong gains in North America where hair care and deodorants performed well, and in China where skin cleansing and hair care saw strong gains.

Underlying operating margin was stable at 18.0%.

Home Care

	million 2011	million 2010	% Change
Turnover	**8,206**	7,726	6.2
Operating profit	**481**	473	1.7
Underlying operating margin (%)	**6.9**	8.6	(1.7)
Underlying sales growth (%)	**8.1**	3.0	
Underlying volume growth (%)	**2.2**	8.2	
Effect of price changes (%)	**5.8**	(4.8)	

Key developments

Home Care delivered underlying sales growth of 8.1% in the year, despite the pressure of high commodity cost inflation and intense competition.
Underlying price growth of 5.8% reflected increases taken in most major markets as input costs were higher. Volume growth slowed as a result, but was ahead of the relevant market at 2.2%.
Value market shares were higher, particularly in the laundry business where strong performance was seen in China, India, South Africa and Western Europe.
Underlying operating margin was down by 1.7%, as higher input costs were not fully mitigated by pricing and savings.

Refreshment

	million 2011	million 2010	% Change
Turnover	**8,804**	8,605	2.3
Operating profit	**723**	724	(0.1)
Underlying operating margin (%)	**10.0**	10.0	
Underlying sales growth (%)	**4.9**	6.1	
Underlying volume growth (%)	**1.4**	5.9	
Effect of price changes (%)	**3.4**	0.1	

Key developments

Refreshment saw mixed performance resulting in underlying sales growth of 4.9%. Ice cream progressed well driven by innovation and new market launches, particularly with the Magnum brand.
Price growth was strong at 3.4%. Volume growth of 1.4% was driven by ice cream.
Value market shares were stable overall. Ice cream saw strong gains, especially in Latin America and South East Asia, but tea shares were down overall and particularly in the US and Russia.
Underlying operating margin was stable at 10.0%, with lower gross margin offset by overhead savings.

Foods

	million 2011	million 2010	% Change
Turnover	**13,986**	14,164	(1.3)
Operating profit	**2,693**	2,846	(5.4)
Underlying operating margin (%)	**19.1**	18.5	0.6
Underlying sales growth (%)	**4.9**	1.4	
Underlying volume growth (%)	**(1.2)**	2.5	
Effect of price changes (%)	**6.2**	(1.0)	

Key developments

Underlying sales growth in Foods was 4.9%. Turnover fell slightly as a result of the disposal of the Brazilian tomato business.
With commodity cost inflation at high levels, particularly in edible oils, underlying price growth was very strong at 6.2%. Volumes were down 1.2%, mainly in spreads where pricing was highest.
Value market share performance was mixed, with gains in bouillons, meals and side dishes but decline in soups and spreads.
Underlying operating margin improved by 0.6% to reach 19.1%, helped by strong overhead savings.

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FINANCIAL REVIEW 2011 continued

Balance sheet

	million 2011	million 2010
Goodwill and intangible assets	**21,913**	18,233
Other non-current assets	**11,308**	10,405
Current assets	**14,291**	12,534
Total assets	**47,512**	41,172
Current liabilities	**17,929**	13,608
Non-current liabilities	**14,662**	12,486
Total liabilities	**32,591**	26,094
Shareholders equity	**14,293**	14,485
Non-controlling interest	**628**	593
Total equity	**14,921**	15,078
Total liabilities and equity	**47,512**	41,172

Goodwill and intangibles at 31 December 2011 were 3.7 billion higher than in 2010, mainly as a result of acquisitions, including Alberto Culver and Concern Kalina, after disposals. The increase in other non-current assets is mainly due to an increase in property, plant and equipment to 8.8 billion compared to 7.9 billion in 2010.

Inventories were higher by 0.3 billion and trade and other receivables were higher by 0.4 billion. Cash and cash equivalents were 1.1 billion higher at 3.5 billion.

Current liabilities were 4.3 billion higher at 17.9 billion mainly due to an increase in short term and maturing financial liabilities and currency movements. Provisions remained at 0.4 billion.

The overall net liability for all pension arrangements was 3.2 billion at the end of 2011, up from 2.1 billion at the end of 2010. Funded schemes showed an aggregate deficit of 1.3 billion and unfunded arrangements a liability of 1.9 billion. The increase in the overall balance sheet liability was mainly due to the decrease in discount rates over the year. Cash expenditure on pensions was 553 million.

Shareholders equity fell by 0.2 billion in the year. Net profit added 4.3 billion, with currency and other movements negatively impacting by 2.0 billion. Dividends paid in the year totalled 2.5 billion.

Contractual obligations at 31 December 2011

	million Total	million Due within 1 year	million Due in 1-3 years	million Due in 3-5 years	million Due in over 5 years
Long-term debt	**9,193**	**1,526**	**2,452**	**2,446**	**2,769**
Interest on financial liabilities	**3,007**	**387**	**602**	**594**	**1,424**
Operating lease obligations	**1,628**	**381**	**499**	**337**	**411**

Purchase obligations[a]	**515**	**459**	**32**	**8**	**16**
Finance leases	**346**	**28**	**52**	**46**	**220**
Other long-term commitments	**1,749**	**628**	**781**	**257**	**83**
Total	**16,438**	**3,409**	**4,418**	**3,688**	**4,923**

[a] For raw and packaging material and finished goods

Contractual obligations

Unilever s contractual obligations at the end of 2011 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2011 is provided in the preceding table. Further details are set out in the following notes to the consolidated financial statements: note 10 on pages 86 to 87, note 15 on pages 90 to 92, and note 20 on pages 102 to 103.

Off-balance sheet arrangements

SIC interpretation 12 Consolidation Special Purpose Entities (SIC 12) requires that entities which we do not control are considered for consolidation in the financial statements based on risks and rewards. We have reviewed our contractual arrangements and concluded that there are no significant relationships not already appropriately reflected in the consolidated financial statements. Information concerning guarantees given by the Group is stated in note 16B on page 96.

Finance and liquidity

The Group s financial strategy provides the financial flexibility to meet strategic and day-to-day needs. Our current long-term credit rating is A+/A1 and our current short-term credit rating is A1/P1. We aim to maintain a competitive balance sheet which we consider to be the equivalent of a credit rating of A+/A1 in the long term. This provides us with:

- appropriate access to equity and debt markets;
- sufficient flexibility for acquisitions;
- sufficient resilience against economic and financial uncertainty ensuring ample liquidity; and
- optimal weighted average cost of capital, given the constraints above.

Unilever aims to concentrate cash in the parent and central finance companies in order to ensure maximum flexibility in meeting changing business needs. Operating subsidiaries are financed through the mixture of retained earnings, third-party borrowings and loans from parent and central finance companies. Unilever maintains access to global debt markets through an infrastructure of short-term debt programmes (principally US domestic and euro commercial paper programmes) and long-term debt programmes (principally a US Shelf Registration programme and a European markets Debt Issuance Programme). Debt in the international markets is, in general, issued in the name of NV, PLC, Unilever Finance International BV or Unilever Capital Corporation. NV, PLC and Unilever United States Inc. will normally guarantee such debt where they are not the issuer.

In this uncertain environment, we have continued to closely monitor all our exposures and counterparty limits. We were comfortable with a higher cash balance in 2011.

Unilever has committed credit facilities in place for general corporate purposes. The undrawn committed credit facilities in place on 31 December 2011 were US $6,150 million. Bilateral committed credit facilities totalled US $5,950 million. Bilateral money market commitments totalled US $200 million.

Further details are given in note 16B on page 95.

On 10 February 2011 we issued two series of senior notes:

(a) US $500 million at 2.75% maturing in 2016; and

(b) US $1.0 billion at 4.25% maturing in 2021. On 31 March 2011 we issued CNY 300 million notes at 1.15% maturing in 2014. On 2 December 2011 we redeemed our Swiss francs 400 million notes.

The main source of liquidity continues to be cash generated from operations. Unilever is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future.

Treasury

Unilever Treasury s role is to ensure that appropriate financing is available for all value-creating investments. Additionally, Treasury delivers financial services to allow operating companies to manage their financial transactions and exposures in an efficient, timely and low-cost manner.

Unilever Treasury operates as a service centre and is governed by plans approved by the Boards. In addition to guidelines and exposure limits, a system of authorities and extensive independent reporting covers all major areas of activity. Performance is monitored closely. Reviews are undertaken periodically by the corporate internal audit function.

The key financial instruments used by Unilever are short-term and long-term borrowings, cash and cash equivalents, and certain straightforward derivative instruments, principally comprising interest rate swaps and foreign exchange contracts. The accounting for derivative instruments is discussed in note 16 on page 93 and on page 98. The use of leveraged instruments is not permitted.

Unilever Treasury manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates and liquidity. Further details of the management of these risks are given in note 16 on pages 94 to 97, which are incorporated and repeated here by reference.

Cash flow

	million 2011	million 2010	million 2009
Net cash flow from operating activities	**5,452**	5,490	5,774
Net cash flow from/(used in) investing activities	**(4,467)**	(1,164)	(1,263)
Net cash flow from/(used in) financing activities	**411**	(4,609)	(4,301)
Net increase/(decrease) in cash and cash equivalents	**1,396**	(283)	210
Cash and cash equivalents at 1 January	**1,966**	2,397	2,360
Effect of foreign exchange rate changes	**(384)**	(148)	(173)
Cash and cash equivalents at 31 December	**2,978**	1,966	2,397

Cash and cash equivalents increased by 1.4 billion when translated at average 2011 exchange rates. After recognising the changes in exchange rates, cash and cash equivalents in the balance sheet at 31 December 2011 were 1.0 billion higher at 3.0 billion.

Net cash flow from operating activities of 5.5 billion was in line with 2010. Net capital expenditure was 0.3 billion higher than 2010. There was a net cash outflow of 1.7 billion for acquisition and disposal activities, primarily the acquisition of Alberto Culver and the disposal of the Sanex business. The movement in financing activities is explained by an inflow from third-party borrowings.

At 31 December 2011, the net debt position was 8.8 billion, an increase of 2.1 billion compared to 2010. The outflow from dividends, acquisitions, tax, net capital expenditure and interest plus the negative impact of foreign exchange rates together exceeded the cash inflow from operating activities and business disposals.

Market capitalisation and dividends

Unilever s combined market capitalisation rose from 64.8 billion at the end of 2010 to 73.9 billion at 31 December 2011.

Information on dividends is set out in note 8 on page 83.

Basis of reporting and critical accounting policies

The accounting policies that are most significant in connection with our financial reporting are set out in note 1 on pages 68 to 69.

FINANCIAL REVIEW 2011 continued

Non-GAAP measures

Certain discussions and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. We believe this information, along with comparable GAAP measurements, is useful to investors because it provides a basis for measuring our operating performance, ability to retire debt and invest in new business opportunities. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Non-GAAP financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

In the following sections we set out our definitions of the following non-GAAP measures and provide reconciliations to relevant GAAP measures:

- underlying sales growth;
- underlying volume growth;
- underlying operating margin (including explanation of restructuring, business disposals and other one-off items (RDIs);
- free cash flow; and
- net debt.

Underlying sales growth (USG)

USG reflects the change in revenue from continuing operations at constant rates of exchange, excluding the effects of acquisitions and disposals. It is a measure that provides valuable additional information on the underlying performance of the business. In particular, it presents the organic growth of our business year on year and is used internally as a core measure of sales performance.

The reconciliation of USG to changes in the GAAP measure turnover is as follows:

Total Group

	2011 vs 2010	2010 vs 2009
Underlying sales growth (%)	**6.5**	4.1
Effect of acquisitions (%)	**2.7**	0.3
Effect of disposals (%)	**(1.5)**	(0.8)
Effect of exchange rates (%)	**(2.5)**	7.3
Turnover growth (%)	**5.0**	11.1

Asia, Africa CEE

	2011 vs 2010	2010 vs 2009
Underlying sales growth (%)	**10.5**	7.7
Effect of acquisitions (%)	**0.7**	0.2

Effect of disposals (%)	**0.0**	(0.1)
Effect of exchange rates (%)	**(3.7)**	10.1
Turnover growth (%)	**7.1**	18.7

The Americas

	2011 vs 2010	2010 vs 2009
Underlying sales growth (%)	**6.3**	4.0
Effect of acquisitions (%)	**3.6**	0.3
Effect of disposals (%)	**(1.5)**	(0.4)
Effect of exchange rates (%)	**(3.4)**	9.0
Turnover growth (%)	**4.7**	13.3

Western Europe

	2011 vs 2010	2010 vs 2009
Underlying sales growth (%)	**0.7**	(0.4)
Effect of acquisitions (%)	**4.8**	0.5
Effect of disposals (%)	**(3.6)**	(2.0)
Effect of exchange rates (%)	**0.4**	1.4
Turnover growth (%)	**2.1**	(0.5)

Underlying volume growth (UVG)

Underlying volume growth is underlying sales growth after eliminating the impact of price changes. The relationship between the two measures is set out below:

	2011 vs 2010	2010 vs 2009
Underlying volume growth (%)	**1.6**	5.8
Effect of price changes (%)	**4.8**	(1.6)
Underlying sales growth (%)	**6.5**	4.1

The UVG and price effect for each region and category are shown within the tables on pages 22 to 23.

