# Disclaimer

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

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# Report of the Remuneration Committee

During 2008, the Committee's activities were greatly influenced by the Board and Executive Committee changes that the succession plan required.

In October 2008 Paul Polman was elected to the Board, becoming Chief Executive Officer on Patrick Cescau's retirement at the end of December. Jim Lawrence was elected to the Board at the 2008 AGMs following his appointment as Chief Financial Officer in the latter half of 2007. The 2008 AGMs also marked the retirement from the Board of Kees van der Graaf, President, Europe, and Ralph Kugler, President, Home & Personal Care, each with over 28 years of service.

Given our agreed policy framework, the Committee's aim has been to ensure that the remuneration arrangements for Paul Polman and Jim Lawrence, as Executive Directors, are fully in line with the five strategic principles that serve as the platform for Unilever's approach to remuneration for the Unilever Executive. These principles not only apply for our Executive Directors but to all Unilever's leadership levels. They provide the basis for our remuneration structure as explained in greater detail in the following pages, and direct that pay should be:

- aligned with shareholders' interests;
- robustly linked to performance;
- aligned with strategic priorities;
- market competitive; and
- easy to understand and communicate.

The overriding objective is to ensure that Unilever recruits and retains the best performers, and effectively incentivises them to achieve superior results. It is also our aim to manage the differing elements of total remuneration in a fully integrated manner.

Shareholders were provided with summaries of the full remuneration arrangements for both Paul Polman and Jim Lawrence prior to their elections to the Board. In addition, at the 2008 AGMs shareholders separately approved increased bonus and Global Share Incentive Plan award limits for Jim Lawrence, who joined us from the USA.

Reflecting the transformation that Patrick Cescau has led over the last four years, Unilever's performance continued to improve through 2008 despite the challenging environment. The focus on growth priorities coupled with timely pricing actions and savings from cost efficiency programmes meant that we were able to deliver underlying sales growth well above target levels and improved underlying operating margins.

The annual incentive awards paid to the Executive team in respect of 2008 (on average 120% of base salary) reflect Unilever's strong underlying sales growth, improved margin performance as well delivery on individual business objectives. Long-term incentive awards will vest in 2009 in respect of the performance period 2006 to 2008. 122% of awards made in 2006 under the Global Performance Share Plan (GPSP) will vest, reflecting strong annual average underlying sales growth (USG) over the three-year period to the end of 2008 and continued progress towards longer-term ungeared free cash flow (UFCF) targets. (The performance ranges for these awards set in 2006 were 3.2% - 5.2% per annum for USG and €12.5 - €13.7 billion for cumulative UFCF. Awards made in 2006 under the TSR long-term incentive plan will also vest in 2009. As Unilever's relative total shareholder return performance over the period 2006 to 2008 ranks 9th against a comparator group of peer companies (see page 62) 50% of the awards are due to vest.

Looking forward to 2009, we believe that Unilever remains well placed and we expect the new Group leadership team to pursue the opportunities present even in challenging times and that, as a result, our shareholders and our executives will be duly rewarded.

**David Simon** Chairman of the Remuneration Committee
**Michael Treschow**
**Jeroen van der Veer**

### Definition of auditable part of the Report of the Remuneration Committee

In compliance with the UK Directors' Remuneration Report Regulation 2002, and under Title 9, Book 2 of the Civil Code in the Netherlands, the auditable part of the report of the Remuneration Committee comprises the 'Aggregate remuneration for Executive Directors' on page 64, the 'Remuneration for individual Executive Directors' on page 65, the 'Executive Directors' Global Share Incentive Plan on page 66, the 'Executive Directors' Global Performance Share Plan' on page 67, the 'Executive Directors' conditional share awards under the TSR Long-Term Incentive Plan' on page 68, the 'Executive Directors' Share Matching Plan' on page 67, 'Executive Directors' share options' on page 69, 'Executive Directors' pensions' on page 70, 'Executive Directors' interests – share capital' on page 71, 'Non-Executive Directors' remuneration' on page 72 and 'Non-Executive Directors' interests – share capital' on page 73.

