

UNILEVER N V
Form 6-K
February 23, 2016
Table of Contents

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 February, 2016.

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 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

Edgar Filing: UNILEVER N V - Form 6-K

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

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

Table of Contents

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, looks, believes, vision, or the negative of these terms 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 Unilever Group (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. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; Unilever's ability to innovate and remain competitive; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high ethical standards; and managing regulatory, tax and legal matters.

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.

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 in the Group's Annual Report on Form 20-F for the year ended 31 December 2015 and the Annual Report and Accounts 2015.

Table of Contents

TABLE OF CONTENTS

Exhibit Number	Exhibit Description
1	<u>Strategic Report</u>
2	<u>Governance and Financial Report</u>

Table of Contents

Table of Contents

Table of Contents

CONTENTS

<u>About us</u>	2
<u>Chairman's statement</u>	4
<u>Chief Executive Officer's review</u>	6
<u>Our markets</u>	10
<u>Our strategic focus</u>	12
<u>A business model that creates value</u>	14
<u>Our performance</u>	16
<u>Delivering value for our stakeholders</u>	18
<u>Our consumers</u>	20
<u>Society</u>	24
<u>Our people</u>	28
<u>Our shareholders</u>	32
<u>Financial review 2015</u>	35
<u>Our principal risks</u>	40
<u>Summary remuneration report</u>	42
<u>Shareholder information</u>	44

This Strategic Report has
been approved

by the Boards and signed
on their behalf

by Tonia Lovell Group
Secretary.

Table of Contents

2 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

Unilever Annual Report and Accounts 2015

Strategic Report

3

Table of Contents

CHAIRMAN S STATEMENT

CONTINUING TO DELIVER SUSTAINABLE

LONG-TERM GROWTH FOR SHAREHOLDERS.

OVERVIEW

Despite another year of tough economic conditions, 2015 once again saw the delivery of consistent, competitive, profitable and responsible growth, a trend that has now been firmly established at Unilever.

Over my tenure Unilever has undergone significant change. The portfolio strategy has been sharpened and adapted in order to increase Unilever s presence in faster growing and more profitable segments of the market. Innovations have been made bigger and stronger and many more brands have been introduced successfully into new markets, most recently in 2015 with the launch of Lux in the Philippines.

The step-up in performance that has followed these changes has been founded on a much clearer operating model and a streamlining of the organisational structure, which together have helped to generate the funds for growth while also resulting in significantly higher levels of operational discipline and service delivery. Increased investments have been made in plant, product quality and information technology in order to modernise Unilever s essential infrastructure and support growth over the longer term.

The introduction of an inspiring mission in 2010 in the form of the Unilever Sustainable Living Plan (USLP) has contributed to business success, with Unilever s Sustainable Living brands growing at a faster rate than the rest of the Group. Employee engagement has also risen steadily since the introduction of the USLP and Unilever is now regularly recognised as one of the world s most admired and sought-after employers.

The Boards were pleased in 2015 to see Unilever further its commitment to sustainable and equitable growth under the USLP by becoming the first ever company to publish a detailed, stand-alone Human Rights report under the framework set down by the UN Guiding Principles on Business and Human Rights.

A key element in the enhanced performance of the Group over this period has been a steady improvement in the strength and depth of Unilever s senior management. Leadership development, talent management and succession planning have all been prioritised in pursuit of this objective and I have been pleased

throughout my chairmanship to engage the Boards fully and actively in this process. In 2015 we were once again reassured by the robustness of the process and by the pipeline of talent available inside Unilever.

A similar emphasis has been given to the diversity of talent and in particular to gender balance again, with great results. The proportion of women occupying management grades now stands at 45% of the total, the highest figure in Unilever s history and up from 38% just five years ago. I am also proud to say that Unilever continues to lead the way among its peers at Board level, with the proportion of female Non-Executive Directors in 2015 exceeding 50% for the

first time.

ENGAGEMENT

Throughout my chairmanship, the Boards have looked to engage fully across the Group and that was the case again in 2015. We were pleased for example to spend time at Unilever's state-of-the-art R&D facility in Trumbull, US where we saw at first-hand the high-quality innovations being developed for the Personal Care category.

Whilst in the US, a number of Directors also visited Silicon Valley to meet with some of Unilever's global partners and to see how we are anticipating trends and using technology to better connect with consumers. The Boards also spent time in Brussels engaging with European Union (EU) policy-makers on how to make the EU a more attractive and competitive environment in which to do business.

Over the years I have looked to engage frequently and openly with Unilever's shareholder base and that was repeated in 2015. I met once again with principal shareholders in Europe and the US and discussed with them issues related to strategy and governance. I was also delighted to visit the Philippines and Singapore as part of Unilever's annual investor conference, where investors were able to see some of the factors behind the strength and success of Unilever's operations in South East Asia.

I was also pleased to meet with individual shareholders at our AGMs in April 2015. These were held for the first time at Unilever's offices in the Netherlands and the UK. Following the success and simplicity of hosting the AGMs in-house, we will use the same venues again this year.

Information on the AGMs can be found within the NV and PLC AGM Notices which will be published in March 2016.

EVALUATION

Following the external Board evaluation in 2014, we used a simplified internal evaluation this year. Whilst we concluded that overall the Boards continue to operate in an effective manner, in this VUCA (volatile, uncertain, complex and ambiguous) world we set the bar even higher for ourselves for 2016 in relation to the knowledge we must acquire as a Board and the risk assessments we must conclude.

Each Board Committee also performed its own self-evaluation again and agreed on areas to enhance its effectiveness further and these are described within each Committee report.

BOARD COMPOSITION AND SUCCESSION

During my tenure as your Chairman, we have sought to find people with relevant skills and experience to make a difference to the Boards' discussions. Our thorough processes identified three new Non-Executive Directors in 2015 and I was delighted to welcome Nils Andersen, Vittorio Colao and Judith Hartmann during the year. They have further strengthened the digital expertise, financial and industry experience of the Boards. Ann Fudge became the Vice-Chairman and Senior Independent Director following Kees Storm's retirement at the 2015 AGMs.

LOOKING AHEAD

Even though the tough trading conditions are likely to remain for some time to come, the Boards have full confidence in the strategy Unilever is following and in the high calibre of its executive leadership and management team. The progress Unilever has made over recent years leaves it well placed to go on delivering consistent top and bottom line growth. On behalf of the Boards I would like to thank all of Unilever's 169,000 employees for their efforts, energy and the successes that you will read about in this Strategic Report.

Michael Treschow

Chairman

4 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

BOARD OF DIRECTORS

- 1. Michael Treschow**
Chairman

- 2. Ann Fudge**
Vice-Chairman and Senior
Independent Director

- 3. Paul Polman**
Chief Executive Officer

- 4. Graeme Pitkethly**
Chief Financial Officer

- 5. Nils Andersen**
Non-Executive Director

- 6. Laura Cha**
Non-Executive Director

- 7. Vittorio Colao**

Non-Executive Director

- 8. Professor Louise Fresco**
Non-Executive Director

- 9. Judith Hartmann**
Non-Executive Director

- 10. Mary Ma**
Non-Executive Director

11. Hixonia Nyasulu
Non-Executive Director

12. John Rishton
Non-Executive Director

13. Feike Sijbesma
Non-Executive Director

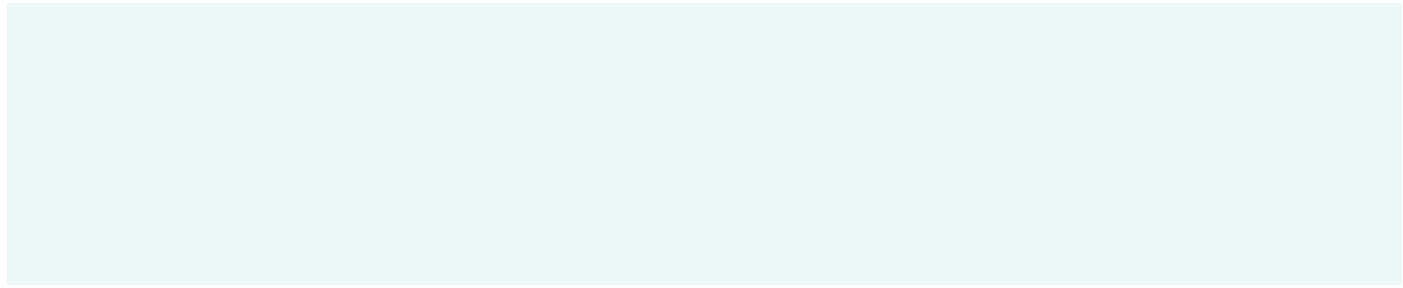
14. Tonia Lovell[^]
Group Secretary

[~] Graeme Pitkethly will be proposed for election as an Executive Director at the 2016 AGMs.

[^] Not a Board member.

For Directors' biographies, please see page 58 of the Governance and Financial Report.

For more information on Board evaluation and shareholder engagement, see pages 46 and 49 of the Governance and Financial Report. Committee reports can be found on pages 60 to 83 of the Governance and Financial Report.



Unilever Annual Report and Accounts 2015

Strategic Report

5

Table of Contents

CHIEF EXECUTIVE OFFICER'S REVIEW

**UNILEVER COMPLETED YET ANOTHER YEAR
OF GROWTH AHEAD OF ITS MARKETS IN
2015 AND CONTINUED TO DRIVE LONG-TERM
RETURNS FOR SHAREHOLDERS.**

Our leadership in making sustainable living the foundation of our business received resounding vindication from a number of political and social developments on a global scale. Paul Polman, Chief Executive Officer, answers the key questions about 2015.

Q: How would you summarise the year for Unilever?

A: Our long-term ambition is to have consistent, competitive, profitable and responsible growth year in and year out. This is increasingly difficult in today's volatile environment, characterised by low growth, geopolitical challenges and the increasing effects of climate change. Despite this, we delivered another year of top and bottom line growth with solid underlying sales growth of 4.1%. This consistency has been established over the last seven years and is of growing importance to investors looking for consistency in a world of escalating change and increasingly volatile markets.

The further deepening of the Unilever Sustainable Living Plan (USLP) in 2015 and its commitment to reducing our environmental footprint and increasing our positive social impact helped to ensure that growth was responsible.

Q: What changes have there been to the external environment that more broadly impact Unilever?

A: Last year saw a heightening of the kind of global challenges that have sadly become all too familiar in recent years. From climate-related disasters to the impact of mass migration, from escalating regional conflicts to the ongoing Eurozone crisis, the world remains a fragile and uncertain place. For a company like ours, operating in more than 190 countries around the world, these issues often place us on the front line in dealing with the consequences, which is why our business model calls on us to be an active contributor in finding solutions.

The trust in business generally to play its part in solving today's challenges was undermined this year by some high-profile corporate scandals. These remind us of both the need for business models that make a positive contribution to society and of the importance of reporting impacts transparently across the value chain only that will build trust. These are hallmarks of the USLP, which is serving us well.

On a positive note, the year saw world leaders endorse the UN Sustainable Development Goals (SDGs) and an

ambitious deal on reducing climate change at COP21 (see page 24). These provide the framework for eradicating poverty and for delivering more sustainable and equitable forms of growth. There is no business case for enduring poverty and this agenda is key to the long-term success of any company. Unilever played an important role in the process leading up to the adoption of these agreements, which align with the USLP and our vision of a fairer world for all.

Q: What went well for Unilever in 2015?

A: Most pleasing was the broad-based nature of our growth across all major categories, including Foods, which I called out as a priority last year. We are steadily reaping the benefits of having created four global categories which bring scale to our operations and innovations and of adopting sharper strategies for each category.

In Personal Care that has meant growing core brands, like Dove and Axe, while further building our very attractive premium business. In Home Care, the focus is on improving profitability in laundry while scaling up our fast-growing household cleaning business. In Refreshment, we committed to increase the cash contribution from ice cream, while accelerating growth in tea. And in Foods, the focus has been on accelerating growth while maintaining a healthy cash flow. Though there is more to do, we made good progress against all these strategic objectives in 2015.

Table of Contents

We further enhanced our presence in the faster growing premium sectors of the market, both by premiumising our existing portfolio with initiatives like Dove Advanced Hair Series and by building a Prestige business in Personal Care with the acquisition of wonderful businesses like Dermalogica, REN, Murad and Kate Somerville. The addition of similarly strong acquisitions in Refreshment Grom and Talenti are enabling us to premiumise further our offering in ice cream.

Q: How did this translate into the financial performance of Unilever?

A: Despite operating in soft markets, we sustained our growth momentum throughout the year and underlying sales growth of 4.1% represents a good performance in global markets growing at around 3%.

Our savings and efficiency programmes, combined with the efforts we have made to drive profitability in certain parts of the business, notably Home Care, and our emphasis on more margin-accretive innovations, meant that we ended the year with an improvement in core operating margin of 0.3 percentage points.

Tight control of working capital contributed to a healthy year of cash flow delivery of 4.8 billion, which combined with the improvement in operating margin contributed to core earnings per share growth of 14%.

Q: Where do you see the need for most improvement?

A: There are three areas in particular where we need to step up performance next year.

First, with competition coming from all directions and at an ever faster pace, we need to improve our innovation cycle times and ensure we roll out innovations faster and to more markets. To that end, we have set ourselves some challenging objectives on innovation time and organisational agility.

Second, we have many wonderful brands but if they are not where the shopper wants them, when they want them, then our business will suffer. Sharpening our execution with improved distribution, customer service levels and on-shelf availability are urgent priorities.

And, finally, with growth particularly price growth set to remain constrained for some time to come, it is even more important that we bear down on all spending areas and ensure that our costs only reflect what the consumer is willing to pay for. We will be rolling out net revenue management and zero-based budgeting across the organisation from 2016 to keep our business competitive and ensure we have the funds to invest behind the many opportunities for growth that still exist.

We have made significant progress in each of these areas over recent years, but it is a mark of how fast the environment is evolving that, to remain agile and effective, we need to step up our efforts once again.

Q: How were you able to further your commitment to sustainable and equitable growth in 2015?

A: The USLP commits us to a total value chain approach and we made further progress, including in driving the efficiency and sustainability of our own operations. We reached a milestone of 1 million tonnes of CO₂ savings from energy in manufacturing that is a reduction of 36% since 2008; we have now avoided costs of over 600 million as a result of eco-efficiency savings in our factories and in 2015 our proportion of agricultural raw materials sourced

sustainably reached a new high of 60%. While these measures are necessary, they are not sufficient; we have always said that the biggest impact we can have is in driving consumer behaviour change through our Sustainable Living brands, like Dove, Lifebuoy, Ben & Jerry's and Comfort. In 2015, we announced findings that these purpose-driven brands were growing at twice the rate of the rest of the business.

Sustainable and equitable growth go hand in hand and in 2015 we were pleased to demonstrate our unwavering commitment to equitable growth by being the first company to produce a human rights report using the UN Guiding Principles Reporting Framework. While the report acknowledges that we still have progress to make, we believe that this kind of openness and transparency is a vital part of driving up standards across the board.

Table of Contents

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED

Q: Unilever has many stakeholders. How did the Group best serve them?

A: We treat our relationship with the many stakeholders we serve and rely upon incredibly seriously. We wouldn't have a healthy and thriving business without them.

Our first priority is to the 2 billion consumers we serve every day with products that make them feel good, look good and get more out of life, and last year we were proud to see Unilever appear as the company with the highest number of brands in the Kantar Top 50 ranking of the World's Most Chosen Brands.

Our approach to those we work with across the value chain has always been based on collaboration and partnership and we were pleased to take that forward again under our hugely successful Partner to Win programme. We have a broad base of long-term shareholders and they benefited from a Total Shareholder Return of 15.6% in 2015. We also continued to invest heavily in our most important resource – our people – including through measures to further our commitment to gender balance. The number of women among our total population of managers rose to 45% – still short of where we want to be, but among the best record of any company of our size and up significantly over the past five years.

The USLP, as reported elsewhere, and the work of the Unilever Foundation continue to ensure that we not only serve the communities in which we operate but engage fully with them in a spirit of seeking to drive wider societal and environmental benefits.

Q: What do you see as the biggest challenge and the biggest opportunity ahead?

A: Next to dealing with the effects of climate change, requiring world leaders to implement the agreements that will enable us to drive sustainable models, the biggest challenge and opportunity we face is the pace of change. Change today is exponential. Driven by advances in technology, whole industry sectors are being disrupted. Companies that have been around for decades can suddenly find themselves obsolete, while – at the other end of the spectrum – relatively young companies are being valued at billions of euros even before they start to generate much in the way of revenue.

For the fast moving consumer goods sector, these changes manifest themselves in a number of ways. They give rise, for example, to much more formidable local competitors. With their agile business models and proximity to consumers, these businesses are gaining share in many markets.

In this environment, the opportunity exists to show that we can continue to develop a portfolio of brands with the right blend of global and local presence, supported by an organisational structure that is resilient enough to withstand

shocks and agile enough to respond to rapidly emerging trends.

We are doing just that and made further progress in 2015, including as I like to put it by experimenting on the edges with different models that sit outside our core business and allow us to trial new approaches. The creation of our new Baking, Cooking and Spreads business is a good example of how we are doing this in a more established part of the business;

while our direct-to-consumer offerings in premium businesses like T2 and Maille, and our Unilever Foundry and the platform it provides to work collaboratively with innovators and entrepreneurs in the technology space, are great examples of how we are tapping into emerging trends.

Q: What is your outlook for 2016?

A: We don't expect to see any significant or immediate improvement in the overall health of the world economy. It is clear that the economic recovery in the developed markets of Europe and North America will remain slow and protracted, while the slowdown in the emerging markets is likely to continue for some time to come.

For all these reasons, we remain prudent in our approach and single-mindedly focused on building the resilience and the agility of our portfolio and our organisation. We made good progress on these fronts in 2015, which gives me further confidence that we can continue to deliver on our objective of consistent top and bottom line growth, to the benefit of our long-term shareholders and the many others who rely on Unilever. I want to thank them and, above all, our wonderful 169,000 employees, whose dedication, commitment and sense of purpose shone through again in 2015.

Paul Polman

Chief Executive Officer

Table of Contents

**UNILEVER LEADERSHIP
EXECUTIVE (ULE)**

Paul Polman
Chief Executive Officer
(Pictured on pages 5 and 7)

1. **Doug Baillie**
Chief Human Resources Officer
2. **David Blanchard**
Chief R&D Officer
3. **Marc Engel**
Chief Supply Chain Officer
4. **Kevin Havelock**
President, Refreshment
5. **Alan Jope**
President, Personal Care
6. **Kees Kruythoff**
President, North America
7. **Leena Nair**
Chief Human Resources Officer
8. **Nitin Paranjpe**
President, Home Care
- 9.