Underlying operating margin

In our commentary on results of operations for the Group and each region, we discuss trends in underlying operating margins. This means operating margin before the impact of restructuring costs, business disposals, impairments and other one-off items, which we refer to collectively as RDIs. We believe that giving this information allows readers of our financial statements to have a better understanding of underlying trends. There is no recognised GAAP measure that corresponds to this measure.

The reconciliation of underlying operating profit to operating profit is as follows:

	million 2011	million 2010
Operating profit	**6,433**	6,339
Restructuring costs	**612**	589
Business disposals	**(221)**	(468)
Acquisition and integration costs and other one-off items	**77**	160
Underlying operating profit	**6,901**	6,620
Turnover	**46,467**	44,262
Operating margin	**13.8%**	14.3%
Underlying operating margin	**14.9%**	15.0%

Further details of RDIs can be found in note 3 on page 72.

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Free cash flow (FCF)

Free cash flow represents the cash generated from the operation and financing of the business. The movement in FCF measures our progress against the commitment to deliver strong cash flows. FCF is not used as a liquidity measure within Unilever. FCF includes the cash flow from Group operating activities, less income tax paid, net capital expenditure, net interest and preference dividends paid.

The reconciliation of FCF to net profit is as follows:

	million 2011	million 2010
Net profit	**4,623**	4,598
Taxation	**1,622**	1,534
Share of net profit of joint ventures/associates and other income from non-current investments	**(189)**	(187)
Net finance costs	**377**	394
Depreciation, amortisation and impairment	**1,029**	993
Changes in working capital	**(177)**	169
Pensions and similar provisions less payments	**(553)**	(472)
Provisions less payments	**9**	72
Elimination of (profits)/losses on disposals	**(215)**	(476)
Non-cash charge for share-based compensation	**105**	144
Other adjustments	**8**	49
Cash flow from operating activities	**6,639**	6,818
Income tax paid	**(1,187)**	(1,328)
Net capital expenditure	**(1,974)**	(1,701)
Net interest and preference dividends paid	**(403)**	(424)
Free cash flow	**3,075**	3,365

Net debt

Net debt is defined as the excess of total financial liabilities, excluding trade and other payables, over cash, cash equivalents and current financial assets, excluding trade and other receivables. It is a measure that provides valuable additional information on the summary presentation of the Group s net financial liabilities and is a measure in common use elsewhere.

The reconciliation of net debt to the GAAP measure total financial liabilities is as follows:

	million 2011	million 2010
Total financial liabilities	**(13,718)**	(9,534)
Current financial liabilities	**(5,840)**	(2,276)
Non-current financial liabilities	**(7,878**	(7,258)
Cash and cash equivalents as per balance sheet	**3,484**	2,316
Cash and cash equivalents as per cash flow statement	**2,978**	1,966
Add bank overdrafts deducted therein	**506**	350
Current financial assets	**1,453**	550
Net debt	**(8,781)**	(6,668)

Core operating margin

From 2012 the Group will refer to core operating margin as a non-GAAP measure. This means operating margin before the impact of business disposals, impairments, aquisition and integration costs and other one-off items. There is no recognised GAAP measure that corresponds to this measure.

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RISKS

Outlook and risks 2012

The following discussion of the risk outlook and our principal risk management activities includes forward-looking statements that reflect Unilever s view of the operating risk environment. The actual results could differ materially from those projected. See the Cautionary statement on the inside back cover.

Outlook

Market conditions for our business were challenging in 2011 and we do not anticipate this changing significantly in 2012.

Economic pressures are expected to continue. We expect consumer markets to remain flat to slightly down in developed markets. In emerging markets consumer demand remains robust but there is nonetheless the risk of modest slowdown in key markets such as China, India and Brazil. Currency markets remain volatile and uncertain. Although we have seen rather more stable conditions in key commodity markets in recent months we remain watchful for further periods of volatility in 2012. A worsening economic scenario could be triggered by a major Eurozone crisis prompted by countries leaving the euro or by a break-up of the euro leading to significant contraction in financial markets, followed by a severe recession in Europe and knock-on effects globally. Terrorist activity and political unrest may also result in business interruptions and a decreased demand for our products.

The competitive environment for our business is likely to remain intense in 2012. Our competitors, both global and local, will continue to shift resources into emerging markets. We expect continued high levels of competitive challenge to our many category leadership positions. Some of this may be price based, but we also expect strong innovation based competition. With the improvements we have been making to our business we are well prepared for these challenges.

In a period of significant uncertainty and downside risk, we believe Unilever s operational and financial flexibility, and speed of response to a fast changing environment are vital assets. We will continue to focus on our long term strategic priority of driving volume growth ahead of our markets whilst providing a steady improvement in core operating margin and strong cash flow. We are well placed in emerging markets and we expect these markets to continue to drive growth. Our recent strategy review sharpened the portfolio role of our categories and our 2012 outlook fully reflects the choices made. This gives us confidence that Unilever is fit to compete, whatever the circumstances.

Principal risk factors

Our business is subject to risks and uncertainties. The risks that we regard as the most relevant to our business are identified below. We have also commented on certain mitigating actions that we believe help us to manage these risks. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risks occur or are not successfully mitigated, our cashflow, operating results, financial position, business and reputation could be materially adversely affected. In addition risks and uncertainties could cause actual results to vary from those described herein in the descriptions below, which may include forward-looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.

Description of risk

What we are doing to manage the risk

Consumer Preference

As a branded goods business, Unilever s success depends on the value and relevance of our brands and products to consumers across the world and on our ability to innovate.

Consumer tastes, preferences and behaviours are constantly changing and Unilever s ability to respond to these changes and to continue to differentiate our brands and products is vital to our business.

We are dependent on creating innovative products that continue to meet the needs of our consumers.

We continuously monitor external market trends and collate consumer, customer and shopper insight in order to develop category and brand strategies.

Our Research and Development function actively searches for ways in which to translate the trends in consumer preference and taste into new technologies for incorporation into future products.

Our innovation management process deploys the necessary tools, technologies and resources to convert category strategies into projects and category plans, develop products and relevant brand communication and successfully roll out new products to our consumers.

Description of risk

What we are doing to manage the risk

Competition

The activities of our competitors may adversely impact our business.

Unilever operates globally in competitive markets where other local, regional and global companies are targeting the same consumer base.

Our retail customers frequently compete with us through private label offerings.

Industry consolidation amongst our direct competitors and in the retail trade can bring about significant shifts in the competitive landscape.

Our strategy focuses on investing in markets and segments which we identify as attractive because we have already built, or are confident that we can build, competitive advantage.

We continue to monitor developments in our markets across the world and to direct our resources accordingly to respond to competitive threats and opportunities.

Portfolio Management

Unilever s strategic investment choices will determine the long-term growth and profits of our business.

Unilever s growth and profitability are determined by our portfolio of categories, geographies and channels and how these evolve over time.

Our Compass strategy and our business plans are designed to ensure that resources are prioritised towards those categories and markets having the greatest long term potential for Unilever.

Our acquisition activity is driven by our portfolio strategy with a clear, defined evaluation process.

Sustainability

The success of our business depends on finding sustainable solutions to support long-term growth.

Unilever s vision to double the size of our business while reducing our environmental impact will require more sustainable ways of doing business. This means increasing the positive social benefits of Unilever s activities while reducing our environmental impact.

The Unilever Sustainable Living Plan sets clear long-term commitments for health and well-being, environmental impact and enhancing livelihoods. These are underpinned by specific targets in areas such as sustainable sourcing, water availability and usage, waste and greenhouse gases.

The Unilever Sustainable Development Group, comprising five external specialists in corporate responsibility and sustainability, monitors the execution of this strategy.

Progress towards the Unilever Sustainable Living Plan is monitored by the Unilever Leadership Executive and the Boards.

Customer Relationships

Successful customer relationships are vital to our business and continued growth.

Maintaining strong relationships with our customers is necessary for our brands to be well presented to our consumers and available for purchase at all times.

The strength of our customer relationships also affects our ability to obtain pricing and secure favourable trade terms.

We build and maintain trading relationships across a broad spectrum of channels ranging from centrally managed multinational customers through to small traders accessed via distributors in many developing countries.

We develop joint business plans with all our key customers that include detailed investment plans and customer service objectives and we regularly monitor progress.

We have developed capabilities for customer sales and outlet design which enable us to find new ways to improve customer performance and enhance our customer relationships.

People

A skilled workforce is essential for the continued success of our business.

Our ability to attract, develop and retain the right number of appropriately qualified people is critical if we are to effectively compete and grow.

This is especially true in our key emerging markets where there can be a high level of competition for a limited talent pool.

Resource committees have been established and implemented throughout our business. These committees have responsibility for identifying future skills and capability needs, developing career paths and identifying the key talent and leaders of the future.

We have an integrated management development process which includes regular performance reviews underpinned by a common set of leadership behaviours, skills and competencies.

We have targeted programmes to attract and retain top talent and we actively monitor our performance in retaining talent within Unilever.

RISKS continued

Description of risk

What we are doing to manage the risk

Supply Chain

Our business depends on securing high quality materials, efficient manufacturing and the timely distribution of products to our customers.

Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents or bankruptcy of a key supplier which could impact our ability to deliver orders to our customers.

The quality and safety of our products are of paramount importance for our brands and our reputation.

The cost of our products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs cannot always be passed on to the consumer through pricing.

We have contingency plans designed to enable us to secure alternative key material supplies at short notice, to transfer or share production between manufacturing sites and to use substitute materials in our product formulations and recipes.

These contingency plans also extend to an ability to intervene directly to support a key supplier should it for any reason find itself in difficulty or be at risk of negatively affecting a Unilever product.

We have policies and procedures designed to ensure the health and safety of our employees and the products in our facilities and to deal with major incidents or crises including business continuity and disaster recovery.

Our product quality controls are extensive and are regularly tested to ensure that they are effective. All of our key suppliers are periodically reviewed to ensure they meet the rigorous quality standards that our products demand.

Commodity price risk is actively managed through forward-buying of traded commodities and other hedging mechanisms. Trends are monitored and modelled regularly and integrated into our forecasting process.

Systems and Information

Unilever s operations are increasingly dependent on IT systems and the management of information.

We interact electronically with customers, suppliers and consumers in ways which place ever greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.

This also increases the threat from unauthorised access and misuse of sensitive information.

Hardware that runs and manages core operating data is fully backed up with separate contingency systems to provide real time backup operations should they ever be required.

We maintain a system of control at all times for access to our important information.

Our policies on data access, privacy and protection of information are regularly reviewed and our employees are trained to understand the requirements.

Business Transformation

Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.

Unilever is continually engaged in major change projects, including acquisitions and disposals, to drive continuous improvement in our business and to strengthen our portfolio and capabilities.

In 2011, this included several significant acquisitions (Alberto Culver, Concern Kalina), IT system implementations, the roll-out of Enterprise Support and changes to our management organisation.

All acquisitions, disposals and global restructuring projects are sponsored by a Unilever Leadership Executive member. Regular progress updates are provided to the Unilever Leadership Executive.

Sound project disciplines are used in all merger, acquisitions and restructuring projects and these projects are resourced by dedicated and appropriately qualified personnel.

Unilever also monitors the volume of change programmes underway in an effort to stagger the impact on current operations and to ensure minimal disruption.

Description of risk

What we are doing to manage the risk

External economic and political risks, and natural disasters

Unilever operates across the globe and is exposed to a range of external economic and political risks and natural disasters that may affect the execution of our strategy or the running of our operations.

Adverse economic conditions may result in reduced consumer demand for our products, and may affect one or more countries within a region, or may extend globally.

Government actions such as fiscal stimulus, changes to taxation and price controls can impact on the growth and profitability of our local operations.

Social and political upheavals and natural disasters can disrupt sales and operations.

In 2011, more than half of Unilever s turnover came from emerging markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets offer greater growth opportunities but also expose Unilever to economic, political and social volatility in these markets.

Eurozone risk

Issues arising out of the sovereign debt crisis in Europe could have a material adverse effect on Unilever s business in a number of ways.

Uncertainty, lack of confidence and any further deterioration in the situation could lead to lower growth and even recession in Europe and elsewhere.