# Report of the Remuneration Committee continued

**Role and responsibilities**
The Committee is responsible for making proposals to the Boards on the reward policy for Executive Directors and other Unilever Executive Team members, to ensure that the right incentives are provided to encourage managers to enhance the performance of the Group. The Committee is also responsible for setting individual reward packages for the Executive Directors and for monitoring and approving all share-based incentive arrangements. The Committee meets at least three times a year and during 2008 met on five occasions.

**Structure and role**
During 2008 David Simon served as Chairman of the Committee with Jeroen van der Veer and Michael Treschow being members of the Committee. The Board evaluated the performance of the Committee and the Committee carried out a self-assessment of its performance.

**Advice and assistance**
The Committee does not formally retain remuneration consultants. It seeks professional advice from external advisers as and when required. During 2008, the Committee sought advice from Towers Perrin (an independent firm of human resources specialists) on market data, reward trends and performance-related pay. Towers Perrin also provides general consultancy advice to Unilever group companies on employee rewards, pension, communications and other human resource matters.

The Group Secretary attends all Committee meetings and advises on matters of corporate governance.

The Chief Executive Officer is invited to attend Committee meetings to provide his own insights to the Committee on business objectives and the individual performance of his direct reports. Also, the Chief Human Resource Officer can be invited to provide his expertise to the Committee. Naturally, neither attends when their own remuneration is being discussed.

## Remuneration policy

**Unilever reward policy table 2008**

| Element | Payment vehicle | Value determination | Plan objectives/Key drivers |
|---|---|---|---|
| **FIXED** | | | |
| Base salary | Cash | Market median | Attraction and retention of high performing executives |
| Pension | Cash | All-employee pension arrangement in home country<br>Bonus not pensionable | Attraction and retention of high performing executives |
| **VARIABLE** | | **Indicative levels at face value as % of base pay** | |
| Annual incentive | Cash (75%)<br>Shares (25%) | Executive Directors: target 87% (range 0% – 150%)<br>Chief Financial Officer: target 93% (range 0% – 160%)<br>Chief Executive Officer: target 113.3% (range of 0% – 200%) | Delivery of trading contribution (Unilever's primary internal measure of economic value added – see page 62) and top-line growth targets<br><br>Individual responsibility for key Unilever business targets |
| Global Share Incentive Plan | Shares | Grant level in 2008 for:<br>Chief Financial Officer 340%<br>Chief Executive Officer around 170%<br><br>Vesting level: 0% – 200% of grant, at end of 3 year performance period subject to the satisfaction of the performance conditions. | Total shareholder return at upper half of peer group (see page 62)<br><br>Ungeared Free Cash Flow as the basic driver of Unilever's shareholder returns<br><br>Top-line revenue growth as essential to Unilever's long-term value creation |
| Share Matching Plan | Shares | 25% of annual incentive is paid in shares, these shares are matched one for one | Alignment with shareholders' interests |

# Report of the Remuneration Committee continued

The total remuneration package for Executive Directors is intended to be competitive in a global market, with a strong emphasis on performance related pay. Internal and external comparisons are made with the reward arrangements for other senior executives within Unilever to support consistent application of Unilever's executive reward policies.

A significant proportion of the Executive Directors' total reward is linked to a number of key measures of Group performance to create alignment with strategy, business priorities, and shareholder value. Approximately 70% of the total reward package is linked to performance.

In setting targets for the performance measures, the Committee is guided by what would be required to deliver top-third shareholder value. This is reflected in both the short-term and long-term performance targets.

**Base salary**
The Remuneration Committee reviews base salary levels annually, taking into account external benchmarks within the context of Group and individual performance.

**Annual incentive**
The annual incentive plan rewards Executive Directors for the delivery of trading contribution (Unilever's primary internal measure of economic value added) and top-line growth targets, as well as for their individual contribution to Unilever's business strategy.