Graeme Pitkethly[¶]
Chief Financial Officer

10. Ritva Sotamaa
Chief Legal Officer

11. Amanda Sourry
President, Foods

12. Keith Weed
Chief Marketing &
Communications Officer

13. Jan Zijderveld
President, Europe

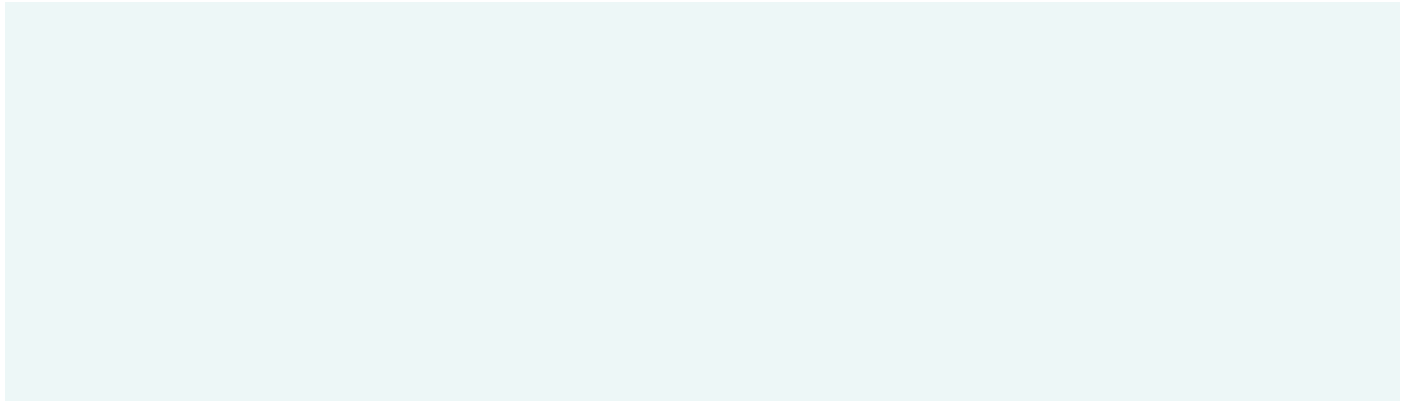
^D Board member.

[¥] Leena Nair will join ULE on 1
March 2016 following the retirement
of Doug Baillie.

^W Marc Engel joined ULE on 1
January 2016.

[¶] Graeme Pitkethly will be proposed
for election as an Executive Director
at the 2016 AGMs.

For ULE biographies, please
see page 59 of the Governance
and Financial Report.



Unilever Annual Report and Accounts 2015

Strategic Report

9

Table of Contents

OUR MARKETS

**UNILEVER OPERATES IN THE HIGHLY COMPETITIVE
FAST MOVING CONSUMER GOODS SECTOR A
SECTOR WHICH IS SUBJECT TO AN ARRAY OF GLOBAL
PRESSURES AND VOLATILITY.**

The top 25 FMCG companies have combined sales of about \$530 billion, competing against each other and an increasingly sophisticated set of local competitors.

CONSUMER CONFIDENCE

Demand for FMCG products is affected by consumer confidence which reflects levels of economic growth.

In broad terms, consumer demand remained weak in 2015, with market growth continuing to be subdued in emerging markets while showing some signs of low-level growth in North America and Europe.

Many emerging markets were hit by local currency devaluations versus the US dollar, driving up the cost of consumer goods faster than wage growth. A number of these economies export commodities and have also been hit by slowing global demand.

In response to devaluations, interest rates in many countries remained relatively high, further squeezing incomes. Brazil, in recession, and Russia were particularly hit.

Stalling economic growth in China undermined the performance of many of its South East Asian trading partners, further weakening local currencies. However, the Chinese de-stocking of 2014 in our markets was not repeated and growth was seen in e-commerce and secondary cities.

European markets were characterised by small amounts of volume growth cancelled out by price deflation. North America achieved modest overall growth of 1%-2% in our markets.

DIGITAL AND E-COMMERCE

The impact of digital technology continues and has now become a mainstream factor determining success in everything from manufacturing to marketing. The industry is rapidly adjusting to consumers operating in a mobile, connected world, albeit through fragmented media – from basic mobile phones and PCs to smartphones, tablets and TVs.

Innovation, particularly in marketing, is a primary concern as people's media consumption habits change. Digital marketing now drives sales through all customer channels.

E-commerce now commands 2% of industry sales, while in China it is already 5%, driven by the growth in companies such as Alibaba's Taobao and T-Mall. In the US e-commerce is 2% of sales and in the UK it is around 6%.

Changing digital habits reflect the adoption of consumer technology. In 2000 there were 750 million mobile phones compared with 7 billion today. By 2020 there will be over 30 billion connected devices.

The boom in video – over 400 hours' worth of video content is uploaded to YouTube every minute – is vitally important in FMCG marketing. Content is shared through social media networks and this forces greater transparency from corporations.

Table of Contents

HOUSEHOLDS ARE CHANGING

For companies operating in the FMCG industry the question of what a household is in today's society is a critical one. Our products are household goods so changes in what households demand, and why, have an important impact on our business. We are seeing rapid change in the concept of the household, which has become more diverse and unconventional over the past 50 years.

This is reflected in more fluid family roles and responsibilities within households as the working patterns

and identities of principal income earners change. The number of households is also increasing rapidly as more people live on their own or in smaller family units. Single occupant households have risen to 17.5% worldwide and 33% in Western Europe.

The change in the nature of households is linked to the changing role that women are playing in societies around the world. For many large FMCG companies, women constitute the majority of the customer base and their purchasing decisions are therefore critical to the industry's development. There has been rapid

growth in educational attainment by women where, in many countries, they make up more than 50% of graduates. This has not yet, however, translated into greater labour market participation, better pay or more executive roles. However, the trends in our markets suggest this is changing and will do so at an increasing pace.

17.5%

Single occupant households have risen to 17.5% worldwide.

EMERGING SOCIAL TRENDS

FMCG companies are among the first to experience and be affected by today's rapidly changing tastes, social norms, population shifts and wealth distribution.

The world's economic centre of gravity is moving to the southern and eastern hemispheres. By 2025 almost half of Fortune 500 global companies will be from emerging markets.

These trends drive urbanisation. In 2010 there were 27 cities of more than 10 million people. By 2030 it is expected that there will be 41. In turn, emerging market consumers are increasingly demanding product standards common in

the West where premiumisation is a dominant trend.

The West retains strong economic opportunities but wage growth is stubbornly low and unemployment high, reaching 20% among Eurozone youth. Although bilateral trade deals continue, these conflicting pressures are leading to some signs of protectionism.

The world is getting older with dependency rates rising. Between 2015 and 2050, the proportion of the world's population aged over 60 will nearly double from 12% to 22% and in China alone there will be 330 million people over the age of 65 by 2050 compared with 110 million today.

At the same time, younger generations of millennials (18 to 34 year-olds) have new expectations, from authenticity and quality of products to standards of corporate behaviour. Their work, shopping, leisure and media habits are radically different.

Such change mirrors social upheaval with societies becoming more complex, accommodating rapidly changing ways of living. In London, 300 languages are spoken and, in the UK as a whole, almost a third of households are single occupancy. Forced and voluntary migration is happening on a scale not seen since World War II.

Other new economic forces are emerging. By 2030, 27% of the world's 8.3 billion population will be Muslim compared with 23% in 2010. Women are an increasing force for change. In Latin America the labour participation rate for working-age females climbed from 53% in 1992 to 65% two decades later.

But pressures remain. Inequality is widening, with the 80 richest people having a combined wealth equal to the poorest 3.5 billion. The environment is under increasing stress, demanding a greater response from people and companies. The World Health Organization estimates that 7 million people die from air pollution each year. Ice caps are melting at 12% a decade, which means global warming and drought with profound implications for the FMCG sector. With the existing climate change scenario, almost half the world's population will be living in areas of high water-stress by 2030.

COMPETITION

The FMCG industry is characterised by global competition between large multinational corporations seeking to differentiate themselves in the eyes of consumers while accessing markets through similar channels. Some of the largest FMCG companies competing alongside Unilever include: Nestlé, Procter & Gamble, L'Oréal, Danone, KraftHeinz and Colgate-Palmolive. Many have identified emerging markets as a major growth opportunity in the years to come.

Competition continues unabated. In 2015 one notable trend in certain parts of the FMCG sector, mainly in foods in the slower-growth developed markets, was consolidation often driven by private equity investment activity.

There has also been significant deconstruction and refocusing with competitors selling brand portfolios to achieve efficiency gains.

Local competitors remain a vibrant presence with innovations and consumer offers to rival those of global players. Among customers, the relative decline of supermarkets continues in favour of local and convenience stores, discount chains often with own label offers and e-commerce.

Table of Contents

12 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

Unilever Annual Report and Accounts 2015

Strategic Report

13

Table of Contents

A BUSINESS MODEL THAT CREATES VALUE

14 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

Unilever Annual Report and Accounts 2015

Strategic Report

15

Table of Contents

16 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

Unilever Annual Report and Accounts 2015

Strategic Report

17

Table of Contents

18 Strategic Report

Unilever Annual Report and Accounts 2015

Table of Contents

Unilever Annual Report and Accounts 2015

Strategic Report

19

Table of Contents

OUR CONSUMERS

PERSONAL CARE

PERSONAL CARE IS HOME TO SOME OF UNILEVER'S LARGEST AND BEST KNOWN BRANDS INCLUDING DOVE, AXE, LUX, REXONA AND SUNSILK, ALL OF WHICH ARE \$1 BILLION BRANDS.

It is Unilever's largest category with turnover of \$20.1 billion accounting for 38% of Group turnover and it represents 48% of Group operating profit. Personal Care's strategic role is to deliver competitive growth through our core brands and a newly created Prestige business, enabled by enhanced profitability to fund further investment.

The category made strong progress towards these strategic goals in 2015. A focus on innovation and strong marketing communications drove core brands' growth, while the Prestige business has expanded through acquisitions and organic reach. These priorities contributed to a 4.1% underlying sales growth for the category.

Growing core brands was achieved through innovations, geographical expansion of our global brands, and marketing campaigns. In deodorants we launched Dry Spray products across our brands in North America. In oral care we introduced Zendium, a premium toothpaste that boosts the mouth's natural defences in France and Italy, extending availability to nine countries. In hair we rolled out Dove Advanced Hair Series globally, and launched the TRESemmé Perfectly (Un)done collection.

Our brands are supported by marketing initiatives that address the increasingly complex media channels that consumers use, with increased focus on digital. All Things Hair, an online video channel that creates content in partnership with vloggers, is now live in nine markets and has had more than 125 million views since its launch in 2013. We also have a partnership with Vice, the youth media company, through which several Unilever brands support the new women's channel Broadly.

The category created a new Prestige business and in 2015 it acquired four businesses – Dermalogica, Murad, Kate Somerville and REN. Their brands are present in the high-growth premium skin care segment of the market.

Outside Prestige, we are taking steps to strengthen the performance of our core skin care brands further. Dove launched the Dove DermaSpa range in Europe, bringing spa experience and dermatological care together.

Vaseline has also been the subject of a major initiative through a partnership with Direct Relief. The Vaseline Healing Project embeds the USLP further into our brand activities and provides the medical supplies and local health worker training to support people working in crisis and disaster areas.

In addition to Vaseline, the category has several other Sustainable Living brands, such as Dove, Lifebuoy and Signal, which meet consumers' demand for responsible business and enjoy stronger, sustainable growth. The Dove Self-Esteem Project has reached more than 19 million young people in 115 countries, encouraging women to develop a positive relationship with the way they look, and to make beauty a source of confidence rather than anxiety.

Table of Contents

FOODS

FOODS IS A 12.9 BILLION CATEGORY ACCOUNTING FOR 24% OF UNILEVER'S TURNOVER AND 31% OF OPERATING PROFIT.

Our portfolio consists of Knorr, Hellmann's and Rama, our 1 billion brands, and other well-known global brands such as Becel and Maille.

The category's strategic role is to accelerate growth while maintaining strong profitability and cash flow. In 2015, focus has been on three priorities: to accelerate growth in emerging markets; to reignite growth in Europe and North America; and to adapt the portfolio to address emerging consumer trends.

The strategy successfully delivered a return to positive underlying sales growth of 1.5% in 2015, with strong performances in savoury and dressings offsetting a further decline in spreads. We also saw continued strong growth by the global Food Solutions business, which services professional hotel, restaurant and catering customers.

Despite some market volatility, emerging markets delivered solid growth of 6.5%, driven by Latin America, India and South East Asia. Emerging markets now account for more than 40% of our sales, up from 33% in 2012, fuelled by double-digit growth in 2015 in some of our local brands, such as Maizena in Brazil, Fruco in Colombia, Kissan in India, Bango in Indonesia and Lady's Choice in the Philippines.

Although markets in Europe and North America remain challenging overall, savoury, Foods' largest sub-category, performed strongly, returning to growth in Europe and continuing to grow sales and market share in North America.

Dressings has also experienced broad-based growth in Europe and gained market share in the competitive US market. We benefited from the launch of new products including Hellmann's with olive oil and Knorr 100% natural Mealmakers, responding to changing consumer preferences and growing demand for more authentic, fresh, natural and sustainably sourced foods.

The spreads business experienced another difficult year. In mélange (mix of margarine and butter), we saw strong growth ahead of the market once more. However, the

market for margarine continued to suffer, influenced by an ongoing decline in the use of spreads, compounded by a reduction in butter prices. In order to respond to this fast-changing market landscape, we have created the Baking, Cooking and Spreads business aimed at accelerating the turnaround of the business in Europe and North America.

Feeding the world sustainably is a major challenge. That is why sustainability remains at the heart of our Foods business. Our main Sustainable Living brands Knorr, Hellmann's and Becel/Flora combine a clear sustainable living purpose with a long-term global growth opportunity through improving nutrition, food safety and an ever more efficient use of resources.

In 2015, Hellmann's successfully introduced an improved squeeze bottle with new Easy Out technology, which significantly reduces food waste, while Knorr launched the Knorr Animal Welfare programme designed to improve standards in sourcing meat ingredients. More than 90% of the vegetables most frequently used in Knorr products are sustainably sourced, already putting us on target to reach 100% by 2020.

Table of Contents

OUR CONSUMERS

CONTINUED

HOME CARE

HOME CARE IS HOME TO POPULAR BRANDS, SUCH AS OMO AND SURF, OUR 1 BILLION BRANDS, AS WELL AS SUNLIGHT, DOMESTOS, COMFORT AND OUR WATER PURIFICATION BRAND PUREIT.

Home Care had a turnover of 10.2 billion in 2015, accounting for 19% of Unilever's turnover and 10% of operating profit. The category generates more than 80% of its sales in emerging markets and its strategic role is to grow competitively and step up profitability, while scaling up household care.

In 2015, consistent with its strategic role, the category delivered underlying sales growth of 5.9% and expanded its margins by 1.3 percentage points.

This performance was achieved as a result of sharp focus on three areas.

Firstly, developing innovations to reinforce the core attributes that address consumer needs at a time of rapidly growing urbanisation and rising employment of women. Omo had a global re-launch with an upgraded formulation delivering on the brand promise of faster stain removal. Sunlight's proposition of five times faster degreasing was the catalyst for another year of consistent and profitable growth.

Secondly, anticipating future trends and innovating accordingly. We saw good success in the Omo range of pre and post-wash fabric cleaning additives and ancillaries launched in Brazil towards the end of 2014. We also launched Comfort Intense in 2015, a super-concentrated fabric conditioner where smaller doses result in improved freshness. The consumer reception has exceeded expectations.

Thirdly, an end-to-end management of profitability. This included a sharp focus on driving internal efficiencies, dramatic simplification and trading up consumers through premium offerings delivering better consumer value.

The success of our brands is boosted by their role in delivering the USLP. Through a partnership with UNICEF, for instance, Omo will help to provide 10 million disadvantaged children with access to quality education. In Brazil, the category led a successful education programme to save water in laundry use during one of the country's worst water shortages, saving a potential 229 billion litres a year (see page 26).

Our Domestos brand continued its efforts to address the sanitation challenge. It committed to finding ways to provide 25 million people with improved access to toilets.

Although the category enjoyed considerable success in 2015, we remain alert to the future challenges on account of rapidly changing consumer habits and behaviours. Continuing to deliver consumer-relevant innovation and maintaining the sharp focus on our cost and simplification agenda will be key to the category delivering on its strategic role in 2016 and beyond.

Table of Contents

REFRESHMENT

REFRESHMENT IS OUR BEVERAGE AND ICE CREAM CATEGORY WHICH HAD A TURNOVER OF 10.1 BILLION IN 2015.

Our largest brands are Magnum and Heartbrand (Wall's) and Lipton tea, all of which are 1 billion brands.

The category accounts for 19% of Group turnover and 11% of operating profit and its strategic role is to enhance the Group's profitable growth momentum through sustained growth in ice cream and growing faster in tea, while stepping up cash flows and return on invested capital.

During 2015 the category was focused on growing its core with margin-enhancing innovations and best-in-class retail execution, both through customers' stores and through Unilever's own retail channels, to deliver the ultimate brand experience.

This focus meant Refreshment grew underlying sales by 5.4% with a positive performance across key geographies.

Ice cream delivered very strong growth, increasing its presence in a growing and dynamic sector and helped by successful innovations behind premium brands in Europe and North America. Performance was also helped by good summer weather in Europe.

Innovations included Magnum Pink & Black and the Ben & Jerry's Cookie Core range. In September 2015 we acquired Grom, a gelato business with 60 stores in Italy and around the world, strengthening our portfolio.

Our success came within the context of considerable consolidation among rivals and the growth of local competition. But our strong portfolio of brands and execution in markets helped us to secure our position and grow competitively.

The year also saw campaigns around sugar-related health issues and we are responding responsibly; 100% of our children's brands have fewer than 110 calories while, by the end of 2015, 90% of our packaged ice cream products did not exceed 250 calories per portion. We are also reducing sugar in our ready-to-drink tea, consistent with our USLP commitment to help people to achieve a healthier diet.

The category strengthened its place in the premium end of the ice cream business through brands such as Talenti that offer pure, real and authentic products, with sustainably sourced ingredients. Early results for Talenti have been promising. Meanwhile, established brands such as Ben & Jerry's continued to deliver strong business performance while leading the charge on sustainable growth. The brand launched Save Our Swirled – a global campaign attracting 300,000 followers – to help win a strong climate change

agreement at the Paris COP21 conference at the end of 2015 (see page 24).