Our operations would be affected if Eurozone countries were to leave the euro. In particular:

- our European supply chain would face economic and operational challenges;
- our customers and suppliers may be adversely affected, leading to heightened counterparty credit risk; and
- our investment in the country concerned could be impaired and may be subject to exchange controls and translation risks going forward.

The likely contraction in the availability of credit from financial institutions and the impact this will have on Unilever s liquidity risk are described under Financial below.

The breadth of Unilever s portfolio and our geographic reach help to mitigate our exposure to any particular localised risk to an extent. Our flexible business model allows us to adapt our portfolio and respond quickly to develop new offerings that suit consumers and customers changing needs during economic downturns.

We regularly update our forecast of business results and cash flows and, where necessary, rebalance investment priorities.

We have continuity planning designed to deal with crisis management in the event of political and social events and natural disasters.

We believe that many years of exposure to emerging markets has given us experience operating and developing our business successfully during periods of economic, political or social change.

Unilever is committed to maintaining its operations in all European countries.

We have conducted scenario planning in respect of a Eurozone break-up, or of countries leaving the Eurozone, and this has been reviewed by the Boards.

We are taking measures designed to minimise the impact of the potential scenarios whilst continuing to trade as normal, including:

- developing contingency plans in respect of our supply chain operations;
- exercising additional caution with our counterparty exposures;
- taking prudent balance sheet measures in relation to high risk countries; and
- strengthening our short term liquidity positions.

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Report of the Directors About Unilever

RISKS continued

Description of risk

What we are doing to manage the risk

Financial

Unilever is exposed to a variety of external financial risks.

Changes to the relative value of currencies can fluctuate widely and could have a significant impact on business results. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets and earnings of its foreign subsidiaries.

We are also subject to the imposition of exchange controls by individual countries which could limit our ability to import materials paid in foreign currency or to remit dividends to the parent company.

Currency rates, along with demand cycles, can also result in significant swings in the prices of the raw materials needed to produce our goods.

Unilever may face liquidity risk, i.e. difficulty in meeting its obligations, associated with its financial liabilities. A material and sustained shortfall in our cash flow could undermine Unilever s credit rating, impair investor confidence and also restrict Unilever s ability to raise funds.

We are exposed to market interest rate fluctuations on our floating rate debt. Increases in benchmark interest rates could increase the interest cost of our floating rate debt and increase the cost of future borrowings.

In times of financial market volatility, we are also potentially exposed to counter party risks with banks, suppliers and customers.

Certain businesses have defined benefit pension plans, most now closed to new employees, which are exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow.

Currency exposures are managed within prescribed limits and by the use of forward foreign exchange contracts. Further, operating companies borrow in local currency except where inhibited by local regulations, lack of local liquidity or local market conditions. We also hedge some of our exposures through the use of foreign currency borrowing or forward exchange contracts.

Our interest rate management approach aims to achieve an optimal balance between fixed and floating rate interest exposures on expected net debt.

We seek to manage our liquidity requirements by maintaining access to global debt markets through short-term and long-term debt programmes. In addition, we have high committed credit facilities for general corporate purposes.

Group Treasury regularly monitors exposure to our banks, tightening counter party limits where appropriate. Unilever actively manages its banking exposures on a daily basis.

We regularly assess and monitor counterparty risk in our customers and take appropriate action to manage our exposures.

Our pension investment standards require us to invest across a range of equities, bonds, property, alternative assets and cash such that the failure of any single investment will not have a material impact on the overall value of assets.

The majority of our assets, including those held in our pooled investment vehicle, Univest, are managed by external fund managers and are regularly monitored by pension trustees and central pensions and investment teams.

Further information on financial instruments and capital and treasury risk management is included in note 16 on pages 94 to 100.

Ethical

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders is essential for the protection of the reputation of Unilever and its brands.

Unilever s brand and reputation are valuable assets and the way in which we operate, contribute to society and engage with the world around us is always under scrutiny both internally and externally.

Our Code of Business Principles and our Code Policies govern the behaviour of our employees, suppliers, distributors and other third parties who work with us.

Our processes for identifying and resolving cases of unethical practice are clearly defined and regularly communicated throughout Unilever. Data relating to instances of unethical practice is reviewed by the Unilever Leadership Executive and by relevant Board committees and helps to determine the allocation of resources for future policy development, training and awareness initiatives.

Legal, Regulatory and Other

Compliance with laws and regulations is an essential part of Unilever s business operations.

Unilever is subject to local, regional and global laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes.

Failure to comply with laws and regulations could expose Unilever to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation.

Changes to laws and regulations could have a material impact on the cost of doing business.

Unilever is also exposed to varying degrees of risk and uncertainty related to other factors including environmental, political, social and fiscal risks. All these risks could materially affect Unilever s business. There may be other risks which are unknown to Unilever or which are currently believed to be immaterial.

The Code of Business Principles sets out our commitment to complying with the laws and regulations of the countries in which we operate. In specialist areas the relevant teams at global, regional or local level are responsible for setting detailed standards and ensuring that all employees are aware of and comply with regulations and laws specific and relevant to their roles.

Our legal specialists are heavily involved in monitoring and reviewing our practices to provide reasonable assurance that we remain aware of and in line with all relevant laws and legal obligations.

Various mitigating processes exist within Unilever operating systems designed to help to mitigate other areas of risk including terrorism, fiscal and other forms of regulatory change or economic instability.

Our Risk Appetite and Approach to Risk Management

Risk management is integral to Unilever s strategy and to the achievement of Unilever s long-term goals. Our success as an organisation depends on our ability to identify and exploit the opportunities generated by our business and the markets we are in. In doing this we take an embedded approach to risk management which puts risk and opportunity assessment at the core of the leadership team agenda, which is where we believe it should be.

Unilever adopts a risk profile that is aligned to our vision to double the size of our business while reducing our environmental impact. Our available capital and other resources are applied to underpin our priorities. We aim to maintain a strong single A credit rating on a long term basis, reflecting the strength of our balance sheet and cash flows.

Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to Unilever s senior management including, where appropriate, the Chief Executive Officer and Chief Financial Officer.

Organisation

The Unilever Boards assume overall accountability for the management of risk and for reviewing the effectiveness of Unilever s risk management and internal control systems.

The Boards have established a clear organisational structure with well defined accountabilities for the principal risks that Unilever faces in the short, medium and longer term. This organisational structure and distribution of accountabilities and responsibilities ensures that every country in which we operate has specific resources and processes for risk review and risk mitigation. This is supported by the Unilever Leadership Executive, which takes an active responsibility for focusing on the principal areas of risk to Unilever. The Boards regularly review these risk areas and retain responsibility for determining the nature and extent of the significant risks that Unilever is prepared to take to achieve its strategic objectives.

Foundation and Principles

Unilever s approach to doing business is framed by our Corporate Mission. Our Code of Business Principles sets out the standards of behaviour that we expect all employees to adhere to. Day-to-day responsibility for ensuring these principles are applied throughout Unilever rests with senior management across categories, geographies and functions. A network of Code Officers and Committees supports the activities necessary to communicate the Code, deliver training, maintain processes and procedures (including hotlines) to report and respond to alleged breaches, and to capture and communicate learnings.

We have a framework of Code Policies that underpin the Code and set out the non-negotiable standards of behaviour expected from all our employees.

Unilever s functional standards define mandatory requirements across a range of specialist areas such as health and safety, accounting and reporting and financial risk management.

Processes

Unilever operates a wide range of processes and activities across all its operations covering strategy, planning, execution and performance management. Risk management is integrated into every stage of this business cycle. These procedures are formalised and documented and are increasingly being centralised and automated into transactional and other information technology systems.

Assurance and Re-Assurance

Assurance on compliance with the Code of Business Principles and all of our Code Policies is obtained annually from Unilever management via a formal Code declaration. In addition, there are specialist compliance programmes which run during the year and vary depending on the business priorities. These specialist compliance programmes supplement the Code declaration. Our Corporate Audit function plays a vital role in providing to both management and the Boards an objective and independent review of the effectiveness of risk management and internal control systems throughout Unilever.

Boards assessment of compliance with the Risk Management frameworks

The Boards, through the Committees where appropriate, regularly review the significant risks and decisions that could have a material impact on Unilever. These reviews consider the boundaries to the risks that Unilever is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure.

The Boards, through the Audit Committee, have reviewed the assessment of risks, internal controls and disclosure controls and procedures in operation within Unilever. They have also considered the effectiveness of any remedial actions taken for the year covered by this document and up to the date of its approval by the Boards.

Details of the activities of the Audit Committee in relation to this can be found in the Report of the Audit Committee on pages 47 and 48.

Further statements on compliance with the specific risk management and control requirements in the Dutch Corporate Governance Code, the UK Corporate Governance Code, the US Securities Exchange Act (1934) and the Sarbanes-Oxley (2002) Act can be found on pages 44 to 46.

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Report of the Directors Governance

BIOGRAPHIES

Board of Directors

Chairman

Michael Treschow

Nationality: Swedish. Aged 68.

Appointed Chairman May 2007.

Non-Executive Director, ABB Group. Board member, Knut and Alice Wallenberg Foundation. Member of the European Advisory, Eli Lilly and Company. Chairman, Telefonaktiebolaget L M Ericsson 2002-2011. Chairman, AB Electrolux 2004-2007 and Confederation of Swedish Enterprise 2004-2007.

Vice-Chairman & Senior Independent Director

Kees J Storm

Nationality: Dutch. Aged 69.

Appointed May 2006.

Chairman, Supervisory Board, and member of the Audit Committee, KLM Royal Dutch Airlines N.V. Member, Supervisory Board, AEGON N.V. Vice-Chairman and Chairman of Audit Committee, Anheuser-Busch InBev S.A. Board member and Audit Committee member, Baxter International, Inc.. Vice-Chairman, Supervisory Board, Pon Holdings B.V.

Executive Directors

Paul Polman

Chief Executive Officer

Nationality: Dutch. Aged 55.

Appointed Chief Executive Officer January 2009.

Appointed Director October 2008. Non-Executive Director, The Dow Chemical Company. President, Kilimanjaro Blind Trust. Procter & Gamble Co. 1979-2001, Group President Europe and Officer, Procter & Gamble Co. 2001-2006. Chief Financial Officer, Nestlé S.A. 2006-2008. Executive Vice President and Zone Director for the Americas 2008.

Jean-Marc Huët

Chief Financial Officer

Nationality: Dutch. Aged 42.

Appointed Director May 2010. Appointed Chief Financial Officer February 2010.

Executive Vice President and Chief Financial Officer, Bristol-Myers Squibb Company 2008-2009. Non-Executive Director, Mead Johnson Nutrition 2009. Chief Financial Officer, Royal Numico NV 2003-2007. Investment Banking, Goldman Sachs International 1993-2003. Clement Trading 1991-1993.

Non-Executive Directors

Louise Fresco

Nationality: Dutch. Aged 60.

Appointed May 2009.

Professor of International Development and Sustainability at the University of Amsterdam. Supervisory Director, RABO Bank.

Ann Fudge

Nationality: American. Aged 60.

Appointed May 2009.

Non-Executive Director, Infosys, Novartis AG, General Electric Co., and Buzzient Inc. Chairman, US Programs Advisory Panel of Gates Foundation.

Charles E Golden

Nationality: American. Aged 65.

Appointed May 2006.

Non-Executive Director Indiana University Health, Hill-Rom Holdings, Eaton Corporation and the Lilly Endowment. Member of Finance

Byron E Grote

Nationality: American/British. Aged 63.

Appointed May 2006. Executive Vice President, Corporate Business Activities, BP p.l.c. Member, UK Business Government Forum on Tax and Globalisation 2008-2010. Vice-Chairman, UK Government s

Member, Social and Economic Council of the Netherlands (SER).

Honorary director of Catalyst. Member, Foreign Affairs Policy Board, U.S. State Department. Member, Finance Committee of Harvard University.

Committee, Indianapolis Museum of Art. Executive Vice-President, Chief Financial Officer and Director, Eli Lilly and Company 1996-2006.

Public Services Productivity Panel 1998-2000.

Sunil B Mittal

Nationality: Indian. Aged 54.

Appointed May 2011.

Founder, Chairman and Group CEO, Bharti Enterprises. Awarded Global Economy Prize by the Kiel Institute in Germany and Global Vision Award by the US-India Business Council. President, Confederation of Indian Industry. Co-chairman, World Economic Forum at Davos and member of its International Business Council.

Hixonia Nyasulu

Nationality: South African. Aged 57.

Appointed May 2007.

Chairman, Sasol Ltd. Non-Executive Director, Barloworld Ltd. Member, Advisory Board of JP Morgan S.A. Beneficiary, Sequel Property Investments.

Sir Malcolm Rifkind

Nationality: British. Aged 65.