The maximum opportunity for the Chief Executive Officer is 200% of salary, with two-thirds based on Unilever's business results and a third on individual business targets. The maximum opportunity for the Chief Financial Officer is 160% of salary, with up to 130% based on business results, the rest on individual business targets. Target annual incentive levels for both executives are around 60% of maximum. Aggressive business targets mean that maximum levels are only payable for exceptional performance.

The performance criteria for the annual incentive are:

- Trading contribution: Unilever's primary internal measure of economic value added. It is calculated from trading result after a deduction for tax and a charge for asset use. (Trading result is the internal management measure of profit that is the most consistent with operating profit). Increases in trading contribution reflect the combined impact of top-line growth, margin improvement and capital efficiency gains. It is well aligned with our objective of a progressive improvement in return on invested capital and with shareholder value creation;

- Underlying sales growth: focus on the organic growth of Unilever's turnover; and

- Individual business and leadership targets: tailored to each individual's responsibilities to deliver certain business objectives supporting the strategy. Individual contribution is assessed against robustly set measures and targets to ensure both objectivity and 'stretch'.

25% of the annual incentive is delivered to the Executive Directors in the form of shares in NV and PLC, which are matched by a conditional award of 'matching shares', as further described under the section on long-term incentives below.

**Long-term incentives**
The long-term incentive for Executive Directors consists of two elements, both of which are delivered in shares:

- Global Share Incentive Plan; and
- Share Matching Plan (linked to annual incentive).

Executive Directors are required to demonstrate a significant personal shareholding commitment to Unilever. Within five years of appointment, they are expected to hold shares worth at least 150% of their annual base salary. This reinforces the link between the executives and other shareholders.

### Global Share Incentive Plan (GSIP)
Under the GSIP, annual awards of shares in NV and PLC are granted to Executive Directors along with other senior employees. The actual number of shares received at vesting after three years depends on the satisfaction of performance conditions linked to improvements in Unilever's performance.

The vesting of shares will be conditional on the achievement of three distinct performance conditions over the performance period. The performance period is a 3-year calendar period.

The vesting of 40% of the shares in the award is based on a condition measuring Unilever's relative total shareholder return (TSR) against a comparator group of 20 other companies over that three-year period. TSR measures the return received by a shareholder, capturing both the increase in share price and the value of dividend income (assuming dividends are reinvested). The TSR results are compared on a single reference currency basis. No shares (in the portion of the award subject to TSR) will vest if Unilever is ranked below position 11 of the TSR ranking table over the three-year period. 50% of the shares will vest if Unilever is ranked 11th among the peer group, 100% if ranked 7th, and 200% will vest if Unilever is ranked 3rd or above in the table. Straight-line vesting will occur between these points.

The TSR peer group is as follows:

| | |
|---|---|
| Avon | Kraft |
| Beiersdorf | Lion |
| Cadbury Schweppes | L'Oréal |
| Clorox | Nestlé |
| Coca-Cola | Orkla |
| Colgate | PepsiCo |
| Danone | Procter & Gamble |
| Heinz | Reckitt Benckiser |
| Kao | Sara Lee |
| Kimberly-Clark | Shiseido |

The vesting of a further 30% of the shares in the award is conditional on average underlying sales growth performance over the three-year period.

# Report of the Remuneration Committee continued

The vesting of the final 30% of the shares in the award is conditional on cumulative ungeared free cash flow performance which is the basic driver of the returns that Unilever is able to generate for shareholders.

For the business performance-focused parts of an award there will be no vesting if performance is below the minimum of the range, 25% vesting for achieving minimum, and 200% vesting only at or substantially above the top end of the range.

Performance for each condition will be assessed independently from the other conditions over the performance period. Shares will only vest if and to the extent that the respective performance conditions are satisfied. There will be no re-testing.