Beverages had a more challenging year, witnessing modest growth in highly competitive markets with South Asia as a bright spot, in particular India and Pakistan.

The second half of 2015 saw a number of premium innovations coming to market. These included the expansion of our T2 stores, the launch of tea capsules in Europe and the launch in France of T.O. by Lipton, our bespoke in-home tea machine. Another highlight was the launch of the Lipton Speciality Black range and Lipton Green Tea.

Lipton continues its journey as a Sustainable Living brand and after eight years it has reached the milestone of all the tea for its teabags being sourced from Rainforest Alliance certified estates at the end of 2015.

Our retail operations across both ice cream and tea were strengthened by the formation of a global Unilever retail organisation to improve our 1,100 stores from T2 to Ben & Jerry's Scoop shops. Through our retail customers we also continued with our famous Aisles and Corners of Joy in-store executions.

Table of Contents

SOCIETY

WE NEED TRANSFORMATIONAL CHANGE FOR THE GOOD OF SOCIETY AND BUSINESS.

2015 proved to be a pivotal year, with groundbreaking global agreements reached on both climate change and development. To realise the ambition zero carbon, zero poverty will require the private sector, government and civil society to go beyond business as usual, working in partnership to achieve change at scale.

In September 2015, the United Nations adopted 17 Sustainable Development Goals (SDGs) a roadmap to 2030 that will require concerted action and partnership between governments, civil society and business.

Unilever has been an early leader on the SDGs through both the UN High-level Panel and our engagement with the UN Global Compact LEAD group of sustainability leaders. We also partnered with Global Citizen and Project Everyone, campaigning organisations focused on motivating young people about sustainability, to raise public awareness about the SDGs. As the world looks towards the implementation of the SDGs, we are supporting the recently established Global Commission on Business and Sustainable Development which seeks to work with business leaders across sectors to broaden support for market-based solutions.

World leaders met in Paris in December 2015 for the UN Framework Convention on Climate Change's 21st Conference of the Parties (COP21). The result was a historic agreement supported by an unprecedented movement of private sector action. The new legal agreement to tackle climate change is supported by plans from every country to reduce emissions and a range of commitments from companies, investors, cities and regions.

Unilever worked with the World Business Council for Sustainable Development (WBCSD), World Economic Forum (WEF), UN Global Compact and We Mean Business Coalition to encourage companies to step up their efforts to address climate change in their own operations. Speaking in Paris at an event hosted by the UN Secretary General and President Hollande of France, our CEO Paul Polman urged business leaders to continue to deliver positive momentum. Unilever led by example and announced ambitious targets to be carbon positive in its own operations by 2030.

The consequences of this agreement go far beyond the actions of governments alone. The impact will be felt in banks, stock exchanges, boardrooms and research centres as the world absorbs the fact that a unique project to decarbonise the global economy has begun.

Previously, in 2014 we identified four areas for action where we want to see sector-wide transformation: eliminating deforestation; sustainable agriculture and improving livelihoods; access to clean drinking water, sanitation and hygiene; and women's empowerment. Essential to delivering change in these areas are the Unilever Sustainable Living Plan (USLP), which sits at the heart of our business model, our Sustainable Living brands that bring the USLP to life, and global coalitions and partnerships that take it to scale.

ELIMINATING DEFORESTATION

As part of our commitment on climate change, Unilever is working to help end deforestation, which accounts for up to 15% of global greenhouse gas emissions. We have made good progress on our sustainable sourcing and deforestation agendas by working in collaboration with an increasing number of growers, traders, manufacturers and retailers who have all pledged to rid their supply chains of deforestation.

Table of Contents

In March 2015, we announced that all palm oil bought for our European and Australian food businesses is traceable to certified plantations, a crucial milestone towards our aim of eliminating deforestation.

Going beyond that, our new palm oil processing plant in Sei Mangkei, Indonesia, underwent testing in 2015 and started operations in January 2016. It represents a US\$130 million investment and will source palm oil from known and certified sources for our global use.

In addition, we are working with the Climate Policy Institute and IDH in Indonesia to create a long-term landscape management plan to help smallholders sustainably improve their yields and livelihoods.

At the same time, almost all our paper and board across our supply chain came from certified sustainably managed forests or from recycled material by the end of 2015.

CHAMPIONING SUSTAINABLE AGRICULTURE AND IMPROVING LIVELIHOODS

Our ambition is for sustainable approaches to agriculture to become mainstream and to improve the livelihoods of smallholder farmers. This supports SDG 2 End Hunger .

Smallholder farmers and family farms produce 70% of the world's food. Working with these producers is critical for Unilever

as we strive to reach our sustainable sourcing targets and improve the livelihoods of those in our supply chain and surrounding communities. Working in global partnerships, we have identified a number of crops and countries that require targeted, integrated action to improve sustainable agricultural practices, link smallholders to our markets, address food nutrition gaps, improve business skills and provide finance.

In support of this approach, we formed a number of new partnerships. In 2015, Unilever, Acumen and the Clinton Giustra Enterprise Partnership (CGEP) launched the Enhanced Livelihoods Investment Initiative to improve the livelihoods of as many as 300,000 smallholder communities across Africa, South Asia, Latin America and the Caribbean. It is a three-year US\$10 million investment plan to spur economic growth by backing private enterprises which link smallholders to Unilever's global supply chain and distribution networks.

In 2015, Unilever and the Global Alliance for Improved Nutrition (GAIN) created a Nutrition Intervention Program which aims to improve the health and nutrition of 2.5 million rural people. Its aim is to reach smallholder farmers, from helping them to diversify their diets to providing better information on nutrition.

Addressing hunger is also about reducing food waste. A third of food calories produced are never eaten. To combat this, Unilever helped shape the Consumer Goods Forum pledge, working alongside the World Resources Institute, to halve food waste by 2025 within member company operations, and reduce food waste among consumers and through the supply chain. To help achieve this, we have a new partnership with the Global Foodbank Network allowing us to redirect food that is still fit to be consumed. Also, Unilever is supporting the Champions 12.3 coalition that seeks to tackle food loss and waste. Our CEO, Paul Polman, is a champion along with other business leaders and representatives from civil society and government.

BETTER HEALTH AND HYGIENE THROUGH HANDWASHING, CLEAN WATER AND SANITATION

We aim to help improve the health and well-being of more than 1 billion people by 2020. As part of this ambition, we are focusing on improving access to safe drinking water, sanitation and hygiene facilities (WASH) which underpin healthy and productive lives.

Table of Contents

SOCIETY

CONTINUED

With our global reach, portfolio of WASH-related brands and experience in changing behaviour, we are helping to deliver progress on SDG 6 Ensure sustainable access to water and sanitation for all and develop the market solutions which will transform WASH provision. For instance, in 2015 Lifebuoy secured funding from the Children's Investment Fund Foundation (CIFF) to roll out our Lifebuoy School of Five hygiene education programme in rural Bihar, plus funding from the UK Department for International Development (DFID) to reach children in Bangladesh and Pakistan. These partnerships have committed to reaching almost 10 million children by 2020 with life-saving education about handwashing with soap.

To extend our reach and impact, we have joined with CGEP and DFID to launch a new partnership named Transform. The initiative will identify and fund new social enterprises that help realise the SDGs, initially focusing on bringing innovative WASH solutions to market. Overall, the Transform plan aims to improve the health and well-being of 100 million people by 2025 through job creation, improving incomes and providing support to market-based solutions. We are also deepening our existing partnership. We are in the fourth year of a partnership between Domestos and UNICEF, which helps individuals gain improved access to toilets.

At the same time, in India we have launched Clean India, Clean habits. This is a mass media, behaviour change programme designed to promote the use of toilets and the importance of handwashing and safe drinking water practices. The initiative aims to reach 75 million people by 2019 in support of the Government's Swachh Bharat Abhiyan (Clean India Mission).

EMPOWERING WOMEN

Women make up a large number of our consumers and 32% of our workforce, but many still face discrimination and disadvantage globally. There is a strong human rights and business case for helping to reverse this. Empowering women could be one of the biggest levers of transformational change and SDG 5 Gender Equality is an enabler across all the SDGs.

According to international advocacy organisation Women Deliver, women re-invest 90% of their income in their families, so including more women in the economic cycle will have a positive impact on growth and the progress of families and communities.

Unilever is committed to improving women's rights, skills and opportunities. We aim to empower women across our value chain; from smallholder farmers and distributors to consumers. We want to leverage the full Unilever footprint to drive systemic change and achieve gender equality.

Through a range of global partnerships including the CGEP, Population Services

International (PSI), Amsterdam Initiative against Malnutrition (AIM) and Bottom of the Pyramid Institute, we are creating inclusive distribution models empowering women to improve their livelihoods, teaching them basic job skills and driving life-changing behavioural change in their communities.

A specific issue for women in many countries is the burden of collecting water, which takes an estimated 200 million hours a day. Our Sunlight brand, with WaterAid, Oxfam and NextDrop, published a major report in 2015 on the problem. It revealed why the interlinkages between water, sanitation and gender equality must be recognised by governments, civil society and businesses.

We are also supporting the UN Women HeForShe IMPACT 10x10x10 movement which engages 10 key IMPACT champions from government, business and academia including our CEO Paul Polman to drive change from the top. Each IMPACT champion has pledged to make gender equality an institutional priority, committing to real change within and beyond their organisations.

In summary, the groundbreaking agreements of 2015 set a new climate and development framework that sends a signal to businesses and investors that will drive real change in the global economy. Much more needs to be done but we have now passed a tipping point as the world has recognised that delivering social and environmental benefits will provide a positive opportunity for businesses with purpose to win in the 21st century.

Table of Contents

UNILEVER SUSTAINABLE LIVING PLAN

We launched the Unilever Sustainable Living Plan (USLP) in 2010. It set three ambitious goals for 2020: to help more than 1 billion people improve their health and well-being; to halve the environmental impact of our products; and to enhance the livelihoods of millions of people through all elements of the value chain.

We use a simple framework to show how sustainability is helping us deliver more growth, lower costs, less risk and more trust. It provides our people with further strategic guidance across our categories and brands.

FRAMEWORK OF HOW SUSTAINABILITY SUPPORTS BUSINESS SUCCESS

Inspired by the USLP, we see a growing number of Sustainable Living brands in our overall portfolio. In 2014, the last full year for which complete data is available, we had 11 Sustainable Living brands. The 2015 Sustainable Living brands will be highlighted in our online Sustainable Living Report 2015 to be published in April 2016 at www.unilever.com/sustainable-living.

The definition of Sustainable Living brands is underpinned by a rigorous methodology which measures the performance of those brands contributing to positive social and environmental change. In 2014, these brands grew at double the rate of our other brands and accounted for half our growth.

USLP PROGRESS

We have made significant progress on our first big USLP goal of helping more than 1 billion people improve their health and well-being. By the end of 2015, we had reached 482 million people, led by the success of

disposal of our products has reduced by rather more 29%. This means that we are more than half way on our journey towards halving packaging waste, partly through divestments but also through our innovation projects

2016. We have already announced a new target to be carbon positive (ie to go beyond being carbon neutral) within our own operations by 2030.

Sustainable Living brands such as Lifebuoy, Dove and Signal through programmes carried out since 2005.

In addition, 34% of our Foods portfolio met the highest nutritional standards.

Our manufacturing operations play a major role in our efforts to realise our second main goal of reducing our environmental impact. We have cut CO₂ from energy by 36%, water abstraction by 34% and total waste disposed by 97% in our manufacturing operations since 2008. However, when it comes to reducing the environmental impact of how consumers use our products we continue to find this more difficult. Since 2010, the water impact of our products has reduced by 1%, while the waste associated with consumer

on lightweighting, as well as infrastructural improvements in recycling and recovery. But the greenhouse gas impact of our products across the lifecycle, including consumer use, continues to edge up and has now increased by 6% since 2010.

This continues the trend we reported on last year. We remain committed, despite this, to a full value chain approach to reducing our environmental impact, since that most meaningfully reflects the true impact of our business. Over the last five years we have learned which levers we can pull on our own to effect change, and where we rely on the much slower process of system change. As a result, we are sharpening our internal strategy and will be refining our target during

Our third USLP goal to enhance the livelihoods of millions of people has seen good progress. We sourced 60% of our agricultural raw materials sustainably and 54% of procurement spend was through suppliers meeting our Responsible Sourcing Policy's mandatory criteria. In 2015 we published our first Human Rights Report (see page 30). Since 2006, in partnership with others, we enabled around 800,000 women to access initiatives that aimed to develop their skills, made up of 70,000 micro-entrepreneurs in India and around 730,000 on tea smallholdings in Kenya and India. We also enabled around 600,000 smallholder farmers and 1.8 million small-scale retailers to access initiatives which aimed to improve their agricultural practices or increase their sales.

Table of Contents

OUR PEOPLE

PEOPLE PROVIDE THE ESSENTIAL TALENT AND ENERGY TO FULFIL UNILEVER'S AMBITION.

Attracting, developing and retaining the very best people is critical to ensure that we succeed in our vision of accelerating growth in our business while reducing our environmental footprint and increasing our positive social impact.

We rely on our people to deliver against our USLP commitments – a challenge that requires great endeavour, expertise and energy on their part.

The fundamental priorities of our approach to developing our people haven't changed and underpin everything we do:

- build depth of capability and leadership;
- live our values and build a performance culture; and
- build an agile, flexible and diverse organisation.

These priorities are supported by our investment in our people's well-being and our leading-edge approach to advancing human rights, while we continue to make progress in the diversity and inclusiveness of our workforce.

ATTRACTING TALENT

Our status as the No.1 Graduate Employer of Choice in the FMCG sector among our target universities was maintained in 2015 across 34 countries. This compares to just three in 2009 and 32 in 2014.

This result reflects our digital engagement with students via social media and numerous campus activities. Our flagship initiative is the Future Leaders League – an international competition among universities which send teams to our global event, and which provides the opportunity to interact with our senior management and gain first-hand insights into business and leadership.

Our status reveals our activities are successful in engaging with talented graduates who recognise Unilever as a place that is doing well by doing good and where their career potential can be realised. Our commitment to sustainability is becoming an ever more important reason why people are attracted to Unilever as a career choice.

Beyond our own FMCG sector, LinkedIn continues to be a key channel for attracting and engaging external talent. Our relationship with LinkedIn was further enhanced with the launch of LinkedIn Elevate, a new content-sharing platform which allows our people to show the world their Unilever by sharing relevant content across their own social networks.

While we work hard to ensure that we are attracting the right talent, internally we monitor attrition regularly and are committed to providing an environment in which our people can balance work and life in a way that makes sense for them. The overall attrition rate in 2015 was 8.2%, down 0.1 percentage points compared to 2014 (white collar population). At management level the attrition rate was 7.2%, down 0.1 percentage points compared to 2014.

Table of Contents

LEARNING

Unilever operates in highly competitive markets so recruiting, retaining and developing skilled people are critical. Our skills need to align to our strategy so revenues grow and productivity improves while our people grow professionally.

To achieve this we improved and sharpened our learning strategy in 2015. A priority was to deliver the right learning at the right time in a form easy to use wherever and whenever needed.

Our learning material also needs to keep pace with the changing nature of working life where office-based work is a constantly changing environment while many of our people are on the move, working through mobile devices. At the same time, skills need updating ever more rapidly so our learning strategy must deliver professional education that is mobile, engaging, easy to consume and on-demand.

To achieve this we launched the Learning Hub in late 2015 which hosts all Unilever's learning content. We want to bring together all business, leadership and functional skills in a single framework with all skills clearly aligned

enable everyone to fulfil their potential and create important competitive advantages for the Group. The content has been refreshed, rationalised and made more relevant with user reviews supporting a renewed focus on quality.

New mobile-enabled content will be developed further during 2016. The Hub uses digital technology and collaborative tools to meet the demands of modern, multilingual working.

But we are not restricted to our own internal approach. Our leadership development includes a consortium programme where we partner with the world's leading establishments.

The consortium programme is one way that we bring the learning outside-in, to invite our suppliers, customers and like-minded companies to learn together. We selected topics and programmes which, when learnt together with external parties, enrich the learning process. These included Women Leadership, Learning Professionals Program (IMD), Sustainability (Cambridge in 2014 and INSEAD in

Within Unilever, our supply chain is where the bulk of Unilever's people work and so is a big focus for our training activity. This number of people requires us to focus on self-directed learning via the use of effective systems and core skills curricula. This year we have updated the Learning Management System and all the core curricula, which cover over 1,300 individual online courses.

Our face-to-face training still plays a key role. Here we drive skills that develop deep functional understanding, with more than 15 new programmes being developed across the whole of our supply chain, including Procurement, Planning and Logistics. We use WebEx extensively and specifically on more general supply chain training, having reached more than 30% of our supply chain management team.

We also use face-to-face programmes to drive professional supply chain leadership development and have run programmes that cover the senior leadership teams in more than 60 of our factories globally.

to our business strategy. Extensive internal and external research has identified six business skills that are crucial to Unilever in the 21st century and will

2015), Asian Leaders (IMD in 2016) and developing Asian Finance Talents (TMS Academy and Wharton in 2016). We have already included some programmes in the Four Acres curriculum.

We have further strengthened our Manufacturing Training programme with the implementation of a new system specifically to manage the driving of manufacturing skills of blue collar staff as part of our World Class Manufacturing programme.

OUR SAFETY RECORD

Based on our Vision Zero strategy we updated our mission in 2015 to build an interdependent safety culture that protects the well-being of our employees, visitors, contractors and assets to help deliver responsible growth. We also rolled out our Motor On Mobile Off campaign which bans the use of mobile devices – hands-free and hand-held – while driving on company business.

In our supply chain in 2015, we began integrating our behavioural-based BeSafe safety programme and World Class Manufacturing (WCM) methodology. This provided the opportunity for the safety and manufacturing teams to work more closely in delivering continuous safety improvement in full alignment with WCM. It also allowed us to combine the best elements from both BeSafe and WCM to

create a stronger safety programme overall and ensure the highest level of safety and accountability for our manufacturing teams. We also appointed a dedicated process and construction safety director to focus on large-scale risks.

Unilever reports safety data from October to September. Our Total Recordable Frequency Rate (TRFR) from 1 October 2014 to 30 September 2015 increased to 1.12 accidents per 1 million hours worked, up from 1.05 in 2014. There are three main reasons for this increase. Firstly, safe travel incidents, which

is an area of focus for the Group following the introduction of the global Safe Travel standard. Safe travel incidents are recordable events that occur on the roads when our employees drive designated vehicles on company time or business and have a collision with other road users, animals or stationary objects. Secondly, the acquisition of new companies with different safety cultures. Thirdly, a major transformation project that involved the closing down of sites in the US.