Appointed May 2010.

A Queen s Counsel. Served in Cabinets of Margaret Thatcher and John Major, last position being that of Foreign Secretary. Non-Executive Director, Adam Smith International and Continental Farmers Group plc.

Paul Walsh

Nationality: British. Aged 56.

Appointed May 2009.

Chief Executive Officer and Director, Diageo PLC. Non-Executive Director, FedEx Corporation Inc. and Avanti Communications Group PLC. Member, Business Advisory Group, Advisor to the Department of Energy and Climate Change. Member, International Business Leaders Forum.

Unilever Leadership Executive (ULE)

For Paul Polman and Jean-Marc Huët see page 34

Doug Baillie

Chief HR Officer

Nationality: British. Aged 56.

Appointed Chief HR Officer in February 2011. Appointed to ULE as President of Western Europe in May 2008. Joined Unilever 1978. Previous Unilever posts include: CEO Hindustan Unilever Limited; Group- Vice President South Asia 2006; Group Vice-President Africa, Middle East & Turkey 2005; President Africa Regional Group 2004; National Manager Unilever South Africa 2000.

Professor Geneviève Berger

Chief Research & Development Officer

Nationality: French. Aged 57.

Appointed to ULE July 2008. Previous posts include: Chairman of the Health Advisory Board for the European Commission; Professor at the University of Paris and La Pitié- Salpêtriére Teaching Hospital; and Director General of the French Centre National de la Recherche Scientifique. Appointed Non-Executive Director of Smith & Nephew in March 2010.

Kevin Havelock

Refreshment

Nationality: British. Aged 54.

Appointed to ULE November 2011. Joined Unilever 1985. Previous Unilever posts include: Chairman in Arabia and President Unilever USA. Previous external posts include: Vice President UK Advertising Association and Executive Committee of American Personal Care Council.

Alan Jope

North Asia

Nationality: British. Aged 47.

Appointed to ULE November 2011. Joined Unilever 1985. Previous Unilever posts include: Chairman of Unilever Greater China; Global Category Leader for SCC and Dressings; Chief Operating Officer and subsequently President of Unilever s combined Home and Personal Care business in North America; and Vice President, Personal Care Thailand.

Kees Kruythoff

North America

Nationality: Dutch. Aged 43.

Appointed to ULE November 2011.

Joined Unilever 1993. Previous Unilever posts include: Executive Vice President Brazil 2008; Chairman of Unilever Foods South Africa 2004; and a member of the board of Unilever Bestfoods Asia 2002.

Dave Lewis

Personal Care

Nationality: British. Aged 46.

Appointed to ULE May 2010.

Joined Unilever 1987. Previous posts include: President, Americas; Chairman, Unilever UK and Ireland; Managing Director, UK home and personal care business; Senior Vice President for Home and Personal Care, Central and Eastern Europe; Managing Director, Indonesia; Marketing Director, South America.

Harish Manwani

Chief Operating Officer

Nationality: Indian. Aged 58.

Appointed Chief Operating Officer in November 2011.

Appointed to ULE April 2005 as President Asia Africa. Joined Unilever 1976. Non-Executive Chairman, Hindustan Unilever. Previous Unilever posts include: President Asia, Africa, Central & Eastern Europe 2008; and Group President, Home and Personal Care, North America 2004.

Antoine de Saint-Affrique

Foods

Nationality: French. Aged 47.

Appointed to ULE November 2011. First joined Unilever 1989 until 1997; re-joined Unilever 2000. Previous Unilever posts include: Executive Vice President Skin category; and Executive Vice President Unilever Central & Eastern Europe. Vice President Marketing for Liebig Maille Amora, Danone Group/PAI 1997-2000. Non-Executive Director and member of the Audit Committee at Essilor International.

Pier Luigi Sigismondi

Chief Supply Chain Officer

Nationality: Italian. Aged 46.

Appointed to ULE September 2009. Prior to joining Unilever, he joined Nestlé S.A. in 2002. Moved to Nestlé Mexico in 2005 as Vice President of Operations and R&D. Prior to Nestlé S.A. he was Vice President of Operations for A T Kearney.

Keith Weed

Chief Marketing and Communication Officer

Nationality: British. Aged 50.

Appointed to ULE April 2010.

Joined Unilever 1983. Previous Unilever posts include: Executive Vice President for Global Home Care & Hygiene; Chairman of Lever Fabergé; SVP Hair and Oral Care. Non-Executive Director of Sun Products Corporation.

Jan Zijderveld

Europe

Nationality: Dutch. Aged 47.

Appointed to ULE February 2011. Joined Unilever in 1988. Previous Unilever posts include: Executive Vice President South East Asia and Australasia; Chairman of Unilever Middle East North Africa; Chairman of Nordic ice cream business; Marketing Director Italy; European Olive Oil Category Director; and General Manager Sauces and Dressings Europe.

CORPORATE GOVERNANCE

Introduction

Since 1930 when the Unilever Group was formed, NV and PLC, together with their group companies, have operated as nearly as practicable as a single economic entity. This is achieved by a series of agreements between NV and PLC (the Foundation Agreements, further described on page 42), together with special provisions in the Articles of Association of NV and PLC.

However, NV and PLC remain separate legal entities with different shareholder constituencies and separate stock exchange listings. Shareholders cannot convert or exchange the shares of one for the shares of the other.

NV and PLC have the same Directors, adopt the same accounting principles and pay dividends to their respective shareholders 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.

Unilever is 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. As stated in our Code of Business Principles, Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. It is therefore Unilever s practice to comply where practicable with the best practice represented by the aggregate of these best practice codes.

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.

The Boards

It has always been a requirement of Unilever that the same people be on the Boards of the two parent companies. This guarantees 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. It is essential that in reaching the same decisions the NV and PLC Boards identify and resolve any potential conflicts of interest between NV and PLC.

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 and long-term success 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 Boards are responsible for the overall conduct of the Group, including the management, direction and performance of NV and PLC. The Boards have, with the exception of certain matters which are reserved for them, delegated the operational running of the Group to the Chief Executive Officer. The Chief Executive Officer is responsible to the Boards and is able to sub-delegate any of his powers and discretions. Matters reserved for the Boards include structural and constitutional matters, corporate

governance, approval of dividends, approval of overall strategy for the Group and approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and disposals, capital expenditure, contracts, litigation, financing and pensions.

The Boards have also established committees whose actions are regularly reported to and monitored by the Boards, and these are described on page 39. 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.

Board meetings

A minimum of five meetings are held throughout the calendar year. These are comprised of quarterly meetings, to consider the results statements of the Group, and a meeting to approve the Annual Report and Accounts. There are additional Board meetings to discuss matters that arise as well as Group strategic issues.

In addition to the above, during the year our Boards will consider important corporate events and actions, such as:

- oversight of the performance of the business;
- review of risks and controls;
- authorisation of major transactions;
- declaration of dividends;
- convening of shareholders meetings;
- nominations for Board appointments;
- approval of Board remuneration policy;
- review of the functioning of the Boards and their Committees; and
- Corporate Social Responsibility.

Our risk management approach and associated systems of internal control are of utmost importance to the Boards and are described further on pages 28 to 33.

Meetings of the Boards may be held either in London or Rotterdam or such other locations as the Boards think fit, with one or two off-site Board meetings a year. In 2011, Board meetings were held at the offices of Unilever in both Jakarta, Indonesia and Rome, Italy. In both locations the Boards learnt more about the supply chain in these regions, and included customer visits to local retail outlets, together with visits to local consumers. Visits such as these allow the Non-Executive Directors to meet senior managers around Unilever s global business and in turn allow them to gain a deeper understanding of the business.

Board induction, training and support

Upon election, Directors receive a comprehensive Directors Information Pack and are briefed thoroughly on their responsibilities and the business. Ongoing training is provided for Directors by way of site visits, presentations, circulated updates, and 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.

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

Board evaluation

The Chairman, in conjunction with the Vice-Chairman & Senior Independent Director, leads the process whereby the Boards formally assess their own performance, with the aim of helping to improve the effectiveness of the Boards and their Committees. The evaluation process consists of an internal exercise performed annually with an independent third-party evaluation carried out at least once every three years.

The internal evaluation process includes an extensive bespoke and confidential questionnaire for all Directors to complete. The detailed questionnaire invites comments on a number of areas including board responsibility, performance, operations, effectiveness, training and knowledge. In addition, each year the Chairman conducts a process of evaluating the performance and contribution of each Director, including an interview with each. The evaluation of the performance of the Chairman is led by the Vice-Chairman & Senior Independent Director and the Chairman leads the evaluation of the Chief Executive Officer, both by means of confidential, bespoke questionnaires. Committees of the Boards evaluate themselves annually under supervision of their respective chairmen taking into account the views of respective Committee members and the Boards.

As a result of the recommendations from the 2010 evaluation, Board meetings were organised to ensure there was sufficient time to allow for greater contributions from the Non-Executive Directors.

Action taken in 2011

Following the commitment made in 2010, the Board conducted an external board evaluation process using an independent external third-party consultant, and further information is provided within the Chairman s Statement on page 2.

Appointment of Directors

Directors are appointed by shareholders at the AGMs. All existing Directors, unless they are retiring, submit themselves for re-election every year, and shareholders vote to re-appoint them by a simple majority vote. A list of our current Directors and the periods during which they have served as such is set out on page 34.

Based on the evaluation of the Boards, its Committees and its individual members, the Nomination Committee recommends to each Board a list of candidates for nomination at the AGMs of both NV and PLC. In addition, shareholders are able to nominate Directors. To do so they must put a resolution to both AGMs in line with local requirements. However, 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. Therefore, if an individual fails to be elected to both companies then he or she will be unable to take their place on either Board.

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 to 2,400 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, which comprise Non-Executive Directors of Unilever only.

Group Secretary

The Group Secretary is available to advise all Directors on matters relating to the governance of the Group and ensures that Board procedures are complied with. The current Group Secretary is Tonia Lovell.

Board changes

The current Directors, with their biographies, are shown on page 34.

At the 2011 AGMs, Jeroen van der Veer retired as a Non-Executive Director and Sunil B Mittal was appointed as a Non-Executive Director. At the same AGMs, Paul Polman and Jean-Marc Huët were re-elected as Executive Directors, and Louise Fresco, Ann Fudge, Charles Golden, Byron Grote, Hixonia Nyasulu, Sir Malcolm Rifkind, Kees Storm, Michael Treschow and Paul Walsh were re-elected as Non-Executive Directors.

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.

At the 2012 AGMs all current Executive and Non-Executive Directors will be nominated for re-election.

The 2012 AGM Notices are available on our website at www.unilever.com/agm from 28 March 2012.

Balance of Non-Executive Directors and Executive Directors

Gender split of Directors

CORPORATE GOVERNANCE continued

Our Directors

Non-Executive Directors

Chairman

Unilever has an independent Non-Executive Chairman and a Chief Executive Officer. There is a clear division of responsibilities between their roles.

The Chairman is primarily responsible for leadership of the Boards and ensuring their effectiveness. The Chairman sets the Boards agenda, ensures the Directors receive accurate, timely and clear information, promotes effective relationships and open communication between the Executive and Non-Executive Directors and maintains effective communication with major shareholders. With the Group Secretary, the Chairman will take the lead in providing a properly constructed induction programme for new Directors that is comprehensive, formal and tailored.

Senior Independent Director

Following the retirement of Jeroen van der Veer at the 2011 AGMs, the Boards have appointed Kees Storm as Vice-Chairman & Senior Independent Director. He acts as their spokesman, and serves as an intermediary for the other Directors when necessary. He is also a point of contact for shareholders if they have concerns which cannot be resolved through the Chairman or Chief Executive Officer.

Non-Executive Directors

The Non-Executive Directors share responsibility, together with the Executive Directors, for the execution of the Boards duties. The role of Non-Executive Directors is essentially supervisory. As they make up the Committees of the Boards, it is important that they can be considered to be independent.

Role and Responsibilities

The key elements of the role and responsibilities of the 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.

The Non-Executive Directors are chosen individually for their broad and relevant experience and international outlook, as well as for their independence and details of their various appointments can be found in their biographies on page 34. In consultation with the Nomination Committee, the Boards review both the adequacy of succession planning processes and succession planning itself at both Board and Unilever Leadership Executive (ULE) level. The profile set by the Boards for the Non-Executive Directors provides guiding principles for the composition of the Boards in line with the recommendations of applicable governance regulations and best practice, and takes into account the balance of skills, diversity, knowledge and experience on the Boards. 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.

Meetings

The Non-Executive Directors meet as a group, without the Executive Directors present, under the leadership of the Chairman to consider specific agenda items and wide-ranging business matters of relevance to the Group. In 2011 they met five times.