The grant level as a percentage of salary agreed by the shareholders for the Chief Executive Officer is a maximum of 200%, for the current Chief Financial Officer a maximum of 340% and for any other Executive Director a maximum of just below 180%. The vesting will range between 0% and 200% of grant level.

Share Matching Plan (linked to the annual incentive)
The Share Matching Plan enhances the alignment with shareholders' interests and supports the retention of key executives. In addition, the necessity to hold the shares for a minimum period of three years supports the shareholding requirements.

The Executive Directors receive 25% of their annual incentive in the form of NV and PLC shares. These are matched with an equivalent number of matching shares. The matching shares will vest after three years provided that the underlying shares have been retained during this period and the Executive Director has not resigned or been dismissed.

The Remuneration Committee considers that there is no need for further performance conditions on the vesting of the matching shares because the number of shares is directly linked to the annual incentive (which is itself subject to demanding performance conditions). In addition, during the three-year vesting period the share price of NV and PLC will be influenced by the performance of Unilever. This, in turn, will affect the ultimate value of the matching shares on vesting.

**Executive Directors' pensions**
The policy is that Executive Directors will be members of the all-employee pension arrangement in their home country (or an alternative of similar value) and will pay employee contributions at the same rate as other employees in that arrangement.

**Other benefits and allowances**
Executive Directors enjoy similar benefits to those enjoyed by many other employees of Unilever.

**Serving as non-executive on the Board of another company**
It is recognised that Executive Directors may be invited to become Non-Executive Directors of other companies and that these appointments, subject to the approval of the Chairman and the Chief Executive Officer, may broaden their knowledge and experience to the benefit of the Group (see page 18 for details in the biographies). From 2008, if Executive Directors are serving on the Board of other companies they have been permitted to retain all remuneration and fees earned from outside directorships subject to a maximum of one outside directorship. (see Other appointments on page 47 for further details). Patrick Cescau, who retired from Unilever on 31 December 2008, received an annual fee of £70 000 from Pearson plc as a non-executive director. Of that, 25% of the basic fee (totalling £15 000) was paid in Pearson plc shares. Jim Lawrence was a non-executive director of Avnet Inc up to 15 July 2008 in respect of which he received a fee of $53 750 and a stock award in that company to the value of $120 000. He is also a non-executive director of British Airways Plc and received an annual fee of £40 000.

## Future developments

The Remuneration Committee continues to monitor trends and changes in the market. It keeps a watching brief on the continuing alignment between Unilever's strategic objectives and the reward policy for Executive Directors. Due to the unprecedented economic turmoil and the impact of the economic downturn the salaries for 2009 will be frozen at the 2008 level.

# Report of the Remuneration Committee continued

## Remuneration information for 2008

The following section contains detailed information and commentary on the Executive Directors' annual remuneration, long-term incentives, pension benefits and share interests in respect of 2008.

### Aggregate remuneration for Executive Directors

The following table gives details of the aggregate remuneration (including value of the vesting of matching shares, vesting of other long-term incentives and exercise of options) for the Executive Directors as a group.

| | **2008 € '000** | 2007 € '000 |
|---|---|---|
| Annual emoluments | | |
| Base salary | **2 682** | 3 491 |
| Allowances and other payments | **1 154** | 221 |
| Benefits | **62** | 82 |
| Performance related payments (annual incentive) | **4 156** | 4 865 |
| Sub-total of annual emoluments | **8 054** | 8 659 |
| Other income arising from vesting/exercise of long-term incentives[(a)] | | |
| Gains on exercise of share options | **140** | 50 |
| Vesting of matching shares | **86** | 230 |
| Vesting of awards under other Long-Term Incentive Plans | **2 704** | – |
| Total of annual emoluments and other income arising from long-term incentives | **10 984** | 8 939 |

(a) Includes the value of shares that vested under Long-term Incentive Plans and had been granted in earlier years and the gain realised in 2008 of share options granted in earlier years.