Table of Contents

OUR PEOPLE

CONTINUED

ORGANISATION DEVELOPMENT

Previously we have focused on the Fit to Win programme to be leaner and more agile alongside Project Half for Growth to simplify the organisation and our processes.

In 2015 we have focused more on continuous improvement and being equipped to maximise growth opportunities. Importantly, we have looked at addressing organisational design principles as enablers to deliver a leaner structure that is organised in the most efficient and effective way, driving speed and agility.

Growth opportunities have also come through acquisitions and we welcomed several new businesses requiring different support to ensure new colleagues can integrate and benefit from Unilever's size and scale while ensuring their growth-focused, entrepreneurial cultures are preserved.

Notable acquisitions have included four premium skin care businesses, Dermalogica, Murad, Kate Somerville

and REN, which form our new Prestige business within Personal Care. We also acquired the Camay and Zest brands, and added Grom, the premium gelato business, to our Refreshment category. All in all we welcomed more than 2,300 new employees to the Unilever Group.

Another significant project has been the formation of the Baking, Cooking and Spreads business within the Foods category, which has created a more dedicated, focused organisation to bring greater speed and agility to executing strategy.

HUMAN RIGHTS

Business flourishes in societies where human rights are respected, upheld and advanced. People are our greatest asset and empowering them is not only the right thing to do, but also ensures a sustainable future for Unilever.

To make this a reality, in 2014 Unilever formalised its commitment to respecting human rights as part of the USLP and announced it would implement the UN Guiding Principles on Business and Human Rights, and undertake to report publicly on progress.

To that end we became the first company to adopt the UN Guiding Principles Reporting Framework and in June 2015 we were the first company to produce a detailed, stand-alone report using the Framework entitled Enhancing Livelihoods, Advancing Human Rights.

This is Unilever's Human Rights Report, which can be read at www.unilever.com/human-rights-report-2015.

It focuses on Unilever's eight salient human rights issues – those at risk of the most severe negative impacts through a company's activities or business relationships.

The report highlights challenges and key areas of progress, including Unilever's work to empower women, the fight against sexual harassment and how we are addressing health and safety issues across the supply chain. Dialogue, capacity building and, where needed, effective remedy are vital to these efforts.

Table of Contents

It also describes key areas of focus for the future. Unilever cannot succeed alone and being honest about the challenges is crucial to progress. Therefore we will continue to address human rights issues beyond first-tier suppliers, taking a commodity and geographical focus, and collaborating with other organisations in order to influence systemic change. We will also ensure that we track progress robustly, by building frameworks for improved data collection, verification and analysis.

We want to go beyond respecting to actively promoting human rights, embedding this into every part of our business.

WELL-BEING

Our work to help our people learn and contribute to our growth is underpinned by our Global Well-being programme. Each market has a comprehensive plan which incorporates physical and mental plus emotional and purposeful well-being. In 2015 we built and rolled out internationally our well-being workshop, Thrive, which is available to all. By the end of 2015, 17,000 employees across Unilever in all markets had attended a Well-being programme.

DIVERSITY AND INCLUSION

We believe in a diverse workforce to serve our diverse consumer base. Inclusion is the foundation of a sustainable, strong culture. We want our people to feel confident, comfortable and able to reach their potential regardless of gender, age, ability, background or sexual preference.

Our attitude to diversity and inclusion also reflects our wider values as a Group, which define how we do business and how we interact with our colleagues, partners, customers and consumers. Our four core values are: integrity; responsibility; respect; and being pioneering.

On gender equality we continue to make progress, although work remains. By the end of 2015, 45% of our total management were women, up from 38% in 2010 and 25 countries have reached their gender balance targets for management.

At the most senior levels, however, the ratios are not as high. Among the top 101 executive managers, 23 (23%) were women compared with 18% in 2014. If you include employees who are statutory directors of the corporate entities whose financial information is included in the Group's 2015 consolidated accounts in this Annual Report and Accounts, the number increases to 536 males and 146 (21%)

females. 50% (six out of 12) of the Board is female, compared with 36% in 2014.

Of our total workforce of 168,921, 114,975 (68%) were male and 53,946 (32%) were female at the end of 2015.

We will continue to work to improve these performance statistics. We are committed to creating opportunities for women and to empowering them in a way that goes beyond our own operations and into our wider stakeholder communities through our supply chain partners – particularly among smallholder farmers.

We have the clearly articulated ambition of empowering 5 million women by 2020 through our USLP, helping women and the communities in which they live and work to improve their livelihoods.

To encourage more women into management, we have partnered with INSEAD since 2013 on the INSEAD-Unilever Women Leadership Program which is delivered at our Four Acres campuses. The role of Four Acres in London and Singapore is to provide the best learning available to ensure that we develop leaders who will play an active role for Unilever and society at large.

Table of Contents**OUR SHAREHOLDERS****OUR STRATEGY FOR LONG-TERM VALUE CREATION COMBINES CLEAR PORTFOLIO CHOICES WITH INNOVATION, MARKET DEVELOPMENT AND OPERATIONAL EFFICIENCY.**

This strategy is built on the foundation of our Purpose to make sustainable living commonplace brought to life through the USLP. This way, we deliver to our shareholders growth that is consistent, competitive, profitable and responsible.

However, a sustainable business requires a sustainable world and consumers are increasingly demanding that business plays its part. More of our brands are meeting that demand and delivering stronger and faster growth. Our Sustainable Living brands (detailed on page 27) accounted for half our growth in 2014 and grew at twice the rate of Unilever's other brands.

During the year we continued to improve returns to shareholders with dividends rising 6% and our share price ending the year up 23% for our NV shares and 11% for our PLC shares.

margin grew by an average of 0.26 percentage points per year. Over the same period core earnings per share grew by 7% per year on average at current exchange rates and 10% per year at constant exchange rates. We have delivered an average free cash flow of 3.8 billion and dividends have increased an average of 8% per year over this period. More detail on our financial growth model can be found on page 34.

To improve returns we have four category strategies with distinct but complementary objectives, each fulfilling a specific role across the portfolio. Personal Care now accounts for 38% of turnover our largest category and is growing its core while developing its premium range through acquisition (see facing page for more details).

Home Care is improving profitability and scaling its household cleaning business while Refreshment is tasked with growing ice cream cash flows and accelerating top line growth in tea. Foods objective is to accelerate growth and sustain strong profitability and cash flows.

addition, more than 70% of our innovations are margin accretive. We have also significantly increased the application of new technologies with more than 45% of the value of our innovation portfolio based on new technologies compared with 35% in 2013.

Our brands benefit from award-winning marketing with an ever greater emphasis on digital marketing that dovetails with the growth in our e-commerce sales which are benefiting from our improving expertise in executing through online channels.

Our broader customer development programmes are targeting new channels such as drug stores for Personal Care and out-of-home for Refreshment, and our Perfect Store programme has reached almost 10 million executions across stores and categories in 2015 from 6.9 million executions in 2013.

Our growth model is enabled by a leaner, more talented and efficient organisation. Project Half for Growth has delivered around 500 million of annualised cost savings and Unilever continues to

Over the longer term our approach continues to deliver consistent results. Between 2011 and 2015 underlying sales grew 4.9% per year, which was ahead of our markets, and core operating

Innovation is key to driving growth and margins. Research and development is embedded in each category with a focused pipeline of innovations. We are executing larger projects and since 2013 the average project size has increased by 25%. In

benefit from savings of more than 1 billion per year in supply chain.

EMERGING MARKETS

In 2015 emerging markets demonstrated some recovery, with our underlying sales up 7% compared with 6% in 2014. However, this is still below the 9% average since 2011 and recent years have highlighted the volatility of these markets.

However, we firmly believe these countries will deliver the best long-term growth prospects as populations and per capital consumption expand. Emerging markets now account for 58% of Unilever turnover, up from 57% in 2014.

A key element of our success is managing through volatility and a key reason is the development of our local management expertise. Of our top 20 markets, 12 are emerging markets and in those 12 markets more than 80% of the management is local. Local understanding ensures the right decisions are taken for local customers and consumers, which helps deliver our global strategy.

58%

Turnover from emerging markets

Our average emerging markets growth over the period was 9%.

Table of Contents

DEVELOPMENTS IN 2015

In previous years Unilever identified premiumising its portfolio as a key driver of growth. In 2015 we took further decisive action to execute on that priority with the acquisition of several brands, most notably in Personal Care.

We acquired four premium skin care businesses to create a Prestige business within Personal Care with annual turnover approaching 400 million. These deals are accretive to growth, margins and earnings per share.

The largest acquisition, announced in June 2015, is Dermalogica. With a strong international footprint, it is the number one salon skin care brand globally, rooted in skin health treatments. Murad, announced in July, is the first modern doctor brand with a mission to provide proven, efficacious products. Founded in 1989 by Howard Murad, a dermatologist, pharmacist and UCLA professor, it has a product range to address a wide variety of skin care concerns.

Earlier, in March 2015, Unilever also announced the acquisition of REN, which pioneered a distinctive high-performance skin care product range now sold in around 50 countries through speciality stores and pharmacies. In May we announced the

acquisition of Kate Somerville Skincare, a niche derma-cosmetic business with a celebrity following in Hollywood, which has made inroads from the US into the fast-growing Asian beauty market.

All four are strong, differentiated brands in a large and growing market for prestige skin care products, which remains highly fragmented. The brands will be run as part of the Prestige business within Personal Care, to preserve the unique prestige expertise, with dedicated marketing and customer development. However, the brands will be able to leverage our consumer insight and research and development resources.

The acquisition of the Prestige skin care brands is a good example of how Unilever uses merger and acquisition activity to help reshape our portfolios towards more attractive segments where we can most effectively apply our global scale and local strengths. We remain alert to opportunities that will progress our strategic priorities while always observing robust financial disciplines in assessing these options. Elsewhere, we acquired Grom to strengthen our ice cream portfolio in our Refreshment category. Grom enjoys a strong position in the premium gelato

market and has 60 stores in Italy and around the world. It also shares Unilever's commitment to sustainable sourcing of raw materials. In Foods, we created Baking, Cooking and Spreads to increase agility and accelerate growth in Europe and North America.

In line with our focus on Personal Care, Unilever was reclassified from Foods to Personal Products by the Global Industry Classification Standard (GICS) panel. This followed similar reclassifications in 2014 applying to the FTSE and Stoxx indices.

Edgar Filing: UNILEVER N V - Form 6-K

During 2015 we continued our bond issuance programme to raise competitively priced debt capital through both the European and US capital markets. In January 2015 we announced the pricing of a 750 million bond at 0.5% due February 2022. In May we issued 1.25 billion in two tranches due June 2018 and June 2023, while in July we priced a dual tranche US\$1 billion bond split equally between a 2.1% fixed rate note due July 2020 and a 3.1% note due July 2025.

We also took the opportunity in 2015 to increase our equity stake in Unilever Nigeria from 50.0% to 58.5%.

Unilever Annual Report and Accounts 2015

Strategic Report

33

Table of Contents**OUR SHAREHOLDERS**

CONTINUED

OUR FINANCIAL GROWTH MODEL

We continued to deliver shareholder value in 2015 helped by an improvement in our markets and by applying all levers of value creation.

VALUE DRIVERS**UNDERLYING SALES GROWTH**

Underlying sales grew 4.1% driven by a 2.1% increase in underlying volume and a 1.9% rise in price. This was ahead of our markets which grew at around 3%. An improvement in emerging markets offset continued weakness in Europe which continued to suffer price deflation.

CORE OPERATING MARGIN

Our core operating margin increased 0.3 percentage points, largely driven by improvements in efficiency which saw cost savings of more than 1 billion in supply chain in 2015. Brand and marketing investment has increased by more than 800 million.

CAPITAL EFFICIENCY

Working capital and fixed asset efficiency both improved further during the year. Working capital as a percentage of sales is negative which means that growth in the business is intrinsically cash generative. The ratio of fixed assets to sales reduced compared with the previous year as the business grew.

FINANCIAL RETURNS**EARNINGS PER SHARE****FREE CASH FLOW****RETURN ON INVESTED CAPITAL**

As a result of our operations our core earnings per share rose to 1.82, an increase of 14%. This result reflected a currency translation effect of 3%. At constant exchange rates EPS grew 11%.

Free cash flow was 4.8 billion compared with 3.1 billion in 2014. Our cash performance was underpinned by our continued focus on capital discipline. Our net capital expenditure of 2.1 billion, or 3.9% of turnover, reflects the investment in capacity to support our growing business and was consistent with 2014.

Return on invested capital increased as a result of improved core operating margin and greater capital efficiency. This was despite an increase in goodwill as a result of acquisitions and currency movements.

SHAREHOLDER RETURNS

DIVIDENDS

In April Unilever announced an increase in the quarterly dividend to 0.3020 giving a total payout during 2015 of 1.19 per share. Dividends increased by 6% in 2015 and have increased by an average of 8% per year in the last five years.

SHARE PRICE

Our NV share price closed 23% higher than the prior year while PLC shares closed 11% higher. Over the period 2011-2015 our NV share price has grown 70% while our PLC share price has grown 48%. Total shareholder return, which includes both share price and dividend increases, was 16% in 2015 and 108% over the last five years.

TOTAL DIVIDENDS PER SHARE

SHARES 2011-2015

Table of Contents**FINANCIAL REVIEW 2015****FINANCIAL OVERVIEW 2015****CONSOLIDATED INCOME STATEMENT**

Turnover grew by 10% to 53.3 billion helped by a positive currency impact of 5.9% (2014: negative 4.6%) with a strong boost in the first half of the year due to a weaker euro. Underlying sales growth was 4.1% (2014: 2.9%) balanced between volume growth of 2.1% (2014: 1.0%) and pricing of 1.9% (2014: 1.9%). Acquisitions and disposals had a negative impact of 0.1% (2014: negative 0.9%). Emerging markets contributed 58% of total turnover (2014: 57%) with underlying sales growth of 7.1% (2014: 5.7%) of which 2.7% was volume growth. Currency devaluation continued to push up the cost of living for consumers in many of the emerging markets. Our performance in developed markets was flat with good volume growth in Europe being offset by price deflation.

Core operating margin was up 0.3 percentage points to 14.8%. Gross margin was up 0.8 percentage points to 42.2% driven by margin-accretive innovation, pricing and continued delivery from our savings programmes, which more than offset currency-related cost increases and higher costs on brand and marketing investment. Commodity costs increased by about 4%. While the price of many commodities, such as oil, in US dollars fell during 2015, commodity costs in local currencies increased as devaluing currencies imported inflation into local raw material production. Overheads increased by 0.3 percentage points reflecting an adverse currency translation impact and favourable one-off items in the prior year, such as property sales in India.

Operating profit was down 6% at 7.5 billion compared with 8.0 billion in 2014. This includes a charge of 350 million for non-core items (2014: credit of 960 million including a 1,392 million gain from business disposals).

Highlights for the year ended 31 December

	2015	2014	%
			change
Turnover (million)	53,272	48,436	10
Operating profit (million)	7,515	7,980	(6)
Core operating profit (million)*	7,865	7,020	12
Profit before tax (million)	7,220	7,646	(6)
Net profit (million)	5,259	5,515	(5)

Diluted earnings per share ()	1.72	1.79	(4)
Core earnings per share ()*	1.82	1.61	14

The net cost of financing borrowings was 372 million compared with 383 million in 2014. The average interest rate on net debt improved to 3.0% (2014: 3.5%) largely as a result of higher returns on investments. Pensions financing was a charge of 121 million compared with 94 million in 2014.

The effective tax rate was 27.6% versus 28.2% in 2014 which included 0.8 billion tax relating to business disposals.

Net profit from joint ventures and associates together with other income from non-current investments was 198 million compared with 143 million in 2014. This reflects increased profit on disposal of associates and higher income from joint ventures. At 1.72, diluted EPS was down 4% as the prior year included the profit on business disposals. Core EPS increased by 14% to 1.82, including a favourable currency impact of 3%.

The independent auditors' reports issued by KPMG Accountants N.V. and KPMG LLP, on the consolidated results of the Group, as set out in the financial statements, were unqualified and contained no exceptions or emphasis of matter. For more details see pages 85 to 89 of the Governance and Financial Report.

The consolidated financial statements have been prepared in accordance with IFRS. The critical accounting policies and those that are most significant in connection with our financial reporting are set out in note 1 on pages 94 and 95 of the Governance and Financial Report and are consistent with those applied in 2014.

*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 38 and 39.

Table of Contents**FINANCIAL REVIEW 2015****CONTINUED****PERSONAL CARE**

	2015	2014	%
			Change
Turnover (million)	20,074	17,739	13.2
Operating profit (million)	3,637	3,259	11.6
Core operating profit (million)	3,788	3,325	13.9
Core operating margin (%)	18.9	18.7	0.2
Underlying sales growth (%)	4.1	3.5	
Underlying volume growth (%)	2.3	1.2	
Effect of price changes (%)	1.8	2.3	

KEY DEVELOPMENTS

Turnover growth was 13.2% of which 7.6% was currency impact. Underlying sales growth, while still below historical rates, improved to 4.1% compared with 3.5% in 2014. Growth benefited from innovations that boosted the core of our business including the launch of dry spray deodorants in North America, the launch of Lux Luminique in Japan and the roll-out of Dove Advanced Hair Series. 2015 also marked our entry into the prestige skin care business with the acquisitions of Dermalogica, Murad, Kate Somerville and REN.

Core operating profit was 463 million higher than the prior year and this includes a 196 million favourable impact from exchange rate movement. Acquisitions and disposal activities contributed 105 million while underlying sales growth and margin improvement added 137 million and 25 million respectively. Operating margin improvement is principally driven by margin-accretive innovation. Gross margin was up 0.5 percentage points and brand and marketing investment was up 13%.

HOME CARE

	2015	2014	%
			Change
Turnover (million)	10,159	9,164	10.9
Operating profit (million)	740	576	28.5
Core operating profit (million)	775	579	33.9
Core operating margin (%)	7.6	6.3	1.3
Underlying sales growth (%)	5.9	5.8	
Underlying volume growth (%)	4.0	2.4	
Effect of price changes (%)	1.9	3.4	

KEY DEVELOPMENTS

Home Care turnover grew by 10.9% including a 4.5% favourable currency impact. Underlying sales growth was 5.9%, heavily geared toward volume growth which contributed 4.0%. The category delivered broad-based growth including the roll-out of new Omo with enhanced formulation and improved cleaning technology, the success of fabric conditioners helped by the launch of Comfort Intense, and the introduction of Cif to new markets. Core operating profit increased by 196 million including a 22 million increase from exchange rate movement. Underlying sales growth contributed 41 million while improved margin added 133 million. Gross margin was up 2.7 percentage points as a result of improved mix, cost savings and simplification programmes. Brand and marketing investment was up 19%.