Independence

Following the conclusion of a thorough review of all relevant relationships of the Non-Executive Directors, and their related or connected persons, our Boards consider all of our Non-Executive Directors to be independent of Unilever by reference to the criteria set out in The Governance of Unilever and derived from the relevant best practice guidelines in the Netherlands, United Kingdom and United States.

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

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 is reported on page 59. We do not grant our Non-Executive Directors any personal loans or guarantees nor are they entitled to any severance payments. Details of the terms of appointment of our Non-Executive Directors can be seen on the Unilever website at www.unilever.com/investorrelations/corp_governance.

Tenure

Our Non-Executive Directors submit themselves for re-election each year at the AGMs. Although the Dutch Corporate Governance Code sets the suggested length of tenure at a maximum of 12 years for Non-Executive Directors, they normally serve for a maximum of nine years in accordance with the UK Corporate Governance Code. 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.

Executive Directors

Chief Executive Officer

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 ULE that is chaired by and reports to the Chief Executive Officer. For ULE members biographies see page 35.

Executive Directors

During 2011, Unilever had two Executive Directors, the Chief Executive Officer and Chief Financial Officer, who were also members of the ULE and are full-time employees of Unilever.

The Executive Directors submit themselves for re-election at the AGMs each year, and the Nomination Committee carefully considers each nomination for re-appointment. Executive Directors stop holding executive office on ceasing to be Directors.

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

There are no family relationships between any of our Executive Directors, members of the ULE or Non-Executive Directors, and none of our Executive Directors or other key management personnel are elected or appointed under any arrangement or understanding 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 senior executives acting as directors of other companies outside the Unilever Group, broadening their experience and knowledge. For our Executive Directors, the number of outside directorships of listed companies is generally limited to one per individual, and 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. Fees paid in connection with an outside directorship may be retained by the individual, reflecting that any outside directorship is the responsibility of the individual and that Unilever takes no responsibility in this regard.

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.

Authorisation of situational conflicts is given by the Boards to the relevant Director in accordance with the Articles of Association of PLC. The authorisation includes conditions relating to keeping Unilever information confidential and to the exclusion from receiving and discussing relevant information at Board meetings. Situational conflicts are 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. A Director may not vote on, or be counted in a quorum in relation to, any resolution of the Boards in respect of any contract in which he or she has a material interest. The procedures that Unilever have 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 PLC proportion of the adjusted capital and reserves of the Unilever Group, as defined in PLC s Articles of Association, without the approval of shareholders (any exceptions requiring an ordinary resolution).

Indemnification

Directors indemnification, including the terms thereof, is provided for in 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 qualifying third-party Directors and Officers liability insurance was in place for all Unilever Directors throughout 2011 and is currently in force.

In addition, PLC provides indemnities (including, where applicable, a qualifying pension scheme indemnity provision) to the directors from time to time of two subsidiaries that act as trustee respectively of two of Unilever s UK pension schemes. Appropriate trustee liability insurance is also in place.

Our Committees

Board Committees

The Boards have established four Board Committees: the Audit Committee; the Corporate Responsibility and Reputation Committee; the Nomination Committee; and the Remuneration Committee, all formally set up by Board resolutions with defined remits. They are made up solely of Non-Executive Directors and report regularly to the Boards.

All Committees are provided with sufficient resources to undertake their duties, and the terms of reference for each Committee are contained within The Governance of Unilever which is available at www.unilever.com/investorrelations/corp_governance.

The reports of each Committee can be found on pages 46 to 59.

Management Committee

Disclosure Committee

The Boards have set up, through the Chief Executive Officer, 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 (Chairman), the Group Secretary and Chief Legal Officer, the Group Treasurer and the NV and PLC Deputy Secretaries.

CORPORATE GOVERNANCE continued

Attendance

The following table shows the attendance of Directors at Board and Committee meetings for the year ended 31 December 2011. If Directors are unable to attend a Board or Committee meeting, they have the opportunity beforehand to discuss any agenda items with the chairman of the meeting.

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

	Main Board	Audit Committee	Corporate Responsibility and Reputation Committee	Nomination Committee	Remuneration Committee
Michael Treschow	**8/8**[(a)]			**6/6**	**5/5**
Jeroen van der Veer[(b)]	**4/4**			**2/2**	**2/2**
Kees Storm	**8/8**	**5/5**[(a)]		**4/4**[(f)]	**3/3**[(f)]
Paul Polman[(c)]	**8/8**				
Jean-Marc Huët[(c)]	**7/8**				
Louise Fresco	**8/8**		**4/4**		
Ann Fudge	**8/8**			**3/4**[(f)]	**4/5**
Charles Golden	**7/8**	**5/5**			
Byron Grote	**7/8**	**4/5**			
Sunil B Mittal[(d)]	**2/4**				
Hixonia Nyasulu	**8/8**		**4/4**		
Sir Malcolm Rifkind	**8/8**		**4/4**[(a)]		
Paul Walsh[(e)]	**8/8**			**6/6**[(a)]	**5/5**[(a)]

(a) Chairman.

(b) Jeroen van der Veer retired from the Boards and stepped down as Chairman of both the Nomination and Remuneration Committees on 12 May 2011.

(c) Executive Director.

(d) Sunil B Mittal was appointed to the Boards on 12 May 2011.

(e) Paul Walsh was appointed Chairman of the Nomination and Remuneration Committees on 12 May 2011.

(f) Appointed to the Committee on 12 May 2011.

Our Shareholders

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, and 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.

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 raise issues directly with the Chairman and, if appropriate, the Vice-Chairman & 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

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. The business generally conducted includes approval/adoption of the Annual Report and Accounts, appointment of directors, appointment of external auditors, and authorisation for the Boards to allot and repurchase shares.

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. These AGMs have historically been held on consecutive days, but advances in technology mean that Unilever is able to begin to explore new approaches to the way it holds company meetings, with the aim of bringing the NV and PLC shareholders closer together. Therefore in 2012 we will be holding the NV and PLC meetings on the same day, with the NV meeting being held in the morning in Rotterdam, and the PLC meeting being held in the afternoon in London. At each AGM, half the Board will attend in person, and the other half of the Board will attend the meeting via satellite link. It is our intention that both the Chairman and Chief Executive Officer will attend both meetings in person.

The external auditors are welcomed to the AGMs and they are entitled to address the meetings.

Voting rights

Shareholders that hold NV shares on the record date are entitled to attend and vote at NV General Meetings. Dutch law requires that the record date is set at a date 28 days before the meeting, and shares are not blocked between the record date and the date of the meeting. 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. PLC shareholders can cast one vote for each 3 $^{1}/9$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. Proxy appointments need to be with our Registrars 48 hours before the meeting and the shareholding at this time will determine both the right to vote and the ability to attend the meeting.

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 which can be found on our website at www.unilever.com/agm.

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.

Shares held in treasury will not be voted upon.

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 50 million. 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 of PLC 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 share capital, can require PLC to propose a resolution at a General Meeting. PLC shareholders holding in aggregate 5% 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.

A proposal to alter the Articles of Association of NV can only be made by the Board of NV. A proposal to alter the 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 Act 2006. 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 both NV and PLC can be found on our website at www.unilever.com/investorrelations/corp_governance.

Right to hold shares

Unilever s constitutional documents place no limitations on the right to hold NV and PLC shares. There are no limitations on the right to hold or exercise voting rights on the ordinary shares of NV and PLC imposed by foreign law.

Electronic communication

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

Share capital matters

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 3 $^{1}/9$p 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.

Foundation Unilever NV Trust Office

The Foundation Unilever NV Trust Office (Stichting Administratiekantoor Unilever N.V.) is a trust office with a board independent of Unilever. As part of its corporate objects, the Foundation issues depositary receipts in exchange for the ordinary and 7% preference shares it holds in NV. These depositary receipts are listed on Euronext Amsterdam, as are the NV ordinary and 7% preference shares themselves.

CORPORATE GOVERNANCE continued

Holders of depositary receipts can under all circumstances exchange their depositary receipts for the underlying shares (and vice versa), and are entitled to dividends and all economic benefits on the underlying shares held by the Foundation. They can attend all General Meetings of NV, either personally or by proxy, and also have the right to speak. They can under all circumstances and without limitation exercise their voting rights. The Foundation only votes shares that are not represented at a General Meeting. The Foundation votes 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.

The Foundation s shareholding fluctuates daily. Its holdings on 28 February 2012 were 1,252,279,716 NV ordinary shares (73.03%) and 9,776 NV 7% cumulative preference shares (33.71%).

The members of the board at the Foundation are Mr J H Schraven (chairman), Mr P P de Koning, Prof Emeritus Dr L Koopmans and Mr A A Olijslager. The Foundation reports periodically on its activities. 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.

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 at the General Meetings of NV.

Further information on the share capital of NV and PLC is given on pages 123 and 124.

Our Foundation Agreements

Foundation Agreements

The Unilever Group is created and maintained by a series of agreements between the parent companies, NV and PLC, together with special provisions in their respective Articles of Association, which are together known as the Foundation Agreements. These agreements enable Unilever to achieve unity of management, operations, shareholders rights, purpose and mission and further information on these agreements is provided below and in the document entitled The Governance of Unilever which is available on our website at www.unilever.com/investorrelations/corp_governance.

NV s Articles of Association contain, among other things, the objects clause, which sets out the scope of activities that NV is authorised to undertake. They 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. At the 2010 PLC AGM, the shareholders agreed that the objects clause be removed from PLC s Articles of Association so that there are no restrictions on its objects.

NV s and PLC s Articles of Association, together with the additional three Foundation Agreements detailed below, can be found on our website at www.unilever.com/investorrelations/corp_governance.

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.

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

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 also contains provisions for the allocation of assets between NV and PLC.

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.

Our requirements and compliance

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 European Takeover Directive as implemented in the Netherlands and the UK, the UK Companies Act 2006 and rules of the US Securities and Exchange Commission, Unilever is 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 however reserve the right, in cases where they decide such to be in the interests of the companies or our shareholders, to depart from that which is set out in the present and previous sections in relation to our corporate governance. Any such 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.

Our principal risks and our approach to risk management and systems of internal control are described on pages 28 to 33.

Further information can be found on our website and in the document entitled The Governance of Unilever which is available on our website at www.unilever.com/Investorrelations/corp_governance.

Requirements European Union

Following implementation of the European 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 and Accounts, 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. The NV special ordinary shares may only be transferred to one or more holders of such shares;
- there are no arrangements by which, with NV s 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 nor PLC are parties to any significant agreements 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 dependants. Historically the Trustees tend not to exercise this right.

The Netherlands

NV is required to state in its Annual Report and Accounts whether it complies or will comply with the Principles 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. 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. 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.

Unilever places a great deal of importance on corporate responsibility and sustainability as is evidenced by our vision to double the size of the company while reducing our environmental impact. With respect to our performance measures Unilever is keen to ensure focus on key financial performance measures which we believe to be the drivers of shareholder value creation and relative total shareholder return. Unilever therefore believes that the interests of the business and shareholders are best served by linking the long-term share plans to the measures as described in the Directors Remuneration Report and has not included a non-financial performance indicator (Principle II.2 and bpp II.2.3).

Risk management and control

As a result of the review of the Audit Committee (as described in its report on pages 46 and 47) the Boards believe that as regards financial reporting risks, the risk management and control systems provide reasonable assurance that the financial statements do not contain any errors of material importance and the risk management and control systems have worked properly in 2011 (bpp ll.1.5).

The aforesaid statements are not statements in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act of 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.2.5). Our shareholder-approved remuneration policy requires Executive Directors to build and retain a personal shareholding in Unilever. The Boards believe 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 Boards, at the proposal of the Remuneration Committee, find this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law (bpp II.2.8).

Conflicts of interest

In the event of a potential conflict of interest, the provisions of the Dutch Code (Principles 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.

CORPORATE GOVERNANCE continued

Remuneration Committee

The Remuneration Committee may not be chaired by a Board member who is a member of the management board of another listed company (bpp III.5.11). Paul Walsh is Chairman of the Remuneration Committee and has been CEO of Diageo Plc since 2000. Paul has profound knowledge and understanding of remuneration matters at companies operating globally and understands how remuneration policies support the growth objective. His experience and insight of remuneration matters is very valuable to Unilever. The Boards believe that Mr Walsh is ideally placed for the position of Chairman of the Remuneration Committee.

Financing preference shares

NV issued 6% and 7% cumulative preference shares between 1927 and 1964. 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

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 (bpp IV.3.11). 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.

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 40). The important presentations and meetings are conducted as far as practicable in accordance with the Dutch Code (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.