### Comments on base salary 2008

For 2008, base salary levels were benchmarked against those paid in other major global companies based in Europe, excluding companies in the financial sector. The increases for 2008 reflect changes in market levels as well as individual and Group performance.

### Comments on base salary 2009

Due to the unprecedented economic turmoil and the impact of the economic downturn the salaries for 2009 will be frozen at the 2008 level.

### Comments on annual incentive 2008

The annual incentive awards for 2008 were subject to achievement of underlying sales growth and trading contribution targets in combination with individual strategic business targets. The Committee measured the results against the targets set and determined the annual incentive amounts for 2008. The award levels reflect Unilever's strong underlying sales growth and improved margin performance as well as delivery on individual business targets.

**Remuneration for individual Executive Directors**

The following table gives details of the remuneration received in 2008 by each Executive Director individually, including the value of vested share matching, vesting of other long-term incentives and options exercised.

| | Annual Emoluments 2008 | | | | | | Other income arising from long-term incentives and exercise of options in 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name and Base Country | Base salary € '000 | Allowances and other payments[(a)] € '000 | Value of benefits[(b)] € '000 | Bonus[(c)] € '000 | **Total 2008 € '000** | Total 2007 € '000 | Option gains € '000 | Share match € '000 | Other LTIP € '000 | **Grand total 2008 € '000** | Grand total 2007 € '000 |
| Patrick Cescau (UK)[(d)] | 1 296 | 149 | 50 | 2 073 | **3 568** | 3 948 | 139 | 35 | 980 | **4 722** | 4 061 |
| Jim Lawrence (UK)[(e)] | 450 | 14 | 7 | 903 | **1 374** | n/a | – | – | 456 | **1 830** | n/a |
| Paul Polman (UK)[(f)] | 292 | 970 | – | 438 | **1 700** | n/a | – | – | – | **1 700** | n/a |
| Kees van der Graaf (NL)[(g)] | 333 | 13 | 1 | 385 | **732** | 1 822 | 1 | 31 | 634 | **1 398** | 1 882 |
| Ralph Kugler (UK)[(h)] | 311 | 8 | 4 | 357 | **680** | 1 961 | – | 20 | 634 | **1 334** | 2 014 |

(a) Includes allowance in lieu of company car; blind trust fees compensation; tax advice compensation; special one-off award; compensation for loss of net income because part of the salary was paid in the Netherlands; entertaining allowance and employers' cost for the all-employee savings plan in the Netherlands. All allowances are taxable in the country of residence apart from the entertaining allowance which is currently tax free in the Netherlands.
(b) Includes benefits for company car; housing (for business use) instead of hotel; medical insurance and private use of chauffeur-driven cars. Included are benefits that are taxable in the country of residence. In addition, Unilever provides support to Executive Directors in relation to spouses' travel expenses when travelling together on company business. This amount is capped at 5% of base salary and for 2008 totalled €210 076 (including related taxes payable).
(c) Bonus for the year 2008. Includes the value of both the cash element and the element paid in shares of NV and PLC. In addition to the element of the bonus paid in shares, each Executive Director is awarded an equivalent number of matching shares on a conditional basis.
(d) Chief Executive Officer. Base salary set in sterling was £1 021 125 per annum.
(e) Period from May 2008 when he was appointed as a Director. Base salary set in US dollars was $1 133 000 per annum. Bonus figures relates to the full calendar year.
(f) Period from October 2008. Base salary set in sterling was £920 000 per annum.
(g) Period to May 2008. The total emoluments for the period June-December 2008 amounted to €623 000. Base salary set in euros was €798 000 per annum.
(h) Period to May 2008. The total emoluments for the period June-December 2008 amounted to €599 000. Base salary set in sterling was £587 500 per annum.

Figures for amounts in sterling have been translated into euros using the average exchange rate over the year: €1 = £0.7880 (2007: €1 = £0.6822).