FOODS

	2015	2014	% Change
Turnover (million)	12,919	12,361	4.5
Operating profit (million)	2,298	3,607	(36.3)
Core operating profit (million)	2,354	2,305	2.1
Core operating margin (%)	18.2	18.6	(0.4)
Underlying sales growth (%)	1.5	(0.6)	
Underlying volume growth (%)	0.8	(1.1)	
Effect of price changes (%)	0.8	0.6	

KEY DEVELOPMENTS

Turnover growth was 4.5% which included a 5.6% positive currency impact and 2.5% negative impact from acquisitions and disposal activities. Underlying sales growth improved to 1.5% (from negative 0.6% in 2014) with both price and volume contributing 0.8%. Savoury showed good volume-driven growth led by cooking products in emerging markets and by innovations around naturalness and health. In dressings, Hellmann's demonstrated good growth, with 7% underlying sales growth despite increased competition from new market entrants. Spreads gained market share but turnover declined 5%, reflecting market competition in developed markets.

Core operating profit was up by 49 million despite a profit reduction of 82 million relating to acquisitions and disposal activities. Underlying sales growth added 35 million and the impact of exchange rate was a favourable 151 million. In addition, higher supply chain costs led to decline in margins and this reduced profit by 55 million. Brand and marketing investment was up 5%.

REFRESHMENT

	2015	2014	% Change
Turnover (million)	10,120	9,172	10.3
Operating profit (million)	840	538	56.1
Core operating profit (million)	948	811	16.9
Core operating margin (%)	9.4	8.8	0.6
Underlying sales growth (%)	5.4	3.8	
Underlying volume growth (%)	1.5	2.0	
Effect of price changes (%)	3.9	1.8	

KEY DEVELOPMENTS

Refreshment turnover grew by 10.3% including 4.1% favourable currency impact. In ice cream both Magnum and Ben & Jerry's delivered double-digit growth contributing to the 5.4% underlying sales growth. We continue to build our presence in the premium gelato business with the recently acquired Talenti and Grom. In tea more T2 stores have opened during the year and Lipton and PG Tips have been extended further into fruit, herbal and speciality teas where we are still under-represented.

Core operating profit was 137 million higher compared with prior year due to exchange rate movements which added 31 million, underlying sales growth which contributed 47 million, operating margin improvement of 53 million and a 6 million increase from acquisitions and disposal activities. Gross margin was up 0.3 percentage points driven by mix and savings in ice cream. Brand and marketing investment was up 8%.

Table of Contents**CASH FLOW**

Free cash flow for the year was particularly strong at 4.8 billion compared with 3.1 billion in 2014. Cash flow from operating activities was 9.4 billion compared with 7.9 billion in 2014. The variance is a result of strong cash flow generated from operating activities which included 0.7 billion from efficient working capital management. The prior year was also negatively impacted by 0.8 billion tax arising on business

disposals. Net capital expenditure remains flat in absolute terms at 2.1 billion, 3.9% of turnover, reflecting continued investment in capacity to support growth.

	million 2015	million 2014
Operating profit	7,515	7,980
Depreciation, amortisation and impairment	1,370	1,432
Changes in working capital	720	8
Pensions and similar obligations less payments	(385)	(364)
Provisions less payments	(94)	32
Elimination of (profits)/losses on disposals	26	(1,460)
Non-cash charge for share-based compensation	150	188
Other adjustments	49	38
Cash flow from operating activities	9,351	7,854
Income tax paid	(2,021)	(2,311)
Net capital expenditure	(2,074)	(2,045)
Net interest and preference dividends paid	(460)	(398)
Free cash flow	4,796	3,100
Net cash flow (used in)/from investing activities	(3,539)	(341)
Net cash flow (used in)/from financing activities	(3,032)	(5,190)

The net outflow from investing activities was 3.2 billion higher than in the prior year. This is a combination of current year expenditure of 1.9 billion on business acquisitions (2014: 0.3 billion) and 0.2 billion inflow received from business disposals versus 1.7 billion cash inflow in the prior year.

Net cash outflow from financing activities was 2.2 billion lower than in the prior year. The variance was principally due to higher borrowings in 2015 to finance acquisitions. Prior year also included 0.9 billion spent on the purchase of Leverhulme estate shares.

BALANCE SHEET

In the year to 31 December 2015, Unilever's combined market capitalisation increased from 93.9 billion to 113.4 billion.

Goodwill and intangible assets increased by 2.9 billion mainly due to business acquisitions and currency movements. All material goodwill and indefinite-life intangible assets have been tested for impairment with no charge recognised during the year. The increase in other non-current assets of 1.0 billion was driven by capital expenditure, currency movements and an increase in pension asset values due to changes in discount and inflation rates.

	million 2015	million 2014
Goodwill and intangible assets	25,059	22,174
Other non-current assets	14,553	13,506
Current assets	12,686	12,347
Total assets	52,298	48,027
Current liabilities	20,019	19,642
Non-current liabilities	16,197	14,122
Total liabilities	36,216	33,764
Shareholders' equity	15,439	13,651
Non-controlling interest	643	612
Total equity	16,082	14,263
Total liabilities and equity	52,298	48,027

Current assets were up by 0.3 billion primarily due to an improved cash balance and an increase in the inventories balance at the end of the year. Cash and cash equivalents on the balance sheet was 2.3 billion compared with 2.2 billion at the end of 2014. Closing net debt was 11.5 billion which is 1.6 billion higher than in the prior year. The increase reflects additional borrowings to finance acquisitions and an adverse currency impact from the US dollar denominated debt.

Current liabilities were 20.0 billion compared with 19.6 billion in 2014. The increase is due to an increase in trade payables and other current liabilities as a result of business growth and improved payment terms.

Non-current liabilities were 16.2 billion, up 2.1 billion in 2015. This includes a 2.7 billion increase in non-current financial liabilities from additional borrowings and currency impact. Pension liability declined by 0.7 billion. On 27 January 2015 we issued 750 million 0.5% fixed rate notes due February 2022. On 28 May 2015 we issued 750 million floating rate notes due in June 2018 and 500 million 1.0% fixed rate notes due in June 2023. On 29 July 2015 we issued US\$500 million 2.1% fixed rate notes due on 30 July 2020 and US\$500 million 3.1% fixed rate notes due on 30 July 2025.

The table below shows that pension liability net of assets was reduced to 2.3 billion at the end of December 2015 versus

3.6 billion as at 31 December 2014. The decrease primarily reflects the impact of higher discount rates, investment returns and the cash contributions we have made. Cash expenditure on pensions was 0.7 billion, the same as in the prior year.

	million 2015
1 January	(3,571)

Current service cost	(271)
Employee contributions	17
Actual return on plan assets (excluding interest)	(254)
Net interest cost	(121)
Actuarial gain	1,167
Employer contributions	513
Currency retranslation	(129)
Other movements ^(a)	329
31 December	(2,320)

^(a) Other movements relate to special termination benefits, past service costs including losses/(gains) on curtailment, settlements and reclassification of benefits. For more detail see Governance and Financial Report note 4B on page 102.

Table of Contents**FINANCIAL REVIEW 2015****CONTINUED****FINANCE AND LIQUIDITY**

We concentrate cash in the parent and central finance companies for maximum flexibility. These companies provide loans to our subsidiaries that are also funded through retained earnings and third party borrowings. We maintain access to global debt markets through an infrastructure of short and long-term debt programmes. We make use of plain vanilla derivatives, such as interest rate swaps and foreign exchange contracts, to help mitigate risks. More detail is provided on pages 120 to 125 of our Governance and Financial Report.

Approximately 1.8 billion (or 79%) of the Group's cash and cash equivalents are held in foreign subsidiaries which repatriate distributable reserves on a regular basis. For most countries this is done through dividends free of tax. In a few countries we face cross-border foreign exchange controls and/or other legal restrictions that inhibit our ability to make these balances available in any means for general use by the wider business. The amount of cash held in these countries was 284 million (2014: 452 million, 2013: 243 million). The cash will generally be invested or held in the relevant country and, given the other capital resources available to the Group, does not significantly affect the ability of the Group to meet its cash obligations.

We closely monitor all our exposures and counter-party limits. Unilever has committed credit facilities in place for general corporate purposes. The undrawn bilateral committed credit facilities in place on 31 December 2015 were US\$6,550 million.

CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2015

million	Total	Due within 1 year	Due in 1-3 years	Due in 3-5 years	Due in over 5 years
Total contractual obligations^(a)	21,041	6,037	4,567	3,798	6,639

^(a) Included within total contractual obligations are long-term debt, interest on financial liabilities, operating lease obligations, purchase obligations for raw and packing materials and finished goods, finance leases and other long-term obligations (not including pensions).

Further details are set out in the Governance and Financial Report in the following notes to the consolidated financial statements: note 10 on pages 111 and 112, note 15C on page 119, and note 20 on pages 130 and 131. Unilever is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future. In relation to the facilities available to the Group, borrowing requirements do not fluctuate materially during the year and are not seasonal.

AUDIT FEES

Included within operating profit is 15 million (2014: 14 million) paid to the external auditor, of which 14 million (2014: 14 million) related to statutory audit services.

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;
 core operating profit and core operating margin;
 core earnings per share (core EPS);
 free cash flow; and
 net debt.

UNDERLYING SALES GROWTH (USG)

Underlying sales growth (USG) refers to the increase in turnover for the period, excluding any change in turnover resulting from acquisitions, disposals and changes in currency. The impact of acquisitions and disposals is excluded from USG for a period of 12 calendar months from the applicable closing date. Turnover from acquired brands that are launched in countries where they were not previously sold is included in USG as such turnover is more attributable to our existing sales and distribution network than the acquisition itself.

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

TOTAL GROUP	2015 vs 2014	2014 vs 2013
Underlying sales growth (%)	4.1	2.9
Effect of acquisitions (%)	0.7	0.4
Effect of disposals (%)	(0.8)	(1.3)
Effect of exchange rates (%)	5.9	(4.6)
Turnover growth (%) ^(a)	10.0	(2.7)
PERSONAL CARE	2015 vs 2014	2014 vs 2013
Underlying sales growth (%)	4.1	3.5
Effect of acquisitions (%)	1.0	
Effect of disposals (%)		(0.1)

Effect of exchange rates (%)	7.6	(5.0)
Turnover growth (%) ^(a)	13.2	(1.8)
FOODS	2015	2014
		vs
	vs 2014	2013
Underlying sales growth (%)	1.5	(0.6)
Effect of acquisitions (%)		
Effect of disposals (%)	(2.5)	(3.6)
Effect of exchange rates (%)	5.6	(3.9)
Turnover growth (%) ^(a)	4.5	(7.9)
HOME CARE	2015	2014
		vs
	vs 2014	2013
Underlying sales growth (%)	5.9	5.8
Effect of acquisitions (%)	0.2	1.8
Effect of disposals (%)	(0.1)	
Effect of exchange rates (%)	4.5	(4.8)
Turnover growth (%) ^(a)	10.9	2.4

Table of Contents

REFRESHMENT	2015 vs 2014	2014 vs 2013
Underlying sales growth (%)	5.4	3.8
Effect of acquisitions (%)	1.3	0.4
Effect of disposals (%)	(0.7)	(1.6)
Effect of exchange rates (%)	4.1	(4.6)
Turnover growth (%) ^(a)	10.3	(2.1)

^(a) Turnover growth is made up of distinct individual growth components namely underlying sales, currency impact, acquisitions and disposals. Turnover growth is arrived at by multiplying these individual components on a compounded basis as there is a currency impact on each of the other components. Accordingly, turnover growth is more than just the sum of the individual components.

UNDERLYING VOLUME GROWTH (UVG)

Underlying volume growth (UVG) is part of USG and means, for the applicable period, the increase in turnover in such period calculated as the sum of (i) the increase in turnover attributable to the volume of products sold; and (ii) the increase in turnover attributable to the composition of products sold during such period. UVG therefore excludes any impact to USG due to changes in prices.

The relationship between the two measures is set out below:

	2015 vs 2014	2014 vs 2013
Underlying volume growth (%)	2.1	1.0
Effect of price changes (%)	1.9	1.9
Underlying sales growth (%)	4.1	2.9

CORE OPERATING PROFIT AND CORE OPERATING MARGIN

Core operating profit and core operating margin mean operating profit and operating margin, respectively, before the impact of business disposals, acquisition and disposal related costs, impairments and other one-off items, which we collectively term non-core items, due to their nature and frequency of occurrence.

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

	million 2015	million 2014
Operating profit	7,515	7,980

Acquisition and disposal related cost	105	97
(Gain)/loss on disposal of group companies	9	(1,392)
Impairments and other one-off items	236	335
Core operating profit	7,865	7,020
Turnover	53,272	48,436
Operating margin	14.1%	16.5%
Core operating margin	14.8%	14.5%

Further details of non-core items can be found in note 3 on page 98 of the Governance and Financial Report.

CORE EARNINGS PER SHARE

The Group also refers to core earnings per share (core EPS). In calculating core earnings, net profit attributable to shareholders equity is adjusted to eliminate the post tax impact of non-core items. Refer to note 7 on page 108 of the Governance and Financial Report for reconciliation of core earnings to net profit attributable to shareholders equity.

FREE CASH FLOW (FCF)

Within the Unilever Group, free cash flow (FCF) is defined as cash flow from operating activities, less income taxes paid, net capital expenditures and net interest payments and preference dividends paid. It does not represent residual cash flows entirely available for discretionary purposes; for example, the repayment of principal amounts borrowed is not deducted from FCF. FCF reflects an additional way of viewing our liquidity that we believe is useful to investors because it represents cash flows that could be used for distribution of dividends, repayment of debt or to fund our strategic initiatives, including acquisitions, if any.

The reconciliation of FCF to net profit is as follows:

	million 2015	million 2014
Net profit	5,259	5,515
Taxation	1,961	2,131
Share of net profit of joint ventures/associates and other income from non-current investments	(198)	(143)
Net finance costs	493	477
Depreciation, amortisation and impairment	1,370	1,432
Changes in working capital	720	8
Pensions and similar obligations less payments	(385)	(364)
Provisions less payments	(94)	32
Elimination of (profits)/losses on disposals	26	(1,460)
Non-cash charge for share-based compensation	150	188
Other adjustments	49	38
Cash flow from operating activities	9,351	7,854
Income tax paid	(2,021)	(2,311)
Net capital expenditure	(2,074)	(2,045)
Net interest and preference dividends paid	(460)	(398)
Free cash flow	4,796	3,100

Net cash flow (used in)/from investing activities	(3,539)	(341)
Net cash flow (used in)/from financing activities	(3,032)	(5,190)
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 2015	million 2014
Total financial liabilities	(14,643)	(12,722)
Current financial liabilities	(4,789)	(5,536)
Non-current financial liabilities	(9,854)	(7,186)
Cash and cash equivalents as per balance sheet	2,302	2,151
Cash and cash equivalents as per cash flow statement	2,128	1,910
Add bank overdrafts deducted therein	174	241
Other current financial assets	836	671
Net debt	(11,505)	(9,900)

Table of Contents**OUR PRINCIPAL RISKS**

Our business is subject to risks and uncertainties. On the following pages we have identified risks that we regard as the most relevant to our business. These are the risks that we see as material to Unilever's business and performance at this time. There may be other risks that could emerge in the future. Further details of risks and mitigating factors can be found on pages 53 to 57.

pages 53 to 57 of the Governance and Financial Report

PRINCIPAL RISK**DESCRIPTION OF RISK****BRAND PREFERENCE**

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

Consumer tastes, preferences and behaviours are constantly changing and Unilever's ability to anticipate and 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. If we are unable to innovate effectively, Unilever's sales or margins could be materially adversely affected.

PORTFOLIO MANAGEMENT

Unilever's strategic investment choices will affect 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. If Unilever does not make optimal strategic investment decisions then opportunities for growth and improved margin could be missed.

SUSTAINABILITY

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

Unilever's vision to accelerate growth in the business while reducing our environmental footprint and increasing our positive social impact will require more sustainable ways of doing business. This means reducing our environmental footprint while increasing the positive social benefits of Unilever's activities. We are dependent on the efforts of partners and various certification bodies to achieve our sustainability goals. There can be no assurance that sustainable business solutions will be developed and failure to do so could limit Unilever's growth and profit potential and damage our corporate reputation.

CUSTOMER RELATIONSHIPS

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

Maintaining strong relationships with our existing customers and building relationships with new customers who serve changing shopper habits are necessary to ensure our brands are 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 competitive trade terms. Failure to maintain strong relationships with customers could negatively impact the terms of business with the affected customers and reduce the availability of our products to consumers.

TALENT & ORGANISATION

A skilled workforce and agile organisation are essential for the continued success of our business.

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

This is especially true in our key emerging markets where there can be a high level of competition for a limited talent pool. The loss of management or other key personnel or the inability to identify, attract and retain qualified personnel could make it difficult to manage the business and could adversely affect operations and financial results.

SUPPLY CHAIN

Our business depends on purchasing 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 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.

SAFE AND HIGH QUALITY PRODUCTS

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

SYSTEMS AND INFORMATION

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

The risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error, equipment failure or other factors cannot be excluded.

Increasing digital interactions with customers, suppliers and consumers 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.

Disruption of our IT systems could inhibit our business operations in a number of ways, including disruption to sales, production and cash flows, ultimately impacting our results.

There is also a threat from unauthorised access and misuse of sensitive information. Unilever's information systems could be subject to unauthorised access or the mistaken disclosure of information which disrupts Unilever's business and/or leads to loss of assets.

Table of Contents**PRINCIPAL RISK****BUSINESS****TRANSFORMATION**

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

DESCRIPTION OF RISK

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

Failure to execute such transactions or change projects successfully, or performance issues with third party outsourced providers on which we are dependent, could result in under-delivery of the expected benefits. Furthermore, disruption may be caused in other parts of the business.

EXTERNAL ECONOMIC AND**POLITICAL RISKS AND NATURAL DISASTERS**

Unilever operates around 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 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 2015, 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 related economic, political and social volatility.

TREASURY AND PENSIONS

Unilever is exposed to a variety of external financial risks in relation to Treasury and Pensions.

The relative values 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, ie 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.

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 brands 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. Despite the commitment of Unilever to ethical business and the steps we take to adhere to this commitment, there remains a risk that activities or events cause us to fall short of our desired standard, resulting in damage to Unilever's corporate reputation and business results.