Corporate Governance Statement

NV is required to make a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) with effect from 1 January 2010 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree can be found in the following sections of this Report and Accounts:

- the information concerning compliance with the Dutch Corporate Governance Code, as required by article 3 of the Decree, can be found under Corporate Governance within the section Requirements the Netherlands ;
- the information concerning Unilever s risk management and control frameworks relating to the financial reporting process, as required by article 3a(a) of the Decree, can be found under Outlook and risks on pages 28 to 33 and within the relevant sections under Corporate Governance ;
- the information regarding the functioning of NV s General Meeting of shareholders, and the authority and rights of NV s shareholders, as required by article 3a(b) of the Decree, can be found within the relevant sections under Corporate Governance ;
- the information regarding the composition and functioning of NV s Board and its Committees, as required by article 3a(c) of the Decree, can be found within the relevant sections under Corporate Governance ; and

the information concerning the inclusion of the information required by the decree Article 10 European Takeover Directive, as required by article 3b of the Decree, can be found within the relevant sections under Corporate Governance' and within the section Shareholder information, Analysis of shareholding .

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 main principles and how far it has complied with the provisions set out in the 2010 UK Corporate Governance Code, a copy of which is available at www.frc.org.uk.

In the preceding pages we have described how we have applied the main principles and the provisions in the UK Code. In 2011, PLC complied with all UK Code provisions, with the exception of provision E.2.3 of the Code (which provides that the chairmen of the audit, remuneration and nomination committees be available to answer questions at the AGM and that all directors attend the AGM) as Kees Storm, who is Chairman of the Audit Committee, was unable to attend the AGM in May because he was required to attend a scheduled board meeting of another public company on the same day.

Risk management and control

Our approach to risk management and systems of internal control is in line with the recommendations in the report on Internal Control Revised Guidance for Directors on the UK Combined Code (The Turnbull guidance).

It is Unilever s practice to bring acquired companies within the Group s governance procedures as soon as is practicable and in any event by the end of the first full year of operation.

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 (NYSE) as are applicable to foreign private issuers, copies of which are available at www.sec.gov and www.nyse.com. In some cases the requirements are mandatory and in other cases the obligation is to comply or explain .

We have complied in all material respects with the requirements concerning corporate governance that were in force during 2011. Attention is drawn in particular to the Report of the Audit Committee on pages 46 and 47.

Actions already taken to ensure compliance in all material respects that are not specifically disclosed elsewhere or otherwise clear from reading this report include:

- the Code of Business Principles and Code Policies declaration undertaken by all 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.

All senior executives and senior financial officers have declared their understanding of and compliance with Unilever s Code of Business Principles and the related Code Policies. No waiver from any provision of the Code of Business Principles or Code Policies was granted to any of the persons falling within the scope of the SEC requirements in 2011. The Code Policies include mandatory requirements covering (but not limited to) the following areas: accurate records, reporting & accounting; anti-bribery; avoiding conflicts of interest; gifts & entertainment; preventing insider trading; political activities & political donations; contact with government, regulators & non-governmental organisations; respect, dignity & fair treatment; external communications the media, investors & analysts. Our Code of Business Principles is available on our website at www.unilever.com/investorrelations/corp_governance.

We are required by US securities laws and the Listing Standards of the NYSE to have an Audit Committee that satisfies Rule 10A-3 under the Exchange Act and the Listing Standards of the 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 to you in this report 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.

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

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

Risk management and control

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 2011 were effective, and that subsequently until the date of the approval of the Annual Report and Accounts by the Boards, 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.

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REPORT OF THE AUDIT COMMITTEE

The role and terms of reference of the Audit Committee is to assist the Boards in fulfilling their oversight responsibilities regarding the integrity of Unilever s financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors performance, qualifications and independence, and the performance of the internal audit function.

The Audit Committee is comprised only of independent Non-Executive Directors with a minimum requirement of three such members. During 2011 the Committee comprised Kees Storm (Chairman), Charles Golden and Byron Grote. The Committee met five times in 2011. All Committee members attended all the meetings except Byron Grote who attended four out of the five meetings. The Boards have satisfied themselves that the current members of the Audit Committee are competent in financial matters and have recent and relevant experience. For the purposes of the US Sarbanes-Oxley Act of 2002, Kees Storm is the Audit Committee s financial expert up to 28 February 2012. Byron Grote will take over the Chairmanship of the Committee on 29 February 2012 and will become the Audit Committee s financial expert on this date.

During the year, principal activities were as follows:

Financial statements

The Committee considered reports from the Chief Financial Officer on the quarterly and annual financial statements, including other financial statements and disclosures prior to their publication and issues reviewed by the Disclosure Committee. They also reviewed the Annual Report and Accounts and Annual Report on Form 20-F, the quarterly performance and accompanying press releases prior to publication. These reviews incorporated the accounting policies and key judgements and estimates underpinning the financial statements as disclosed within Note 1 on pages 68 and 69, including:

- goodwill and intangible assets;
- provisions;
- business combinations;
- financial instruments;
- pensions;
- taxation; and
- going concern assessment.

The Committee was satisfied with the accounting treatments adopted.

Risk management and internal control arrangements

The Committee reviewed Unilever s overall approach to risk management and control, and its processes, outcomes and disclosure. It reviewed:

- the Controller s Quarterly Risk and Control Status Report (which includes matters arising from the Global Code and Policy Committee), including Code cases relating to frauds and financial crimes and significant complaints received through the global Ethics Hotline;
- Corporate Risks, including regular reviews of the 2011 risks and the 2012 Focus Risks identified by the Unilever Leadership Executive;

- Management s work to implement a simplified policy framework that directly underpins the Code of Business Principles;
- progress on management s Effective Financial Control & Reporting project;
- the application of information and communication technology;
- tax planning, insurance arrangements and related risk management;
- treasury policies, including debt issuance and hedging;
- commodity risk management, governance and derivatives hedging; and
- litigation and regulatory investigations.

The Committee reviewed the application of the requirements under Section 404 of the US Sarbanes-Oxley Act of 2002 with respect to internal controls over financial reporting.

In addition, the Committee reviewed the annual financial plan and Unilever s dividend policy and dividend proposals.

In fulfilling its oversight responsibilities in relation to risk management, internal control and the financial statements, the Committee met regularly with senior members of management and are fully satisfied with the key judgements taken.

Internal audit function

The Committee reviewed Corporate Audit s audit plan for the year and agreed its budget and resource requirements. It reviewed interim and year-end summary reports and management s response. The Committee carried out a formal evaluation of the performance of the internal audit function and was satisfied with the effectiveness of the function. The Committee met independently with the Chief Auditor during the year and discussed the results of the audits performed during the year.

Audit of the Annual Accounts

PricewaterhouseCoopers, Unilever s external auditors and independent registered public accounting firm, reported in depth to the Committee on the scope and outcome of the annual audit, including their audit of internal controls over financial reporting as required by Section 404 of the US Sarbanes-Oxley Act of 2002. Their reports included accounting matters, governance and control, and accounting developments.

The Committee held independent meetings with the external auditors during the year and discussed and challenged their audit plan, including their assessment of the financial reporting risk profile of the Group. The Committee discussed the views and conclusions of PricewaterhouseCoopers regarding management s treatment of significant transactions and areas of judgement during the year and PricewaterhouseCoopers confirmed they were satisfied that these had been treated appropriately in the financial statements.

External auditors

The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process. The Committee has considered the tenure, quality and fees of the auditors and determined that a tender for the audit work is not necessary. As a result, the Committee has approved the extension of the current external audit contract by one year, and recommended to the Boards the re-appointment of external auditors. On the recommendation of the Audit Committee, the Directors will be proposing the re-appointment of PricewaterhouseCoopers at the AGMs in May 2012 (see pages 116 and 122).

Both Unilever and the auditors have for many years had safeguards in place to avoid the possibility that the auditors objectivity and independence could be compromised. The Committee reviewed the report from PricewaterhouseCoopers on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Unilever.

The Committee also reviewed the statutory audit, audit related and non-audit related services provided by PricewaterhouseCoopers, and compliance with Unilever s documented approach, which prescribes in detail the types of engagements, listed below, for which the external auditors can be used:

- statutory audit services, including audit of subsidiaries;
- audit related engagements services that involve attestation, assurance or certification of factual information that may be required by external parties;
- non-audit related services work that our auditors are best placed to undertake, which may include:
  - tax services all significant tax work is put to tender;
  - acquisition and disposal services, including related due diligence, audits and accountants reports; and
  - internal control reviews.

Several types of engagements are prohibited, including:

- bookkeeping or similar services;
- systems design and implementation related to financial information or risk management;
- valuation services;
- actuarial services;
- internal audit; and
- staff secondments to a management function.

All audit related engagements over 250,000 and non-audit related engagements over 100,000 require specific advance approval of the Audit Committee Chairman. The Committee further approves all engagements below these levels which have been authorised by the Group Controller. These authorities are reviewed regularly and, where necessary, updated in the light of internal developments, external developments and best practice.

Audit Committee terms of reference

The Audit Committee s terms of reference are reviewed annually by the Committee taking into account relevant legislation and recommended good practice. The terms of reference are contained within The Governance of Unilever which is available on our website at www.unilever.com/investorrelations/corp_governance.

Board Assessment of the Audit Committee

The Board evaluated the performance of the Committee and the Committee carried out a self-assessment of its performance, and concluded it was performing effectively.

Kees Storm

Chairman of the Audit Committee

Charles Golden

Byron Grote

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REPORT OF THE CORPORATE RESPONSIBILITY AND REPUTATION COMMITTEE

Terms of Reference

The Corporate Responsibility and Reputation Committee oversees Unilever s conduct as a responsible multinational business. The Committee is also charged with ensuring that Unilever s reputation is protected and enhanced. A key element of the role is the need to identify any external developments which are likely to have an influence upon Unilever s standing in society and to bring these to the attention of the Boards.

The Committee comprises three independent Non-Executive Directors: Sir Malcolm Rifkind, Hixonia Nyasulu and Louise Fresco. Sir Malcolm Rifkind chairs the Committee. Keith Weed, Chief Marketing and Communication Officer and a member of the Unilever Leadership Executive, attends the Committee s meetings.

The Committee s discussions are informed by the perspectives of Unilever s two sustainability leadership groups. The first is the Unilever Sustainable Development Group (USDG) five experts from outside Unilever who advise our senior leadership on the development of its sustainability strategy. The second is the Unilever Sustainable Living Plan (USLP) Steering Team, the group of senior executives who are accountable for the delivery of the USLP. The insights from these groups help to keep the Boards informed of current and emerging trends and any potential risks arising from sustainability issues.

The Committee s terms of reference and details of the Unilever Sustainable Development Group are available on our website at www.unilever.com/investorrelations/corp_governance.

Meetings

Meetings are held quarterly and ad hoc as required. The Committee Chairman reports the conclusions to the Boards. Four meetings were held in 2011.

The Committee s agenda comprises a number of standing items. These include the Code of Business Principles, litigation and the USLP. In 2011, Committee members requested that product and occupational safety be added to these standing items.

In addition, the Committee reviews a number of strategic topics. For example, in 2011 these included a review of the system Unilever uses to manage issues and reputational risks and a discussion of animal testing.

Code of Business Principles and litigation review

The Committee is responsible for the oversight of the Unilever Code of Business Principles and associated Code Policies, which set out the standards of conduct we expect of our employees.

The Committee ensures that the Code of Business Principles and Code Policies remain fit for purpose and are appropriately applied. In this regard it complements the role of the Audit Committee which considers the Code as part of its remit to review risk management.

During the year, members of the Committee endorsed the refinement of the system for collating statistics relating to cases under the Code of Business Principles and Code Policies. The improved visibility of this data means that management is able to monitor infringements more closely and identify trends.

Pursuant to the remit of the Committee, the Chief Legal Officer reports to the Committee on litigation matters which have a reputational impact including environmental issues, labour relations and competition law compliance. These matters are then also considered by the full Boards. For further information on Legal proceedings please see note 20 on page 103.

Unilever Sustainable Living Plan

The Committee monitors progress on the USLP. The USLP is at the heart of Unilever s aim to double the size of its business while reducing its environmental impacts and is available on our website at www.unilever.com/sustainability.

The Committee reviews any potential risks that could damage the credibility of the USLP, and each of its meetings addresses a different element of the USLP. In 2011 the governance mechanisms of the USLP were discussed, as well as issues such as sustainable agricultural sourcing, water and safety.

The Committee visited Unilever s research laboratory at Colworth in the UK to learn more about the role of R&D and the science of behaviour change. Both are crucial to achieving the USLP s targets. Unilever s work in developing alternative approaches to animal testing was also reviewed.

During the Boards visit to Indonesia, the Committee received a briefing from the World Resources Institute s local expert on deforestation. Sustainable sourcing of palm oil is a major target in the USLP. The briefing gave the Committee a detailed update on deforestation issues in Indonesia as well as a broad overview of Unilever s actions in this area and how it is working collaboratively with growers, suppliers, customers, governments and NGOs to promote sustainable palm oil.