**Comments on long-term incentive arrangements 2008**

- Global Share Incentive Plan
  Awards have been made under this plan since 2007. Vesting will start as from 2010 (three years after the first award). The performance period for the annual award that was made in 2008 is 1 January 2008 to 31 December 2010.

- Share Matching Plan
  In 2008 the matching shares originally granted in 2005 on a conditional basis vested, subject to fulfilment of the retention conditions.

No shares or options have been awarded since 2007 under the following Plans. Awards made before 2007 will vest at the normal (previously agreed) dates. Since 2007 share awards are only made under the Global Share Incentive Plan that was agreed by shareholders in 2007.

- Global Performance Share Plan
  Awards under this plan were made in 2005 and 2006. Vesting of the award made in 2005 was in May 2008 (performance period 1 January 2005 – 31 December 2007) and the 2006 award will vest in 2009 (performance period 1 January 2006 – 31 December 2008). Vesting of the 2005 award in 2008 was based on average annual underlying sales growth (50% of the award) and cumulative ungeared free cash flow (50% of the award) over the three-year period to 31 December 2007. The performance ranges, set in 2005, were 2-4% per annum average underlying sales growth (USG) and for ungeared free cash flow (UFCF) €12.2 billion – €13.2 billion. The targets were set before the disposals of the European frozen foods businesses and Unilever Cosmetics International. The targets have been adjusted by the impacts of these disposals. The vesting level for threshold performance was 25% of the relevant portion of the award and 200% for performance at or above the top of the range. The strong improvements in Unilever's performance over this period led to 121% of awards vesting.

# Report of the Remuneration Committee continued

- TSR Plan

  In 2008 the conditional shares awarded in 2005 vested for 50%. Vesting was based on the TSR performance of Unilever (when ranked against its defined peer group with competitors) over the three-year performance period which ended 31 December 2007. For this period, Unilever ranked 8th in its peer group and therefore 50% vesting occurred for this award in March 2008.

- Executive Share Options

  The grants of executive share options made in 2005 became exercisable as from 2008. The 2005 award was a premium grant and therefore at vesting no further conditions applied.

**Executive Directors' Global Share Incentive Plan**

The Global Share Incentive Plan was approved by shareholders at the 2007 AGMs.

The following conditional shares were granted during 2008 and outstanding at 31 December 2008 under the Global Share Incentive Plan:

| | | Balance of conditional shares at 1 January 2008 | Conditional grant 2008 (Performance period 1 January 2008 to 31 December 2010)[a] | | Balance of conditional shares at 31 December 2008 |
|---|---|---|---|---|---|
| | Share type | No. of shares | No. of shares[a] | Price at award | No. of shares |
| Patrick Cescau | NV | 40 505 | 44 597 | €21.30 | 85 102 |
| | PLC | 40 505 | 44 597 | 1 672.00p | 85 102 |
| Jim Lawrence | NV | 80 462[b] | 26 485[b] | €21.73 | 106 947 |
| | PLC | 80 462[b] | 26 485[b] | 1 743.00p | 106 947 |
| Paul Polman[c] | NV | – | 58 752 | €18.93 | 58 752 |
| | PLC | – | 58 752 | 1 439.00p | 58 752 |
| Kees van der Graaf | NV | 20 550 | – | – | 20 550[d] |
| | PLC | 20 550 | – | – | 20 550[d] |
| Ralph Kugler | NV | 22 145 | – | – | 22 145[d] |
| | PLC | 22 145 | – | – | 22 145[d] |

(a) Each award of performance shares is conditional and vests subject to certain conditions three years after the date of the award.
(b) Joined Unilever in September 2007 as Chief Financial Officer. Was appointed a Director in May 2008. Opening balance is as at the date of appointment as a Director. Following approval by shareholders of an extension to his package, in November 2008 he was awarded an additional 26 485 of each of Unilever NV and PLC shares at €21.73 and 1 743p respectively.
(c) Joined Unilever in October 2008 and was appointed a Director at the EGMs at the end of October 2008. Awards were made under the GSIP plan in November 2008.
(d) Stepped down at the AGMs in May 2008. Balances are at that date.