LEGAL AND REGULATORY

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

Unilever is subject to national and regional 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. Tax, in particular, is a complex area where laws and their interpretation are changing regularly, leading to the risk of unexpected tax exposures. International tax reform remains a key focus of attention with the OECD's Base Erosion & Profit Shifting project and the EU's action plan for fair and efficient corporation taxation.

Table of Contents

SUMMARY REMUNERATION REPORT

CHAIRMAN'S LETTER

DEAR SHAREHOLDERS,

As the new Compensation Committee Chair, I am pleased to present Unilever's 2015 Directors' Remuneration Report. I outline below our performance and the decisions we have made on remuneration, all of which have been made in the context of the Committee's long-held remuneration principles, as set out on page 68 of the Governance and Financial Report.

BUSINESS PERFORMANCE AND REMUNERATION OUTCOMES FOR 2015

ANNUAL BONUS – ANOTHER YEAR OF CONSISTENT PERFORMANCE DELIVERY

Despite a continuing tougher external environment, 2015 saw a good delivery of our targets for financial performance, operational excellence and sustainable development. Unilever's efforts to deliver sharper category strategies, greater focus on the core and the sustained investments we are making behind our innovations have improved growth. Despite the increasingly volatile environment, we achieved underlying sales growth of 4.1% with a step-up in volume growth and have continued to grow ahead of our markets. By challenging our costs and taking out any non-value-added activity that is not helping to build the business, we delivered core operating margin improvement of 0.3 percentage points.

In 2015 the Committee decided to focus on the importance of cash generation in view of lower global growth rates by replacing underlying volume growth with growth in free cash flow (FCF). For the purpose of the annual bonus calculations, we adjusted FCF delivery from 4.8 billion for one-offs to 4.3 billion (up 0.4 billion from last year). On a formulaic basis the outcome of Unilever's 2015 performance was 118% of target. Adjusting for quality of results and relative performance, the Committee agreed an above-par 2015 annual bonus outcome of 110% of target. The Committee believes this represents a fair assessment of Unilever's overall performance over 2015. Personal performance of the Executive Directors has been recognised by the Committee through the remuneration outcomes for 2015 with a bonus of 185% of salary (92% of maximum) for the CEO, Paul Polman, and a bonus of 110% of salary (73% of maximum) for the former CFO, Jean-Marc Huët.

**GLOBAL SHARE INCENTIVE PLAN (GSIP) AND MANAGEMENT CO-INVESTMENT PLAN (MCIP)
SUSTAINED PERFORMANCE DELIVERY**

Over the past three years, Unilever has delivered consistent financial performance. Underlying sales growth during this period was 3.8% per annum and core operating margin improvement over the period was an average of 0.37 percentage points per year, demonstrating management's drive for consistent top and bottom line growth. Unilever also generated strong operating cash in the period, with cumulative operating cash flow of 16.6 billion. Total shareholder return (TSR) over this three-year period was below the performance of many of our peers and, as such, no part of the GSIP and MCIP awards related to TSR will vest. On the basis of this performance, the Committee determined that the GSIP and MCIP awards to the end of 2015 will vest at 98% of initial award levels (ie 49% of maximum for GSIP and 65% of maximum for MCIP (which is capped at 150% for the Executive Directors)).

EXECUTIVE DIRECTOR CHANGES

Jean-Marc Huët stepped down from the role of CFO and Executive Director on 1 October 2015. Graeme Pitkethly became CFO on that same date and he will be proposed for election to the Boards at the AGMs in April 2016. In line with our shareholder-approved Remuneration Policy, Jean-Marc Huët was treated as a good leaver for 2013-2015 GSIP and MCIP awards with performance conditions to be measured at the normal vesting date and awards

being pro-rated for length of service. Full details of the payment relating to Jean-Marc Huët's cessation of employment are set out on page 78. Graeme Pitkethly's remuneration for his role as Executive Director with effect from the 2016 AGMs is structured wholly in line with our Remuneration Policy and details are set out on page 69.

REMUNERATION FOR 2016

In accordance with our Remuneration Policy, the base salary of Executive Directors is reviewed every year. The Committee undertook this review in November 2015. Based on his firmly established and sustained track record of good performance, the Committee believes further increases to the CEO's salary would be justified. However, it agreed to Paul Polman's request to not increase his base salary in light of his view that the CEO should be rewarded through performance-based pay rather than a salary increase. Annual bonus opportunity and GSIP and MCIP award levels will remain unchanged. The fees for the current Chairman and Non-Executive Directors will also be unchanged for 2016.

STRATEGIC LINKAGE OF REWARD TO BUSINESS PERFORMANCE

In preparation for the 2016 annual bonus and long-term incentive plan awards, the Committee has undertaken a review of the performance measures and targets that will determine vesting of these awards. Unilever's success is driven by continued focus on delivering consistent and competitive growth in a sustainable and profitable manner. Accordingly, underlying sales growth and core operating margin improvement are key measures in our annual bonus plan and long-term executive incentive plans. Cash flow generation remains central to the success of the business in terms of both returns to shareholders and investment for future growth and therefore remains a performance measure in both our annual bonus plan (free cash flow) and long-term incentive plans (operating cash flow). The Committee therefore concluded that the performance measures for our 2016 annual bonus plan and for the 2016-2018 performance cycle of our long-term executive incentive plans should remain unchanged. For reasons of commercial sensitivity the target ranges for our performance measures will be disclosed together with the outcomes of incentive plans at the end of the respective performance periods.

REMUNERATION FRAMEWORK

Having considered various alternatives, the Committee decided not to make material changes to Unilever's remuneration framework or Remuneration Policy for 2016. The current remuneration framework has served Unilever well and this view is endorsed generally by the majority of our largest shareholders whom Michael Treschow and I met in September 2015. Nonetheless, in advance of the renewal of Unilever's Remuneration Policy and the GSIP in 2017, we are continuing the process with a further full review of our remuneration framework in 2016.

This will ensure that future remuneration arrangements are fully aligned with our long-term strategy to deliver value to shareholders and that performance measures for incentive plans are transparent and fully aligned with our business plans. The Committee's views on this will be developed over the coming months and I look forward to consulting our shareholders and receiving feedback in shaping our proposals to extend, modify or replace our Remuneration Policy at the 2017 AGMs.

Ann Fudge

Chair of the Compensation Committee

Table of Contents

The following sets out how Unilever's Remuneration Policy, to be found at www.unilever.com/ara2015/downloads, was implemented in 2015. Further details of remuneration can be found on pages 66 to 83 of the Governance and Financial Report.

SINGLE FIGURE OF REMUNERATION IN 2015 FOR EXECUTIVE DIRECTORS (AUDITED)

The table below shows a single figure of remuneration for each of our Executive Directors, for the years 2014 and 2015.

Base salary and fixed allowance are set in sterling and remain unchanged from 2014 through 2015, please read the notes below the table for more information	Paul Polman		Jean-Marc Huët	
	CEO (UK)		CFO (UK)	
	(000)		(000)	
	2015	2014	2015 ^(a)	2014
(A) Base salary ^(b)	1,392	1,251	738	885
(B) Fixed allowances and other benefits ^(c)	901	787	273	377
(C) Annual bonus	2,573	1,652	812	778
Long-term incentives (D) MCIP matching shares (required by UK law)	1,972	1,803	382	370
Long-term incentives (E) GSIP performance shares (required by UK law)	3,404	3,923	1,820	3,022
Long-term incentives (sub-total)	5,376	5,726	2,202	3,392
(F) Conditional supplemental pension ^(d)	161	145	n/a	n/a
Total remuneration paid (required by UK law) (A+B+C+D+E+F)	10,403	9,561	4,025	5,432
(G) Share awards (required by Dutch law) ^(e)	3,274	4,206	573	2,249
Total remuneration paid (required by Dutch law) (A+B+C+F+G)	8,301	8,041	2,396	4,289

Where relevant, amounts for 2015 have been translated into euros using the average exchange rate over 2015 (1 = £0.7254). Amounts for 2014 have been translated into euros using the average exchange rate over 2014 (1 = £0.8071), excluding amounts in respect of MCIP and GSIP which have been translated into euros using the exchange rate at vesting date of 17 February 2015 (1 = £0.7383).

^(a) The 2015 figures relate to amounts paid or payable to Jean-Marc Huët for his services between 1 January 2015 and 1 October 2015, the date that Jean-Marc Huët ceased to be CFO and an Executive Director of Unilever. Details regarding his leaving arrangements can be found on page 78 of the Governance and Financial Report.

- (b) Salary set in sterling and paid in 2015: CEO £1,010,000 and CFO £535,500.
- (c) Includes the fixed allowance, medical insurance cover and actual tax return preparation costs, provision of death-in-service benefits and administration, and payment to protect against differences between employee social security obligations in country of residence versus UK (not applicable to Jean-Marc Huët).
- (d) Conditional supplemental pension provision agreed with Paul Polman on hiring, which is conditional on his remaining in employment with Unilever to age 60 and subsequently retiring from active service or his death or total disability prior to retirement. This was £117,123, based on 12% of a capped salary of £976,028 for 2015.
- (e) As per the Dutch requirements, these costs are non-cash costs and relate to the expenses recognised for the period following IFRS 2. This is based on share prices on grant dates, a 98% adjustment factor for GSIP shares and MCIP matching shares awarded in 2015, 2014 and 2013.

SINGLE FIGURE OF REMUNERATION IN 2015 FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below shows a single figure of remuneration for each of our Non-Executive Directors, for the years 2014 and 2015.

Non-Executive Director	2015			2014		
	Fees ^(a) 000	Benefits ^(b) 000	Total remuneration 000	Fees ^(a) 000	Benefits ^(b) 000	Total remuneration 000
Michael Treschow ^(c)	732	2	734	654	3	657
Nils Andersen	75	4	79	n/a	n/a	n/a
Laura Cha	122		122	101		101
Vittorio Colao	57		57	n/a	n/a	n/a
Louise Fresco ^(d)	126		126	113		113
Ann Fudge ^(e)	149		149	101	11	112
Charles Golden ^(f)	n/a	n/a	n/a	42		42
Byron Grote ^(g)	47		47	125		125
Judith Hartmann	80		80	n/a	n/a	n/a
Mary Ma	120		120	107		107
Hixonia Nyasulu	120		120	107		107
Sir Malcolm Rifkind ^(g)	38		38	101		101
John Rishton ^(h)	133		133	107		107
Feike Sijbesma ⁽ⁱ⁾	126	1	127	15	1	16
Kees Storm ^(g)	73		73	196	3	199
Paul Walsh ^(g)	42		42	113	2	115
Total	2,040	7	2,047	1,882	20	1,902

(a) This includes fees received from NV in euros and PLC in sterling for 2014 and 2015 respectively. Includes basic Non-Executive Director fee and Committee chairmanship and/or membership.

(b) The only benefit received relates to travel by spouses or partners where they are invited by Unilever.

(c) Chairman.

(d) Chair, Corporate Responsibility Committee.

(e) Vice-Chairman and Chair of the Compensation Committee.

(f) Chose not to put himself forward for re-election at the May 2014 AGMs.

(g) Chose not to put himself forward for re-election at the April 2015 AGMs.

(h) Chair, Audit Committee.

(i) Chair, Nominating and Corporate Governance Committee.

Table of Contents**SHAREHOLDER INFORMATION****FINANCIAL CALENDAR****ANNUAL GENERAL MEETINGS**

	Date	Voting Record date	Voting and Registration date
PLC	1.30pm 20 April 2016		18 April 2016
NV	1.30pm 21 April 2016	24 March 2016	14 April 2016

QUARTERLY DIVIDENDS

Dates listed below are applicable to all four Unilever listings (NV ordinary shares, PLC ordinary shares, NV New York shares, and PLC ADRs).

	Announced	NV NY and PLC ADR ex-dividend date	NV and PLC ex-dividend date	Record date	Payment date
Quarterly dividend announced with the Q4 2015 results	19 January 2016	3 February 2016	4 February 2016	5 February 2016	9 March 2016
Quarterly dividend announced with the Q1 2016 results	14 April 2016	27 April 2016	28 April 2016	29 April 2016	1 June 2016
Quarterly dividend announced with the Q2 2016 results*	21 July 2016	3 August 2016	4 August 2016	5 August 2016	7 September 2016
Quarterly dividend announced with the Q3 2016 results	13 October 2016	26 October 2016	27 October 2016	28 October 2016	7 December 2016

* Also applicable for preferential dividends NV

CONTACT DETAILS

Unilever N.V. and Unilever PLC

100 Victoria Embankment

London EC4Y 0DY

United Kingdom

Institutional Investors telephone +44 (0)20 7822 6830

Any queries can also be sent to us electronically via www.unilever.com/resource/contactus

Private Shareholders telephone +44 (0)20 7822 5500

Private Shareholders can email us at

shareholder.services@unilever.com

SHARE REGISTRATION

THE NETHERLANDS

SGG Netherlands N.V.

Hoogoorddreef 15

1101 BA Amsterdam

Telephone	+31 (0)20 522 25 55
Telefax	+31 (0)20 522 25 35
Website	www.sgggroup.com
Email	registers@sgggroup.com

UK

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Telephone	+44 (0)370 600 3977
Telefax	+44 (0)370 703 6101
Website	www.investorcentre.co.uk
Email	webcorres@computershare.co.uk

US

American Stock Transfer & Trust Company

Operations Center

6201 15th Avenue

Brooklyn, NY 11219

Toll-free number +1 866 249 2593
Direct dial +1 718 921 8124
Email DB@amstock.com

WEBSITE

Shareholders are encouraged to visit our website www.unilever.com which has a wealth of information about Unilever.

There is a section designed specifically for investors at www.unilever.com/investorrelations. It includes detailed coverage of the Unilever share price, our quarterly and annual results, performance charts, financial news and investor relations speeches and presentations. It also includes conference and investor/analyst presentations.

You can also view this year's Annual Report and Accounts, and those for prior years, at www.unilever.com/investorrelations.

PLC shareholders can elect to receive their shareholder communications such as the Annual Report and Accounts and other shareholder documents electronically by registering at www.unilever.com/shareholderservices.

PUBLICATIONS

The Strategic Report is only part of the Annual Report and Accounts 2015 and, together with the governance section of the Governance and Financial Report, constitutes the report of the Directors within the meaning of Section 2:391 of the Dutch Civil Code. Copies of the Strategic Report, the Governance and Financial Report, and the public documents referred to below can be accessed directly or ordered through www.unilever.com/investorrelations.

UNILEVER ANNUAL REPORT AND ACCOUNTS 2015

The Unilever Annual Report and Accounts 2015 comprises the Strategic Report and the Governance and Financial Report which is available in English with figures in euros. It forms the basis for the Form 20-F that is filed with the United States Securities and Exchange Commission, which is also available free of charge at www.sec.gov.

QUARTERLY RESULTS ANNOUNCEMENTS

Available in English with figures in euros.

Table of Contents

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, looks, believes, vision, or the negative of these terms 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 Unilever Group (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. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; Unilever's ability to innovate and remain competitive; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters.

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.

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 in the Group's Annual Report on Form 20-F for the year ended 31 December 2015 and the Annual Report and Accounts 2015.

This document is not prepared in accordance with US GAAP and should not therefore be relied upon by readers as such. The Group's Annual Report on Form 20-F for 2015 is separately filed with the US Securities and Exchange Commission and is available on our corporate website www.unilever.com.

In addition, a printed copy of the Annual Report on Form 20-F is available, free of charge, upon request to Unilever, Investor Relations Department, 100 Victoria Embankment, London EC4Y 0DY, United Kingdom.

This 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.

The brand names shown in this report are trademarks owned by or licensed to companies within the Group.

References in this document to information on websites (and/or social media sites) are included as an aid to their location and such information is not incorporated in, and does not form part of, the Annual Report and Accounts 2015 or Annual Report on Form 20-F with the exception of the explanations and disclaimers which can be accessed via KPMG's website: www.kpmg.com/uk/auditscopeukco2014b, which is incorporated into the Auditors' Reports in the

Annual Report and Accounts 2015 as if set out in full.

Designed and produced by Unilever Communications in conjunction with Addison Group at www.addison-group.net.

Photography by Frank Aiello, Liam Arthur, Namas Bhojani, Rahmat Budi, Benoît Delamare, Oliver Edwards, Igor Emmerich, Andrew Esiebo, Caio Gallucci, Philip Gatward, Michael Heffernan, Ifeanyi Iloduba, Alberto Martin, Philip Reeson, Frédéric Remouchamps, Claudio Sforza, Hazel Thompson, Rian Ardi Wakito, Jessie Watford, James Woolley, Cubo.cc, Getty, Shutterstock and from the Unilever image library.

Zero-based budgeting graphic on page 12 owned by Accenture.

Printed at Pureprint Group, ISO 14001. FSC® certified and CarbonNeutral®.

This document is printed on Amadeus 100% Recycled Silk. This paper has been exclusively supplied by Denmaur Independent Papers which has offset the carbon produced by the production and delivery of it to the printer.

This paper is 100% recycled and manufactured using de-inked post-consumer waste. All the pulp is bleached using an elemental chlorine free process (ECF). Printed in the UK by Pureprint using its alcofree® and pureprint® environmental printing technology. Vegetable inks were used throughout. Pureprint is a CarbonNeutral® company. Both the manufacturing mill and the printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

If you have finished with this document and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your recycled paper waste. Thank you.