Evaluation of the Committee

The Committee carried out a self-assessment of its performance, led by the Committee Chairman. The Board also evaluated the performance of the Committee and concluded it was performing effectively.

Sir Malcolm Rifkind

Chairman of the Corporate Responsibility

and Reputation Committee

Louise Fresco

Hixonia Nyasulu

REPORT OF THE NOMINATION COMMITTEE

Terms of Reference

The Nomination Committee comprises three Independent Non-Executive Directors and the Chairman. It was chaired by Jeroen van der Veer until his retirement at the 2011 AGMs. Paul Walsh has chaired the Committee since 12 May 2011. The other members are Ann Fudge, Kees Storm (both of whom were appointed following the 2011 AGMs) and Michael Treschow. The Group Secretary acts as secretary to the Committee.

The Committee is responsible for drawing up selection criteria, succession planning and appointment procedures. Under Unilever s corporate governance arrangements Executive and Non-Executive Directors offer themselves for election each year at the Annual General Meetings. The Nomination Committee is responsible for recommending candidates for nomination as Executive Directors (including the Chief Executive Officer) and Non-Executive Directors each year based on the process of evaluations referred to below. After Directors have been appointed by shareholders the Committee recommends to the Boards candidates for election as Chairman and the Vice-Chairman & Senior Independent Director. The Committee also has responsibility for supervising the policy of the Chief Executive Officer on the selection criteria and appointment procedures for senior management and it keeps oversight of all matters relating to corporate governance, bringing any issues to the attention of the Boards. The Committee s Terms of Reference are contained within The Governance of Unilever and are also available on our website at www.unilever.com/investorrelations/corp_governance.

Process for the appointment of Directors

Unilever has formal procedures for the evaluation of the Boards, the Board Committees and the individual Directors. The Chairman, in conjunction with the Vice-Chairman & Senior Independent Director, leads the process whereby the Boards assess their own performance and the results of the evaluations are provided to the Committee when it discusses the nominations for re-election of Directors.

Where a vacancy arises on the Boards, the Committee may seek the services of specialist recruitment firms and other external experts to assist in finding individuals with the appropriate skills and expertise. The Committee reviews candidates presented by the recruitment firm, or by Directors and members of the Unilever Leadership Executive, and all members of the Committee are involved in the interview process before making their recommendations to the full Boards for approval.

In nominating Directors, the Committee follows the agreed Board profile of potential Non-Executive Directors, which takes into account the roles of Non-Executive Directors set out in the Dutch Corporate Governance Code and the UK Corporate Governance Code. Under the terms of The Governance of Unilever the Boards should comprise a majority of Non-Executive Directors. To represent Unilever s areas of interest, the profile also indicates there should be a strong representation from Developing and Emerging markets as well as from Europe and North America. Non-Executive Directors should be independent of Unilever and free from any conflicts of interest. With respect to diversity in the composition of the Boards the objective pursued by the Boards is to have a variation of age, gender, expertise, social background and nationality and, wherever possible, the Boards should reflect Unilever s consumer base. The Boards are pleased that we already have 25% female representation on the Boards. We will

continue to aspire to increase that level. However, Unilever feels that gender is only one part of diversity, and Unilever directors will continue to be selected on the basis of the wide-ranging experience, backgrounds, skills, knowledge and insight of its members.

It is recognised that Executive Directors may be invited to become a Non-Executive Director of another company and that such an appointment, subject to the approval of the Chairman and where relevant the Chief Executive Officer, may broaden the knowledge and experience to the benefit of the Group (see page 34 for details in the biographies).

Activities of the Committee during the year

The Committee met six times in 2011. All Committee members attended the meetings they were eligible to attend except Ann Fudge who attended three out of four meetings she was eligible to attend. Other attendees at Committee meetings (or part thereof) were the Chief Executive Officer, the Chief HR Officer and the Group Secretary.

The Committee proposed the nomination of all Directors offering themselves for re-election at the 2011 AGMs in May 2011. During 2011, the Committee also proposed the nomination of Sunil B Mittal as a Non-Executive Director at the 2011 AGMs in May. Mr Mittal was chosen because, with his business building experience in developing markets ranging from the entrepreneurial to large-scale corporate activities, he would be a valuable addition to the Boards. In making this appointment the Nomination Committee was supported by an independent executive search firm chosen by the Committee which had been engaged to identify suitable candidates for the role required. Following his appointment at the 2011 AGMs, the Committee approved an extensive induction programme for Mr Mittal.

As part of its corporate governance responsibilities, during the year the Committee considered the new UK Corporate Governance Code, which applied to Unilever from 1 January 2011, and will continue to ensure that Unilever complies with the new provisions, where appropriate, for our future reporting years.

This year, Unilever decided to perform an external evaluation, undertaken by an independent third-party consultant. Further information on this evaluation can be found on page 2, the results of which were discussed at the December 2011 Board Meetings.

The Committee also carried out an assessment of its own performance and concluded it was performing effectively.

Paul Walsh

Chairman of the Nomination Committee

Ann Fudge

Kees Storm

Michael Treschow

DIRECTOR S REMUNERATION REPORT

Remuneration review

As we communicated in last year s Report, the Committee has now taken a close look at the competitive position of our Executive Directors salaries. Following consultation with shareholders, the Committee intends to increase the CEO s salary by 6% to £975,200 during the course of 2012. The CFO s salary will also be increased by 5% to £714,000. It is the Committee s intention that these increases will not be implemented immediately but rather will be implemented (with no backdating) at a time when the Committee determines appropriate for the business. These salary increases are in line with the salary increases that have been awarded to other high performing UK/European employees at Unilever. The Committee also made some changes to the structure of pension and benefits in order to increase transparency for the individual and for shareholders.

Further details on the proposed changes are provided in the section entitled Proposed changes from 2012 onwards .

2011 reward outcomes

2011 was another year of growth for Unilever despite difficult markets and the external challenges facing the business. We delivered a good set of financial results, growing sales and earnings, particularly in emerging markets. We have also made significant progress in the implementation of our strategy.

We set challenging bonus targets for 2011 reflecting our ambitious growth objectives. The Committee considered performance against these stretching targets as well as the quality of performance delivered and the Executive Directors contribution to the sustainability of the business. Taking these factors into account the Committee determined that the CEO should be awarded a bonus of 135% of base salary with the CFO being awarded a bonus of 90% of base salary.

Global Share Incentive Plan awards granted in 2009 are due to vest in March 2012 based on performance to 31 December 2011. The Committee assessed financial performance against the relevant metrics, TSR performance against peers and the underlying quality of performance and determined that 87% of the initial award (out of a maximum vesting of 200%) would vest. The Committee considered that this level of vesting is appropriate given the sustained delivery of performance against key strategic metrics and our performance against peers in the challenging economic climate.

Further details on performance and vesting levels are provided below.

Long-term performance conditions

During 2012, the Committee intends to review performance conditions to ensure they remain appropriate for the business and are aligned with our strategy and the long-term creation of shareholder value and in particular our desire to build a long-term sustainable business. To the extent that the review results in proposed changes to performance measures for long term incentive plans, the Committee will consult with shareholders in advance.

Paul Walsh

Chairman of the Remuneration Committee

Ann Fudge

Kees Storm

Michael Treschow

Remuneration Committee

The role of the Remuneration Committee is to make proposals to the Boards for decisions on:

- the remuneration and benefits of Directors;
- the remuneration policy for the ULE and the Chief Auditor, Group Controller, Chief Legal Officer and Group Secretary; and
- the design and terms of all share-based incentive plans.

The Committee s key responsibilities in respect of Executive Directors include making proposals to the Boards on:

- the remuneration policy;
- individual salary levels, bonuses, long-term incentive awards and other benefits;
- performance frameworks, targets setting and performance review; and
- determining contractual terms.

The Committee s Terms of Reference are contained within The Governance of Unilever , which can be found at www.unilever.com/investorrelations/corp_governance. Details of Committee meeting attendance are contained in the section on Corporate Governance on page 40.

During 2011 the Committee comprised Paul Walsh, who became Committee Chairman in May 2011 on the retirement of Jeroen van der Veer, Michael Treschow, Ann Fudge and from May 2011 Kees Storm.

While it is the Committee s responsibility to exercise independent judgement, the Committee does request advice from management and professional advisers, as appropriate, to ensure that its decisions are fully informed given the internal and external environment. The Committee appointed Deloitte LLP to provide independent advice on various matters it considered in 2011. During the year, Deloitte also provided specific tax, technology consultancy and corporate finance services to Unilever. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

During the year the Committee also sought input from the Chief Executive Officer, the Chief Human Resources Officer and the SVP Global Head of Reward on various subjects including the remuneration of senior management. No individual was present when their own remuneration was being discussed. The Committee also received legal and governance advice from the Chief Legal Officer and Group Secretary.

The Committee also carried out an assessment of its own performance and concluded it was performing effectively.

Executive Directors

Our aims and guiding principles

The overriding aim of the Committee is to ensure that the remuneration arrangements for Executive Directors support the longer-term objectives of Unilever and, in turn, the longer-term interests of shareholders.

This means that we must ensure that:

- the fixed elements of the remuneration package offered to Executive Directors are sufficiently competitive to attract and retain highly experienced and talented individuals while remaining appropriate in the context of market practice and the remuneration structures operated throughout the Group;
- the performance-related elements are structured so that target levels are competitive, but Executive Directors can only earn higher rewards if they exceed the ongoing standards of performance that Unilever requires; and
- performance measures selected support Unilever s business strategy and the ongoing creation of sustained shareholder value.

The Committee s guiding principles are therefore that the remuneration arrangements for Executive Directors should:

- support Unilever s business strategy aiming to double the size of the business while reducing our environmental impact through a focus on markets, customers, innovation and people;
- sharpen Unilever s performance culture through more exacting standards;
- increase the difference in reward between modest, target and outstanding performance achievements;
- support share ownership and strong shareholder alignment; and
- be simple and transparent.

Below we have summarised the key remuneration policies for Executive Directors that flow from and support the Committee s aims.

The supporting policies

Our emphasis on performance-related pay

It is Unilever s policy that the total remuneration package for Executive Directors should be competitive with other global companies and that a significant proportion should be performance-related. When assessing the competitiveness of the

package, the Committee considers Unilever s positioning against other UK and European companies that are of a similar size and complexity and have similar global reach to Unilever. Over two-thirds of the target remuneration for the Executive Directors is linked to performance, with the majority of this linked to shareholder-aligned longer-term performance.

The Committee typically reviews, at least on an annual basis, the impact of different performance scenarios on the potential reward opportunity and pay-outs to be received by Executive Directors and the alignment of this with the returns that might be received by shareholders. The Committee believes that the level of remuneration that can be delivered in the various scenarios is appropriate for the level of performance delivered and the value that would be created for shareholders.

The remuneration structure is generally consistent for Executive Directors and senior management of Unilever. Executive Directors benefits are also established in line with those for other employees on the basis of local market practices. The Committee periodically monitors pay and employment conditions of other employees within Unilever to ensure alignment and consistency with remuneration of senior management and Unilever s remuneration objectives.

The Committee believes that Unilever s risk management processes provide the necessary controls to prevent inappropriate risk taking. For example, when the Committee reviews the structure and levels of performance-related pay for Executive Directors and other members of the ULE, it considers whether these might encourage behaviours incompatible with the long-term interests of Unilever and its shareholders or that may raise any environmental, social or governance risks. The Committee believes that the significant shareholding requirements placed on Executive Directors and other senior managers guard against these risks.

Shareholding guidelines

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: 400% of salary for the Chief Executive Officer, 300% for other Executive Directors and the members of the ULE and 150% for the top 100 management layer below. The current progress toward reaching the shareholding targets (based on closing share prices on 30 December 2011) is: Paul Polman: 744% and Jean-Marc Huët: 255%. Bonuses invested in shares under the Share Matching Plan and the Management Co-Investment Plan, including accrued dividends, count towards the guideline. Unvested GSIP awards and matching shares under the Share Matching Plan and the Management Co-Investment Plan that are subject to performance conditions do not count.

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Our linkage between business objectives and performance-related pay

It is Unilever s policy for the performance-related pay of Executive Directors to be linked to key Group measures that are aligned with strategy, business objectives and shareholder value.

Unilever s main business objective is to generate a sustainable improvement in business performance through increasing volume and underlying sales growth while steadily improving operating margins and cash flow. There are a number of strategic priorities which support this objective. It is this combination of top-line revenue growth and bottom-line profits growth that Unilever believes will build shareholder value over the longer term. It is Unilever s objective to be among the best performers in its peer group.