Both Jim Lawrence and Paul Polman received a one-off restricted stock award on joining Unilever, under the Global Share Incentive Plan. Details of balances, grants and vesting in 2008 are shown below.

| | | Balance of shares at 1 January 2008 | Grant in 2008 | | Vesting in 2008 | | Balance of shares at 31 December 2008 |
|---|---|---|---|---|---|---|---|
| | Share type | No. of shares | No. of shares | Price at award | No. of shares | Price at vesting | No. of shares |
| Jim Lawrence | NV | 35 565[a] | n/a | | 11 855 | €18.96[a] | 23 710 |
| | PLC | 35 565[a] | n/a | | 11 855 | 1 498.00p[a] | 23 710 |
| Paul Polman | NV | 0 | 67 653 | €18.93[b] | n/a | | 67 653 |
| | PLC | 0 | 67 653 | 1 439.00p[b] | n/a | | 67 653 |

(a) Awarded in 2007 on joining Unilever. The shares vest 1/3, 1/3, 1/3 after respectively 1, 2 and 3 years of service.
(b) Award agreed on joining Unilever. Award was made 6 November 2008 and will vest 1/3, 1/3, 1/3 on respectively the first, second and third anniversary of the award.

**Executive Directors' Share Matching Plan**

The following conditional shares were outstanding, awarded or vested during 2008 under the share matching plan:

| | | Balance of conditional shares at 1 January 2008 | Conditional shares awarded in 2008[a] | | Shares vested in 2008[b] | | | Balance of conditional shares at 31 December 2008 |
|---|---|---|---|---|---|---|---|---|
| | Share type | No. of shares | No. of shares | Price at award | No. of shares | Market price at vesting | Original price at award | No. of shares |
| Patrick Cescau | NV | 13 992 | 12 025 | €21.30 | (813) | €21.30 | €16.90 | 25 204 |
| | PLC | 14 150 | 12 025 | 1 672.00p | (852) | 1 672.00p | 1 122.22p | 25 323 |
| Jim Lawrence[b] | NV | | 1 830 | €21.30 | n/a | | | 1 830 |
| | PLC | | 1 830 | 1 672.00p | n/a | | | 1 830 |
| Kees van der Graaf | NV | 2 925 | 5 770 | €21.30 | (714) | €21.30 | €16.90 | 7 981[c] |
| | PLC | 3 002 | 5 770 | 1 672.00p | (748) | 1 672.00p | 1 122.22p | 8 024[c] |
| Ralph Kugler | NV | 5 042 | 5 292 | €21.30 | (465) | €21.30 | €16.90 | 9 869[c] |
| | PLC | 5 100 | 5 292 | 1 672.00p | (483) | 1 672.00p | 1 122.22p | 9 909[c] |

(a) Each award of matching shares is conditional and vests three years after the date of the award subject to certain conditions. The 2008 award was made at grant date 20 March 2008.
(b) The conditional shares awarded on 21 March 2005 (relating to the 2004 performance period) vested on 20 March 2008.
(c) Balance is at May 2008 when they stepped down as Executive Directors

**Executive Directors' Global Performance Share Plan**

The following conditional shares, granted under the Global Performance Share Plan, were outstanding at 1 January 2008, vested during 2008 and were outstanding at 31 December 2008.