Table of Contents

Table of Contents

Table of Contents

CONTENTS

GOVERNANCE

<u>Corporate governance</u>	45
<u>Risks</u>	53
<u>Biographies</u>	58
<u>Report of the Audit Committee</u>	60
<u>Report of the Corporate Responsibility Committee</u>	62
<u>Report of the Nominating and Corporate Governance Committee</u>	64
<u>Directors Remuneration Report</u>	66

FINANCIAL STATEMENTS

<u>Statement of Directors responsibilities</u>	84
<u>Independent auditors reports</u>	85
<u>Consolidated income statement</u>	90
<u>Consolidated statement of comprehensive income</u>	90
<u>Consolidated statement of changes in equity</u>	91
<u>Consolidated balance sheet</u>	92
<u>Consolidated cash flow statement</u>	93
<u>Notes to the consolidated financial statements</u>	94
1 <u>Accounting information and policies</u>	94
2 <u>Segment information</u>	96
3 <u>Gross profit and operating costs</u>	98
4 <u>Employees</u>	99
<u>4A Staff and management costs</u>	99
<u>4B Pensions and similar obligations</u>	99
<u>4C Share-based compensation plans</u>	104
5 <u>Net finance costs</u>	105
6 <u>Taxation</u>	106
<u>6A Income tax</u>	106
<u>6B Deferred tax</u>	106
<u>6C Tax on other comprehensive income</u>	108
7 <u>Combined earnings per share</u>	108
8 <u>Dividends on ordinary capital</u>	109

9	<u>Goodwill and intangible assets</u>	109
10	<u>Property, plant and equipment</u>	111
11	<u>Other non-current assets</u>	112
12	<u>Inventories</u>	113
Notes to the consolidated financial statements (continued)		
13	<u>Trade and other current receivables</u>	113
14	<u>Trade payables and other liabilities</u>	114
15	<u>Capital and funding</u>	115
	<u>15A Share capital</u>	116
	<u>15B Equity</u>	117
	<u>15C Financial liabilities</u>	119
16	<u>Treasury risk management</u>	120
	<u>16A Management of liquidity risk</u>	120
	<u>16B Management of market risk</u>	122
	<u>16C Derivatives and hedging</u>	124
17	<u>Investment and return</u>	125
	<u>17A Financial assets</u>	126
	<u>17B Credit risk</u>	127
18	<u>Financial instruments fair value risk</u>	127
19	<u>Provisions</u>	129
20	<u>Commitments and contingent liabilities</u>	130
21	<u>Acquisitions and disposals</u>	131
22	<u>Assets and liabilities held for sale</u>	134
23	<u>Related party transactions</u>	134
24	<u>Purchase of Estate shares convertible to Unilever PLC shares in 2038</u>	135
25	<u>Remuneration of auditors</u>	135
26	<u>Events after the balance sheet date</u>	135
27	<u>Group companies</u>	136
<u>Company accounts Unilever N.V.</u>		148
<u>Notes to the Company accounts Unilever N.V.</u>		149
<u>Further statutory and other information Unilever N.V.</u>		154
<u>Company accounts Unilever PLC</u>		155
<u>Notes to the Company accounts Unilever PLC</u>		156
<u>Index</u>		160

The Directors Report of Unilever PLC on pages 45-65, 84 (Statement of Directors responsibilities), 109 (Dividends on ordinary capital), 120-125 (Treasury risk management), 147 (branch disclosure) and 154 and 158 (Post balance sheet event) has been approved by the PLC Board and signed on its behalf by Tonia Lovell Group Secretary.

The Strategic Report, together with the governance section of the Governance and Financial Report, constitutes the report of the Directors within the meaning of Section 2:391 of the Dutch Civil Code and has been approved by the NV Board and signed on its behalf by Tonia Lovell Group Secretary.

OUR ANNUAL REPORT AND ACCOUNTS 2015 IS IN TWO PARTS:

OUR STRATEGIC REPORT

The Strategic Report contains information about us, how we create value and how we run our business. It includes our strategy, business model, markets and Key Performance Indicators, as well as our approach to sustainability and risk.

GOVERNANCE AND FINANCIAL REPORT

The Governance and Financial Report contains detailed corporate governance information, how we mitigate risk, our Committee reports and how we remunerate our Directors, plus our Financial Statements and Notes.

ONLINE

You can find more information about Unilever online at www.unilever.com. For the latest information on the USLP visit www.unilever.com/sustainable-living. Our Strategic Report and Governance and Financial Report, along with other relevant documents, can be downloaded at www.unilever.com/ara2015/downloads.

Table of Contents

GOVERNANCE

CORPORATE GOVERNANCE

GOVERNANCE OF UNILEVER

ABOUT UNILEVER

Unilever N.V. (NV) and Unilever PLC (PLC), together with their group companies have, since the Unilever Group was formed in 1930, operated as nearly as practicable as a single economic entity. This is achieved by special provisions in the Articles of Association of NV and PLC, together with a series of agreements between NV and PLC which are together known as the Foundation Agreements (described below). These agreements enable Unilever to achieve unity of management, operations, shareholders' rights, purpose and mission and can be found on our website.

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 and also regulates the mutual rights of the shareholders of NV* and PLC. Under this agreement, NV and PLC must adopt the same financial periods and accounting policies.

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 Group throughout the world. The Deed also contains provisions for the allocation of assets between NV and PLC.

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 and the other's subsidiaries. These arrangements are used, as a matter of financial policy, for certain significant borrowings. They enable lenders to rely on our combined financial strength.

Each NV ordinary share represents the same underlying economic interest in the Unilever Group as each PLC ordinary share. 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. 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, all of which can be found on our website.

*Throughout this report when referring to NV shares or shareholders the term 'shares' or 'shareholder' also encompasses a depositary receipt or a holder of depositary receipts.

www.unilever.com/legalstructure

BOARDS

The Boards of NV and PLC have ultimate responsibility for the management, general affairs, direction, performance and long-term success of our business as a whole. The Boards are one-tier boards, the same people are on both Boards and the responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The majority of the Directors are Non-Executive Directors who essentially have a supervisory role. Until 1 October 2015 Unilever continued to have two Executive Directors, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who are also members of the Unilever Leadership Executive (ULE). Jean-Marc Huët, the CFO, resigned with effect from 1 October 2015. His successor as CFO, Graeme Pitkethly, became a member of the ULE and the CFO on 1 October 2015 and will be proposed to be appointed as an Executive Director at the 2016 AGMs.

A list of our current Directors, their roles on the Boards, their dates of appointment and their other major appointments is set out on page 58.

The Boards have delegated the operational running of the Group to the CEO with the exception of the following matters which are reserved for the Boards: structural and constitutional matters, corporate governance, approval of dividends, approval of overall strategy for the Group, approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and disposals, capital expenditure, contracts, litigation, financing and pensions. The CEO is responsible to the Boards and is able to delegate any of his powers and discretions which he does to members of the ULE. The ULE is chaired by and reports to the CEO. The biographies of ULE members are on page 59.

BOARD COMMITTEES

The Boards have established four Board Committees: the Audit Committee, the Compensation Committee, the Corporate Responsibility Committee and the Nominating and Corporate Governance Committee. The terms of reference of these Committees can be found on our website and the reports of each Committee, including attendance at meetings in 2015, can be found on pages 60 to 83.

www.unilever.com/committees

THE GOVERNANCE OF UNILEVER

Further details of the roles and responsibilities of the Chairman, Vice-Chairman, CEO and other corporate officers and 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 on our website.

The Governance of Unilever also describes the Foundation Agreements, Directors' appointment, tenure, induction and training, Directors' ability to seek independent advice at Unilever's expense and details about Board and Management Committees (including the Disclosure Committee).

www.unilever.com/corporategovernance

BOARD EFFECTIVENESS

BOARD MEETINGS

A minimum of five face-to-face meetings are planned throughout the calendar year to consider, for example, the half-year and full-year results announcements of the Group and the Annual Report and Accounts. Other Board meetings and telephone conferences are held to discuss matters that arise as well as Group strategic issues. Meetings of the Boards may be held either in London or in Rotterdam or such other locations as the Boards think fit, with one or two off-site Board meetings a year. The Chairman sets the Boards' agenda, ensures the Directors receive accurate, timely and clear information, and promotes effective relationships and open communication between the Executive and Non-Executive Directors.

In 2015 the Boards met physically in January, March, April, July, September and November and considered important corporate events and actions, such as:

- developing and approval of the overall strategy;
- oversight of the performance of the business;
- review of risks and internal risk management and control systems;
- authorisation of major transactions;
- declaration of dividends;
- convening of shareholders' meetings;
- nominations for Board appointments, including Chairman and CFO succession;
- review of the functioning of the Boards and their Committees; and
- review of corporate responsibility and sustainability, in particular the Unilever Sustainable Living Plan.

Table of Contents

CORPORATE GOVERNANCE CONTINUED

ATTENDANCE

The following table shows the attendance of Directors at Board meetings in 2015. If Directors are unable to attend a Board meeting they have the opportunity beforehand to discuss any agenda items with the Chairman. Attendance is expressed as the number of meetings attended out of the number eligible to be attended.

	Main Board
Michael Treschow ^(a)	8 / 8
Ann Fudge ^(b)	8 / 8
Paul Polman ^(c)	8 / 8
Jean-Marc Huët ^(d)	5 / 6
Nils Andersen ^(e)	4 / 4
Laura Cha	6 / 8
Vittorio Colao ^(f)	3 / 4
Louise Fresco	8 / 8
Byron Grote ^(g)	4 / 4
Judith Hartmann ^(e)	4 / 4
Mary Ma	7 / 8
Hixonia Nyasulu	7 / 8
Sir Malcolm Rifkind ^(g)	2 / 4
John Rishton	7 / 8
Feike Sijbesma	7 / 8
Kees Storm ^(g)	3 / 4
Paul Walsh ^(g)	4 / 4

^(a) Chairman

^(b) Vice-Chairman/Senior Independent Director with effect from 30 April 2015

^(c) Executive Director

^(d) Executive Director until his resignation with effect from 1 October 2015

^(e) Appointed to the Boards with effect from 30 April 2015

^(f) Appointed to the Boards with effect from 1 July 2015

^(g) Retired from the Boards on 30 April 2015

NON-EXECUTIVE DIRECTOR MEETINGS

The Non-Executive Directors meet as a group, without the Executive Directors present, to consider specific agenda items set by them, usually four or five times a year. In 2015 they met six times. The Chairman, or in his absence the

Vice-Chairman and Senior Independent Director, chairs such meetings.

BOARD EVALUATION

Each year the Boards formally assess their own performance with the aim of helping to improve the effectiveness of both the Boards and the Committees and at least once every three years an independent third party facilitates the evaluation. The last external evaluation was performed in 2014. The evaluation consists of individual interviews with the Directors by the Chairman and, when relevant, by the external evaluator. These interviews complement our annual process of completion by all Directors of three confidential online evaluation questionnaires on our Boards, CEO and Chairman. In this year's evaluation the Board questionnaire was simplified and shortened and invited comments on a number of key areas including Board responsibility, operations, effectiveness, training and knowledge. The Chairman's Statement on page 4 describes the key actions agreed by the Boards following that evaluation.

In addition to the evaluation of the Boards' effectiveness, each year the Chairman conducts a process of evaluating the performance and contribution of each Director which includes a one-to-one performance and feedback discussion with each Director. The evaluation of the performance of the Chairman is led by the Vice-Chairman and Senior Independent Director and the Chairman leads the evaluation of the CEO, both using 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. The key actions agreed by each Committee in this year's evaluation can be found in each Committee Report.

APPOINTMENT

In seeking 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. 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 he or she will be unable to take his or her place on either Board.

The report of the Nominating and Corporate Governance Committee (NCGC) on pages 64 and 65 describes the work of the NCGC in Board appointments and recommendations for re-election. In addition, shareholders are able to nominate Directors. The procedure for shareholders to nominate Directors is contained within the document entitled 'Appointment procedure for NV and PLC Directors' which is available on our website. To do so they must put a resolution to both the NV and PLC AGMs in line with local requirements. Directors are appointed by shareholders by a simple majority vote at each AGM.

www.unilever.com/boardsofunilever

DIRECTOR INDUCTION AND TRAINING

All Directors receive induction on joining the Boards and a new, and more comprehensive, induction programme was put in place in 2015. The Chairman ensures that ongoing training is provided for Directors by way of site visits, presentations and circulated updates at (and between) Board and Board Committee meetings on, among other things, Unilever's business, environmental, social, corporate governance, regulatory developments and investor relations matters. Details of the training provided to the Directors in 2015 can be found in the Chairman's Statement on page 4.

INDEPENDENCE AND CONFLICTS

As the Non-Executive Directors make up the Committees of the Boards, it is important that they can be considered to be independent. Each year the Boards conduct a thorough review of the Non-Executive Directors, and their related or connected persons, relevant relationships referencing the criteria set out in 'The Governance of Unilever' which is

derived from the relevant best practice guidelines in the Netherlands, UK and US. The Boards currently consider all our Non-Executive Directors to be independent of Unilever.

We attach special importance to avoiding conflicts of interest between NV and PLC and their respective Directors. The Boards ensure that there are effective procedures in place to avoid conflicts of interest by Board members. If appropriate, authorisation of situational conflicts is given by the Boards to the relevant Director. The authorisation includes conditions relating to keeping Unilever information confidential and to the Director's 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 situation in which he or she has a conflict of interest. The procedures that Unilever has put in place to deal with conflicts of interest operate effectively.

Unilever recognises the benefit to the individual and the Group of senior executives acting as directors of other companies but, to ensure outside directorships of our Executive Directors do not involve an excessive commitment or conflict of interest, the number of outside directorships of listed companies is generally limited to one per Executive Director and approval is required from the Chairman.

Table of Contents

INDEMNIFICATION

The terms of NV Directors' indemnification are provided for in NV's Articles of Association. The power to indemnify PLC 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 2015 and is currently in force.

In addition, PLC provides indemnities (including, where applicable, a qualifying pension scheme indemnity provision) to the Directors of three subsidiaries each of which acts as trustee of a Unilever UK pension fund. Appropriate trustee liability insurance is also in place.

OUR SHARES

NV SHARES

SHARE CAPITAL

NV's issued share capital on 31 December 2015 was made up of:

274,356,432 split into 1,714,727,700 ordinary shares of €0.16 each;
1,028,568 split into 2,400 special ordinary shares numbered 1 – 2,400 known as special ordinary shares; and
81,454,014 split into two classes (6% and 7%) of cumulative preference shares*.

* These shares are included within liabilities (note 15C).

LISTINGS

NV has listings of ordinary shares, 6% and 7% cumulative preference shares and depositary receipts for such ordinary shares and 7% cumulative preference shares on Euronext Amsterdam and a listing of New York Registry Shares* on the New York Stock Exchange.

* One New York Registry Share represents one NV ordinary share with a nominal value of €0.16.

VOTING RIGHTS

NV shareholders can cast one vote for each 0.16 nominal capital they hold and can vote in person or by proxy. The voting rights attached to NV's outstanding shares are split as follows:

	Total number of votes	% of issued capital
1,714,727,700 ordinary shares	1,714,727,700^(a)	76.89
2,400 special shares	6,428,550	0.29
161,060 6% cumulative preference shares	431,409,276^(b)	19.34
29,000 7% cumulative preference shares	77,678,313^(c)	3.48

As at 31 December 2015:

(a) 141,560,629 shares were held in treasury and 11,077,932 shares were held to satisfy obligations under share-based incentive schemes.

(b) 37,679 6% cumulative preference shares were held in treasury.

(c) 7,562 7% cumulative preference shares were held in treasury.
The special shares and the shares under (a), (b) and (c) are not voted on.

SHARE ISSUES AND BUY BACKS

NV may issue shares not yet issued and grant rights to subscribe for shares only pursuant to a resolution of the General Meeting or of another corporate body designated for such purpose by a resolution of the General Meeting. At the NV AGM held on 29 April 2015 the Board of NV was designated as the corporate body authorised to resolve on the issue of, or on the granting of rights to subscribe for, shares not yet issued and to restrict or exclude the statutory pre-emption rights that accrue to shareholders upon issue of shares, on the understanding that this authority is limited to 10% of the issued share capital of NV, plus an additional 10% of the issued share capital of NV in connection with or on the occasion of mergers, acquisitions or strategic alliances.

At the 2015 NV AGM the Board of NV was also authorised to cause NV to buy back its own shares or depositary receipts thereof, with a maximum of 10% of issued share capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than 0.01 (one euro cent) and not higher than 10% above the average of the closing price of the shares on the trading venue where the purchase is carried out for the five business days before the day on which the purchase is made.

These authorities expire on the earlier of the conclusion of the 2016 NV AGM or the close of business on 30 June 2016 (the last date by which NV must hold an AGM in 2016). Such authorities are renewed annually and authority will be sought at NV's 2016 AGM.

During 2015 Unilever group companies purchased 373,000 NV ordinary shares, representing 0.02% of the issued share capital, for 13,787,337 and 2,969,212 NV New York Registry Shares, representing 0.17% of the issued share capital, for 116,956,117. These purchases were made to facilitate grants made in connection with Unilever's employee compensation programmes. No NV 6% cumulative preference shares nor NV 7% cumulative preference shares were purchased by Unilever group companies during 2015. Further information on these purchases can be found in note 4 to the consolidated accounts on pages 104 and 105.

NV SPECIAL ORDINARY SHARES

To ensure unity of management, the provisions within the NV Articles of Association containing the rules for appointing NV Directors cannot be changed without the permission of the holders of the special ordinary shares numbered 1 – 2,400 inclusive. These NV special ordinary shares may only be transferred to one or more other holders of such shares. The joint holders of these shares are N.V. Elma and United Holdings Limited, which are subsidiaries of NV and PLC respectively. The Boards of N.V. Elma and United Holdings Limited comprise the members of the Nominating and Corporate Governance Committee.

TRUST OFFICE

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

Table of Contents

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 Trust Office. There are no limitations on the holders' voting rights, they can attend all General Meetings of NV, either personally or by proxy, and have the right to speak. The Trust Office only votes shares that are not represented at a General Meeting. The Trust Office votes in such a way as it deems to be in the long-term 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 Trust Office's shareholding fluctuates daily. Its holdings on 31 December 2015 were 1,374,039,272 NV ordinary shares (80.13%) and 9,817 NV 7% cumulative preference shares (33.85%).

The members of the board at the Trust Office are Mr J H Schraven (chairman), Mr P P de Koning, Ms C M S Smits-Nusteling and Mr A A Olijslager. The Trust Office reports periodically on its activities. Further information on the Trust Office, including its Articles of Association, Conditions of Administration and Voting Policy, can be found on its website.

Unilever considers the arrangements of the Trust Office to be appropriate and in the interests 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.

www.administratiekantoor-unilever.nl

PLC SHARES

SHARE CAPITAL

PLC's issued share capital on 31 December 2015 was made up of:

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

LISTINGS

PLC has shares listed on the London Stock Exchange and, as American Depositary Receipts*, on the New York Stock Exchange.

* One American Depository Receipt represents one PLC ordinary share with a nominal value of 3¹/₉p.

VOTING RIGHTS

PLC shareholders can cast one vote for each 3¹/₉p nominal capital they hold, and can vote in person or by proxy. This means that shareholders can cast one vote for each PLC ordinary share or PLC American Depository Receipt of Shares. Therefore, the total number of voting rights attached to PLC's outstanding shares is as follows:

	Total number of votes% of issued capital	
1,310,156,361 ordinary shares	1,310,156,361^(a)	99.76
£100,000 deferred stock	3,214,285	0.24
As at 31 December 2015:		

^(a) Of which 26,696,994 shares were held by PLC in treasury and 6,694,215 shares were held by NV group companies. These shares are not voted on.