In line with these objectives:

the annual bonus measures for the Executive Directors for 2012 are:

- underlying volume growth;
- core operating margin improvement; and
- underlying sales growth.

The Committee also considers the quality of performance; both in terms of business results and leadership, including corporate social responsibility, when determining bonus payouts.

The GSIP and the MCIP measures from 2012 onwards are three year:

- underlying sales growth;
- core operating margin improvement;
- operating cash flow; and
- relative total shareholder return.

Core operating margin improvement has replaced underlying operating margin improvement for 2012, reflecting the way in which we measure and assess success against this metric throughout the business. Core operating margin is calculated after business restructuring costs, so that these costs will be treated like any other business costs. Core operating profit will continue to exclude profits on business proposals, M&A-related costs, impairments and other one-off items.

Sustainability of our business performance and our impact on the wider society is very important to Unilever and therefore the Committee also considers performance in this area when determining vesting.

Further details are in the Annual Bonus, Share Matching Plan, GSIP and MCIP sections later in this Directors Remuneration Report.

Claw back

The Committee is authorised to reclaim or claw back performance-related pay components paid to Executive Directors in the event of a significant downward revision of the financial results of the Group. This includes the annual bonus and awards that have been made and/or vested shares that have been issued or transferred under the Share Matching Plan, the GSIP and the MCIP.

Executive Directors contracts

Executive Directors are required to submit themselves for re-election at the AGMs each year and the Nomination Committee carefully considers each nomination for reappointment. If Executive Directors cease to be Directors, this shall be deemed a notice by Unilever of termination of employment. The Committee takes the view that the entitlement of 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 in 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 Committee, find this manifestly unreasonable given the circumstances or unless dictated by applicable law. Any such payment would typically include amounts in respect of the Director s benefits in kind and pension entitlements. Annual bonus (as estimated by the Committee) and other share-based awards, would be made pro rata to the date of termination. No such compensation is payable in the case of summary termination. The date of contract for Paul Polman was 7 October 2008 and for Jean-Marc Huët 19 March 2010. Executive Directors contracts end by notice of either party or, in the case of summary termination, without notice.

Our remuneration practices

Base salary

Base salaries for Executive Directors are reviewed annually taking into account our competitive market position, individual performance, Unilever s overall performance and levels of increase in the rest of the organisation.

2011 outcomes

Base salaries for Executive Directors were not increased during 2011. This means that the CEO s salary has not been increased for the three years since his appointment and the CFO s salary has not been increased for the two years since his appointment.

See below under the section headed Proposed changes from 2012 onwards for the policy for 2012.

Pension and other benefits

The policy is that Executive Directors are members of the all-employee pension arrangement in their home country (or an alternative of similar value) and make personal contributions at the same rate as other employees in that arrangement. The Chief Executive Officer is a member of a defined contribution arrangement whilst the Chief Financial Officer withdrew from his defined contribution arrangement during the year and elected to receive an equivalent cash allowance instead.

Executive Directors enjoy similar benefits to those enjoyed by many other senior management employees of Unilever.

See below under the section headed Proposed changes from 2012 onwards for the policy for 2012.

Annual bonus

For 2011 the target bonus for the Chief Executive Officer was 120% of salary and the maximum would have been 200% of salary. The target bonus opportunity for the Chief Financial Officer was 100% of salary and the maximum would have been 150% of salary. Stretching targets for financial results mean that maximum bonus levels are only payable for exceptional performance.

The Executive Director s annual bonus opportunity is based on Unilever s results referenced against financial targets set at the beginning of the year. For 2011, targets were set by the Committee for underlying volume growth, underlying operating margin improvement and underlying sales growth over the previous year. With these results in view, the Committee then assessed the quality of performance; both in terms of business results and leadership, including corporate social responsibility, to determine the actual bonus award for Executive Directors.

See below under the section headed Proposed changes from 2012 onwards for the policy for 2012.

2011 outcomes

2011 was another year of growth despite difficult markets and the external challenges facing the business. We delivered a strong set of financial results and made significant progress in the implementation of our strategy.

We set challenging bonus targets for 2011 reflecting our ambitious growth objectives. Overall the level of performance achieved was as follows: underlying sales growth above the target level; underlying volume growth slightly below the target level and underlying operating margin slightly below the threshold level. The Committee considered performance against these stretching targets as well as the quality of performance delivered and the contribution of the Executive Directors to the sustainability of the business and determined that the CEO should be awarded a bonus of 135% of base salary in respect of 2011 with the CFO being awarded a bonus of 90% of base salary.

Share Matching Plan

The 2011 grant relating to the annual bonus earned for 2010 was the last grant under the Share Matching Plan. Under the Share Matching Plan, Executive Directors are required to invest 25% of their bonus into shares and hold them for a minimum period of three years. The Executive Directors receive a matching award of 25% of their annual bonus in the form of NV and PLC shares. The matching shares normally vest after three years provided that the underlying shares have been retained during this period and the Executive Director has not resigned or been dismissed.

From 2012 the Executive Directors, like all other senior managers of Unilever, will participate in the Management Co-Investment Plan in respect of the 2011 bonuses.

Management Co-Investment Plan (MCIP)

This plan aims to support Unilever s drive for profitable growth by encouraging Unilever s managers to take a greater financial interest in the performance of the Group and the value of Unilever shares over the long term.

Under the MCIP Executive Directors, the ULE and our top 100 managers are required to invest at least 25% and may invest up to 60% of their annual bonus in Unilever s shares. They receive a corresponding award of performance-related shares, which will vest after three years depending on: Unilever s performance, continued employment and maintenance of the underlying investment shares. The performance conditions are identical to the performance conditions of the GSIP (see below) to ensure alignment with the drive for profitable growth. As under the GSIP, vesting levels will be between 0% and 200%. However, the Committee has decided to limit the maximum vesting level for the Executive Directors to 150%.

For managers the first operation of the MCIP was in 2011 in respect of annual bonuses relating to the 2010 financial year.

On 17 February 2012 Paul Polman and Jean-Marc Huët first participated in MCIP in respect of their annual bonus over 2011. Paul Polman invested 60% of his bonus which resulted in 17,772 NV and 17,772 PLC investment shares. Jean-Marc Huët invested 25% of his bonus which resulted in 3,649 NV and 3,649 PLC investment shares. They each received a corresponding award of performance related NV and PLC shares under the terms of the MCIP.

Further information on the methods used to calculate expected values for the Directors share based pay can be found in Note 4C on page 79.

Global Share Incentive Plan (GSIP)

Executive Directors receive annual awards of NV and PLC shares under the GSIP. The number of shares that vest after three years depends on the satisfaction of performance conditions.

The current maximum grant levels were agreed by shareholders in 2008 and are 200% of salary for the Chief Executive Officer and 178% for other Executive Directors. The vesting range is between 0% and 200% of grant level.

Since 2010 the performance conditions have been the following:

- underlying sales growth;
- underlying operating margin improvement;
- operating cash flow; and
- relative total shareholder return.

As from 2012 core operating margin improvement will replace underlying operating margin improvement, reflecting the way in which we measure and assess success against this metric throughout the business.

For Executive Directors and the ULE the four measures are equally weighted (25% each).

For the three internal business-focused conditions there will be no vesting if performance is below the minimum of the range, 25% vesting for achieving threshold performance and 200% vesting only for performance at or above the top end of the range. In addition, the performance conditions for underlying sales growth and core operating margin improvement must reach the threshold of the performance range for both performance conditions before any shares subject to either performance condition can vest. At the end of the three-year performance period the Committee will also assess Unilever s performance against the three internal conditions relative to the performance of peer group companies to ensure that vesting levels are appropriate.

For the relative total shareholder return (TSR) performance condition, Unilever s TSR is measured relative to a group of 20 other companies. TSR measures the return received by a shareholder, capturing both the increase in share price and the value of dividend income (assuming dividends are reinvested). The TSR results are compared on a single reference currency basis. No shares in the portion of the award subject to TSR vest if Unilever is ranked below position 11 in the peer group at the end of the three-year period, 50% vest if Unilever is ranked 11th, 100% if Unilever is ranked 7th and 200% if Unilever is ranked 3rd or above. Straight-line vesting occurs between these points.

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DIRECTOR S REMUNERATION REPORT continued

As per 2011 the current TSR peer group is:

Avon	Heinz	Nestlé
Beiersdorf	Henkel	PepsiCo
Campbell	Kao	Procter & Gamble
Coca-Cola	Kellogg	Reckitt Benckiser
Colgate	Kimberly-Clark	Sara Lee
Danone	Kraft	Shiseido
General Mills	L Oréal	

See below under the section headed Proposed changes from 2012 onwards for the policy for 2012.

To allow shareholders more transparency (rear view mirror) around the performance conditions related to our long-term incentives the Committee committed to disclose, after the vesting, where each performance condition ended up on a range from threshold to maximum. The GSIP vesting outcomes for 2011 and 2012 are set out below.

2011 outcomes

In 2008, Paul Polman was granted a conditional award of performance shares under the GSIP. His target award (as a % of base salary) was 189%. The performance period ran from 1 January 2008 to 31 December 2010. The award was based on:

- USG (underlying sales growth): 30% of the award
- UFCF (ungeared free cash flow performance): 30% of the award and
- TSR: 40% of the award.

The vesting range is between 0% and 200% of grant level.

In assessing Unilever s performance the Committee noted that:

- USG was just below target at 5% with a vesting of 97%;
- UFCF was just below target at 12.6 billion, with a vesting of 97%; and
- Unilever was ranked 8th amongst its peer group in terms of TSR with a vesting of 88%.

The total overall vesting was 93%.

2012 outcomes

In 2009, Paul Polman was granted a conditional target award of 190% under the GSIP. The performance period ran from 1 January 2009 to 31 December 2011. The award was based on the same performance conditions as set out above for the GSIP 2008 award. These were changed by the Committee with effect from 2010 as follows:

- USG: 25% of the award;
- OCF (operating cash flow): 25% of the award;
- UOMI (underlying operating margin improvement): 25% of the award; and
- TSR: 25% of the award (whereas in 2009 the weighting % was 40%).

In addition, the conditions USG and UOMI must reach the threshold of the performance range for both performance conditions before any shares subject to either performance condition can vest. The vesting range is between 0% and 200% of grant level.

Due to the change of the performance targets effective in 2010, the GSIP maturing at the end of 2011 comprised two parts: the first for 2009, the results for which had already been reviewed and approved by the Committee in 2010 as follows:

- USG was just below target at 3.5% with a vesting of 76%; and
- UFCF significantly exceeded the maximum performance level at 5.2 billion, with a vesting of 200%.

The second part for the period 2010 through 2011 the Committee determined that:

- USG was just above target at 5.3% with a vesting of 118%;
- OCF was just below target at 7 billion with a vesting of 85%;
- UOMI was just above threshold at 4bps with a vesting of 40%; and
- in terms of TSR which was measured over the full performance period (2009-2011) Unilever was ranked 10th amongst its peer group with a vesting of 63%.

In combination with the results for the 2009 period these outcomes resulted in a overall vesting of 87%. This grant will vest on 19 March 2012.

The Committee reviewed the above vesting outcomes for the GSIP 2008 and 2009 awards and considered that both were appropriate and in line with the underlying performance of the business and against key peers.

Ultimate remedy

Grants under the MCIP and GSIP are subject to ultimate remedy. Upon vesting of an award, the Committee shall have the discretionary power to adjust the value of the award if the award, in the Committee s opinion taking all circumstances into account, produces an unfair result. In exercising this discretion the Committee may take into account Unilever s performance against non-financial measures. The Committee will only adjust the value of a vesting award upwards after obtaining shareholder consent.

Dividend reinvestment

Both MCIP and GSIP provide that dividends will also be re-invested in respect of the shares under award but will only be paid out to the extent that the underlying shares vest.

Serving as non-executive on the board of another company

Executive Directors serving as a non-executive director on a board of another company are permitted to retain all remuneration and fees earned from outside directorships subject to a maximum of one outside listed directorship (see Other appointments on page 34 for further details). Paul Polman is a non-executive director of The Dow Chemical Company and received an annual fee of 82,408 (based on the average exchange rate over the year: 1 = US $1.3955). In addition he received a restricted award of 2,850 ordinary shares with a nominal value of US $2.50 per share in the capital of The Dow Chemical Company. The shares include the rights to vote and to receive dividend thereon. The shares cannot be sold or transferred until Paul Polman leaves the board of directors of The Dow Chemical Company, but not earlier than 7 March 2013.

2011 Summary Remuneration (unaudited)

The table below summarises total remuneration paid to Executive Directors for 2011.

Remuneration paid in 2011

Element	CEO (£ 000)	CFO (£ 000)
Base Salary	920	