SHARE ISSUES AND BUY BACKS

The PLC Board may, subject to the UK Companies Act 2006 and the passing of the appropriate resolutions at a General Meeting, issue shares within the limits prescribed within the resolutions. At the PLC 2015 AGM held on 30 April 2015 the PLC Directors were authorised to issue new shares, up to a maximum of £13,300,000 nominal value (which at the time represented approximately 33% of PLC's issued ordinary share capital) and to disapply preemption rights up to approximately 5% of PLC's issued ordinary share capital.

In addition, at PLC's 2015 AGM the PLC Board was authorised to make market purchases of its ordinary shares, up to a maximum of 128,345,000 shares representing just under 10% of PLC's issued ordinary share capital and within the limits prescribed in the resolution until the earlier of the conclusion of PLC's 2016 AGM and 30 June 2016. These authorities are renewed annually and authority will be sought at PLC's 2016 AGM.

During 2015 Unilever group companies purchased 1,664,000 PLC ordinary shares, representing 0.13% of the issued capital, for 64,388,675 and 438,300 PLC American Depository Receipts, representing 0.03% of the issued capital, for 18,220,076. These purchases were made to facilitate grants made in connection with its employee compensation programmes. Further information on these purchases can be found in note 4 to the consolidated accounts on pages 104 and 105.

PLC DEFERRED STOCK

The joint holders of the PLC deferred stock are N.V. Elma and United Holdings Limited, which are subsidiaries of NV and PLC respectively. The Boards of N.V. Elma and United Holdings Limited comprise the members of the Nominating and Corporate Governance Committee. The provisions within the PLC Articles of Association containing the rules for appointing PLC Directors cannot be changed without the permission of the holders of PLC's deferred stock.

OUR SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS OF NV

As far as Unilever is aware, the only holders of more than 3% of, or 3% of voting rights attributable to, NV's share capital on 31 December 2015 (apart from the Foundation Unilever N.V. Trust Office, see pages 47 and 48, and shares held in treasury by NV, see page 47), are NN Group N.V. (NN), ASR Nederland N.V. (ASR) and BlackRock, Inc. (BlackRock) as indicated in the table below.

Shareholder	Class of shares	Total number of % of relevant	
		shares held	class
NN	ordinary shares	5,489,554	0.32
	7% cumulative preference shares	20,665	71.26
	6% cumulative preference shares	74,088	46.0
ASR	ordinary shares	2,833,072	0.17
	6% cumulative preference shares	46,000	28.56
BlackRock	ordinary shares	67,041,916	3.91

Table of Contents

As far as Unilever is aware, no disclosable changes in interests in the share capital of NV have been notified to the AFM between 1 January 2016 and 15 February 2016 (the latest practicable date for inclusion in this report). Between 1 January 2013 and 15 February 2016, ING Group N.V. (ING), BlackRock and ASR have held more than 3% in the share capital of NV. Deutsche Bank, Bank of America Corporation and UBS AG also held more than 3% in the share capital of NV. However, during this period, and as notified, these holdings reduced to below the 3% reporting threshold. During 2015, ING transferred its holdings to NN as part of the demerger of NN from ING.

SIGNIFICANT SHAREHOLDERS OF PLC

As far as Unilever is aware, the only holders of more than 3% of, or 3% of voting rights attributable to, PLC's ordinary share capital on 31 December 2015 (apart from shares held in treasury by PLC, see page 48), are BlackRock, Inc. (BlackRock) and the Leverhulme Trust as indicated in the table below.

Shareholder	Class of shares	Total number of shares held	% of relevant class
BlackRock	ordinary shares	81,254,430	6.3
The Leverhulme Trust	ordinary shares	68,531,182	5.3

No disclosable changes in interests in the share capital of PLC have been notified to PLC between 1 January 2016 and 15 February 2016 (the latest practicable date for inclusion in this report). Between 1 January 2013 and 15 February 2016, BlackRock and the trustees of the Leverhulme Trust and the Leverhulme Trade Charities Trust have held more than 3% of, or 3% of voting rights attributable to, PLC's ordinary shares. During this period, and as notified, these holdings reduced to below the 3% reporting threshold.

During 2014, the trustees of the Leverhulme Trust and the trustees of the Leverhulme Trade Charities Trust (comprising the same individuals (together the Trustees)) together held 70,566,764 ordinary shares amounting to 5.5% of the voting rights of PLC. On 31 December 2014 the Leverhulme Trust and the Leverhulme Trade Charities Trust became charitable incorporated organisations. As a consequence of these changes, the balance of shares held by the Trustees has reduced to zero and only the Leverhulme Trust has a disclosable interest as shown in the table above.

SHAREHOLDER ENGAGEMENT

Unilever values open, constructive and effective communication with our shareholders. Our shareholders can raise issues directly with the Chairman and, if appropriate, the Vice-Chairman and Senior Independent Director. The CFO has lead responsibility for investor relations, with the active involvement of the CEO. They are supported by our Investor Relations department which organises presentations for analysts and investors. These and other materials (eg an Introduction to Unilever and AGM materials) are generally made available on our website.

Principal shareholders: the Executive Directors investor relations programme, with an active involvement of the Executive Directors in office during 2015 and our new CFO, Graeme Pitkethly, continued in 2015 with meetings in ten major cities in Europe, North America and Asia. In all, they met more than 100 investors during these roadshows. In addition, the Chairman maintained contact with principal shareholders with one-to-one and group governance and strategy meetings in the UK, the Netherlands and in the US in September.

Quarterly announcements: briefings on quarterly results are given via teleconference and are accessible by telephone or via our website.

Annual investor seminar: this annual event was held in Manila and Singapore. It focused on long-term value creation and the development of our business in South East Asia. It included presentations on Unilever strategy, South East Asia, digital marketing and e-commerce, and delivering long-term returns. The event was attended by the Chairman, CEO, CFO and other senior management. The slides shown and an audio recording of the presentations were made available and can be accessed on our website. This allows those investors not attending in person to access the information provided at the event.

Investor conferences: the Executive Directors and members of the Investor Relations team also meet a large number of investors at the industry conferences they attend. In 2015 the conferences that were attended by Unilever representatives included broker sponsored conferences in London, Paris, San Francisco, Boston, Amsterdam, Stockholm and Singapore.

Feedback from shareholders: we maintain a frequent dialogue with our principal shareholders and regularly collect feedback. We use this feedback to help shape our investor programme and future shareholder communications. Private shareholders are encouraged to give feedback via shareholder.services@unilever.com. The Chairman, Executive Directors and Chairmen of the Committees are also generally available to answer questions from the shareholders at the AGMs each year.

Board awareness: the Boards are briefed on investor reactions to the Group's quarterly results announcements and are briefed on any issues raised by shareholders that are relevant to their responsibilities.

www.unilever.com/investorrelations

GENERAL MEETINGS

Both NV and PLC hold an AGM each year. At the AGMs the Chairman gives his thoughts on governance aspects of the preceding year and the CEO gives a detailed review of the performance of the Group over the last year. Shareholders are encouraged to attend the relevant meeting and to ask questions at or in advance of the meeting. Indeed, the question and answer session forms an important part of each meeting. The external auditors are welcomed to the AGMs and are entitled to address the meetings.

The 2015 AGMs were held in Rotterdam and Leatherhead in April and the topics raised by shareholders included: Non-Executive Director succession planning, acquisition policy, progress of the Unilever Sustainable Living Plan, the Baking, Cooking and Spreads business, diversity, tax transparency and the NV cumulative preference shares.

SHAREHOLDER PROPOSED RESOLUTIONS

Shareholders of NV may propose resolutions if they individually or together hold at least 1% of NV's issued capital in the form of shares or depositary receipts issued for NV shares. Shareholders who together represent at least 10% of the issued capital of NV can, under certain circumstances, also requisition the District Court to allow them to convene an Extraordinary General Meeting to deal with specific resolutions.

Shareholders of PLC may propose resolutions if they individually or 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.

Table of Contents

CORPORATE GOVERNANCE CONTINUED

REQUIRED MAJORITIES

Resolutions are usually adopted at NV and PLC General 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 NV Board. A proposal to alter the Articles of Association of PLC can be made either by the PLC Board or by requisition of shareholders in accordance with the UK Companies Act 2006. Unless expressly specified to the contrary in PLC's Articles of Association, 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 ordinary shares and the PLC deferred stock. The Articles of Association of both NV and PLC can be found on our website.

www.unilever.com/corporategovernance

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 Dutch or English law.

CORPORATE GOVERNANCE COMPLIANCE

GENERAL

We conduct our operations in accordance with internationally accepted principles of good governance and best practice, whilst ensuring compliance with the corporate governance requirements applicable in the countries in which we operate. Unilever is subject to corporate governance requirements (legislation, codes and/or standards) in the Netherlands, the UK and the US and in this section we report on our compliance against these.

MATERIAL CONTRACTS

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. Other than the Foundation Agreements referred to on page 45, we believe we do not have any such contracts or arrangements.

THE NETHERLANDS

NV complies with almost all of the principles and best practice provisions of the Dutch Corporate Governance Code (Dutch Code), which is available on the Commissie Corporate Governance's website.

www.commissiecorporategovernance.nl

Certain large Dutch companies with a two-tier board are required to strive for a balanced composition of their management and supervisory boards, to the effect that at least 30% of the positions on the management and supervisory boards are held by women and 30% by men. The rule does not acknowledge one-tier boards, but NV confirms that over 30% of its Directors were female and over 30% of its Directors were male in 2015.

Statements required by the Dutch Code and explanations of the NV compliance position are set out below.

Non-Financial Performance Indicator: In determining the level and structure of the remuneration of the Executive Directors, among other things, the results, the share price performance and non-financial indicators relevant to the long-term objectives of the Company, with due regard for the risks to which variable remuneration may expose the enterprise, shall be taken into account (bpp II.2.3).

Unilever places a great deal of importance on corporate responsibility and sustainability and 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 our long-term share plans to such measures as described above, which are further set out in the Directors Remuneration Report (pages 66 to 83), and has therefore not included a non-financial performance indicator.

Risk Management and Control: With regard to financial reporting risks, as advised by the Audit Committee (as described in its report on pages 60 and 61, the NV Board believes that 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 2015 (bpp II.1.5). The statements in this paragraph 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 the Executive Directors without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter (bpp II.2.5).

Our Remuneration Policy requires Executive Directors to build and retain a personal shareholding in Unilever. In addition, Executive Directors are required to hold 100% of the shares needed to maintain their minimum shareholding requirement until 12 months after they leave Unilever and 50% of these shares for 24 months after they leave Unilever.

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, on the recommendation of the Compensation Committee, find this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law (bpp II 2.8).

Financing Preference Shares: The voting rights of the 6% and 7% cumulative preference shares issued by NV are based on their nominal value, as prescribed by Dutch law. NV agrees with the principle in the Dutch Code that the

voting rights of any newly issued preference shares should be based on their economic value rather than on their nominal value (bpp IV.1.2), but cannot unilaterally reduce voting rights of its outstanding preference shares.

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 on our website.

www.unilever.com/corporategovernance

Table of Contents**THE UNITED KINGDOM**

PLC, being a company that is incorporated in the UK and listed on the London Stock Exchange, is required to state how it has applied the main principles and how far it has complied with the provisions set out in the 2014 UK Corporate Governance Code (UK Code), which is available on the Financial Reporting Council's (FRC) website. In 2015 PLC complied with all UK Code provisions, with the exception of D.2.1 for a short period of time, as explained on page 82.

www.frc.org.uk

Risk Management and Control: Our approach to risk management and systems of internal control is in line with the recommendations in the FRC's revised guidance Risk management, internal control and related financial and business reporting (the Risk Guidance). It is Unilever's practice to review acquired companies' governance procedures after acquisition and to align them to the Group's governance procedures as soon as is practicable.

Greenhouse Gas (GHG) Emissions: In line with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 our greenhouse gas performance is set out below. Since 2008 we report our CO₂ emissions in accordance with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (GHG Protocol) to calculate emissions of carbon dioxide from the combustion of fuels and the operation of facilities (Scope 1) and from purchased electricity, heat, steam and cooling (Scope 2) for our manufacturing facilities. Changes to the GHG Protocol for Scope 2 reporting during this reporting year will be implemented in subsequent years.

Carbon emission factors are used to convert energy used in manufacturing to emissions of CO₂. Carbon emission factors for fuels are provided by the Intergovernmental Panel on Climate Change (IPCC).

Carbon emission factors for electricity reflect the country or sub-region where each manufacturing site is located and are provided by the International Energy Agency (IEA) and local regulatory authorities, for example the United States Environmental Protection Agency (US EPA). We have selected an intensity ratio based on production; this aligns with our long-standing reporting of manufacturing performance.

The GHG data relates to emissions during the 12-month period from 1 October 2014 to 30 September 2015. This period is different from that for which the remainder of the Directors' Report is prepared (which is the calendar year 2015).

**EMISSIONS OF CO₂ FROM MANUFACTURING,
1 OCTOBER 2014 TO 30 SEPTEMBER 2015
(1 OCTOBER 2013 TO 30 SEPTEMBER 2014)**

Scope 1 852,672 tonnes CO₂ (929,803 tonnes CO₂)#

Scope 2	918,301 tonnes CO ₂ (920,483 tonnes CO ₂)#
Total Scope 1 & 2	1,770,973 tonnes CO ₂ + (1,850,286 tonnes CO ₂)#
Intensity ratio	88.49 kg CO ₂ per tonne of production+ (92.14 kg# CO ₂ per tonne of production+)

Prior year restated to exclude third party site.

+ PwC assured. For further details and the basis of preparation see our website.

Emissions data includes material sources of Scope 1 and 2 emissions that have been subject to external assurance, ie emissions of CO₂ from energy used in manufacturing. Emissions from the combustion of biogenic fuels (biomass, fuel crops etc) at our manufacturing sites are reported separately to other Scope 1 and 2 emissions, as recommended by the GHG Protocol, and excluded from our intensity ratio calculation.

Our GHG data does not include minor emissions sources that are beyond our boundary of operational control or that are not material. For example, emissions of CO₂ from energy used in our offices and warehouses are excluded, although we continue to drive improvements in these areas through our USLP targets. The data also excludes Scope 3 emissions (including consumer use of our products) which we report as part of our USLP.

www.unilever.com/sustainable-living

www.unilever.com/ara2015/downloads

Employee Involvement and Communication: Unilever's UK companies maintain formal processes to inform, consult and involve employees and their representatives. A National Consultative Forum comprising employees and management representatives meets regularly to provide a forum for discussing issues relating to all Unilever sites in the United Kingdom. We recognise collective bargaining on a number of sites and engage with employees via the Sourcing Unit Forum, which includes national officer representation from the three recognised trade unions. A European Works Council, embracing employee and management representatives from countries within Europe, has been in existence for several years and provides a forum for discussing issues that extend across national boundaries.

The Directors' Reports of the United Kingdom operating companies contain more information about how they have communicated with their employees during 2015.

Equal Opportunities and Diversity: In accordance with our Code of Business Principles, Unilever aims to ensure that applications for employment from everyone are given full and fair consideration and that everyone is given access to training, development and career opportunities. Every effort is made to retrain and support employees who become disabled while working within the Group.

Independent Auditors and Disclosure of Information to Auditors: To the best of each of the Directors' knowledge and belief, and having made appropriate enquiries, all information relevant to enabling the auditors to provide their opinions on PLC's consolidated and parent company accounts has been provided. Each of the Directors has taken all reasonable steps to ensure their awareness of any relevant audit information and to establish that Unilever PLC's auditors are aware of any such information.

Table of Contents

CORPORATE GOVERNANCE CONTINUED

THE UNITED STATES

Both NV and PLC are listed on the New York Stock Exchange (NYSE). As such, both companies must comply with 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 NYSE, that are applicable to foreign private issuers, copies of which are available on their websites.

www.sec.gov

www.nyse.com

We are substantially compliant with the Listing Standards of the NYSE applicable to foreign private issuers except as set out below.

We are required to disclose any significant ways in which our corporate governance practices differ from those typically followed by US companies listed on the NYSE. Our corporate governance practices are primarily based on the requirements of the UK Listing Rules, the UK Code and the Dutch Code but substantially conform to those required of US companies listed on the NYSE. The only significant way in which our corporate governance practices differ from those followed by domestic companies under Section 303A Corporate Governance Standards of the NYSE is that the NYSE rules require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with certain limited exemptions. The UK Listing Rules require shareholder approval of equity-compensation plans only if new or treasury shares are issued for the purpose of satisfying obligations under the plan or if the plan is a long-term incentive plan in which a director may participate. Amendments to plans approved by shareholders generally only require approval if they are to the advantage of the plan participants. Furthermore, Dutch law and NV's Articles of Association require shareholder approval of equity-compensation plans only if the Executive Directors are able to participate in such plans. Under Dutch law, shareholder approval is not required for material revisions to equity-compensation plans unless the Executive Directors participate in a plan and the plan does not contain its own procedure for revisions.

Attention is drawn to the Report of the Audit Committee on pages 60 and 61. In addition, further details about our corporate governance are provided in the document entitled "The Governance of Unilever" which can be found on our website.

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 in 2015 to any of the persons falling within the scope of the SEC requirements. No material amendments were made to the Code of Business Principles or related Code Policies in 2015. Our Code of Business Principles can be found on our website.

www.unilever.com/corporategovernance

Risk Management and Control: Following a review by the Disclosure Committee, Audit Committee and Boards, the CEO and the CFO concluded that the design and operation of the Group's disclosure controls and procedures, including those defined in the United States Securities Exchange Act of 1934 Rule 13a-15(e), as at 31 December 2015 were effective, and that subsequently until 17 February 2016 (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 its 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.

Table of Contents

RISKS

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 accelerate growth in the business while reducing our environmental footprint and increasing our positive social 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.

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 long 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 active responsibility for focusing on the principal areas of risk to Unilever. The Boards regularly review these risk areas, including consideration of environmental, social and governance matters, 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 Purpose. 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 Business Integrity Officers and Committees supports the activities necessary to communicate the Code, deliver training, maintain processes and procedures (including support lines) to report and respond to alleged breaches, and to capture and communicate learnings.

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

For each of our principal risks we have a risk management framework detailing the controls we have in place and who is responsible for both managing the overall risk and the individual controls mitigating that risk.

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, advised by the Committees where appropriate, regularly review the significant risks and decisions that could have a material impact on Unilever. These reviews consider the level of risk 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 report 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 60 and 61.

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 50, 51 and 52.

VIABILITY STATEMENT

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 2 to 39. In addition, we describe in notes 15 to 18 on pages 115 to 129 the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks and the ways they are being managed and mitigated by a wide range of actions are summarised on pages 54 to 57.