From 2007 onwards no new awards have been made under this Plan as the global share incentive plan was approved by shareholders at the 2007 AGMs and as from 2007 long-term incentive awards have been made only under that new plan.

| | | Balance of conditional shares at 1 January 2008 | Conditional shares vested in 2008[b] | | | | Balance of conditional shares at 31 December 2008 |
|---|---|---|---|---|---|---|---|
| | | | Additional award on vesting | Total number that vested | | | |
| | Share type | No. of shares[a] | No. of shares | No. of shares | Share price at vesting | Share price at award | No. of shares[a] |
| Patrick Cescau | NV | 18 000 | 1 890 | (10 890) | €20.99 | €17.66 | 9 000 |
| | PLC | 18 000 | 1 890 | (10 890) | 1 712.00p | 1 196.67p | 9 000 |
| Kees van der Graaf | NV | 12 000 | 1 260 | (7 260) | €20.99 | €17.66 | 6 000[c] |
| | PLC | 12 150 | 1 276 | (7 351) | 1 712.00p | 1 196.67p | 6 075[c] |
| Ralph Kugler | NV | 12 000 | 1 260 | (7 260) | €20.99 | €17.66 | 6 000[c] |
| | PLC | 12 150 | 1 276 | (7 351) | 1 712.00p | 1 196.67p | 6 075[c] |

(a) Each award of performance shares is conditional and vests subject to performance conditions three years after the date of the award. Shares may vest between 0 and 200% of the orginally granted numbers.
(b) In 2008 the conditional award, originally awarded in 2005, vested for 121%.
(c) Total as at the end of May 2008. Both stepped down as Executive Directors at the 2008 AGMs.

# Report of the Remuneration Committee continued

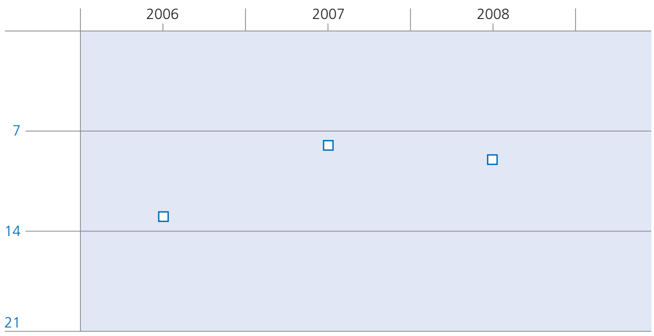
**Executive Directors' conditional share awards under the TSR Long-Term Incentive Plan**
The following conditional shares were outstanding from grants made between 2004 and 2006.

From 2007 onwards no new awards have been made under this Plan as the Global Share Incentive Plan was approved by shareholders at the 2007 AGMs. From 2007 long-term incentive awards will be made only under that new plan.

| | Share type | Balance of conditional shares at 1 January 2008 No. of shares | Vested[(a)] | Conditional awards lapsed 24 March 2008 (Performance period 2005 to 2007)[(a)] Lapsed[(a)] No. of shares | Price at vesting | Original price at award | Balance of conditional shares at 31 December 2008 No. of shares |
|---|---|---|---|---|---|---|---|
| Patrick Cescau | NV | 44 613 | (11 835) | (11 835) | €21.30 | €16.90 | 20 943 |
| | PLC | 46 058 | (12 366) | (12 366) | 1 672.00p | 1 122.00p | 21 326 |
| Kees van der Graaf | NV | 27 882 | (7 397) | (7 396) | €21.30 | €16.90 | 13 089[(b)] |
| | PLC | 28 788 | (7 730) | (7 729) | 1 672.00p | 1 122.00p | 13 329[(b)] |
| Ralph Kugler | NV | 27 882 | (7 397) | (7 396) | €21.30 | €16.90 | 13 089[(b)] |
| | PLC | 28 788 | (7 730) | (7 729) | 1 672.00p | 1 122.00p | 13 329[(b)] |

(a) The conditional awards made in 2005 vested in 2008 for 50%, as Unilever was ranked number 8 in the peer group based on performance over the three year period ending 31 December 2007.
(b) Balance is at May 2008 when they stepped down as Executive Directors.

**Unilever's position relative to the TSR reference group**




The reference group, including Unilever, consists of 21 companies. Unilever's position is based on TSR over a three-year rolling period.

**Executive Directors' share options**

No option awards were made in 2008. Options to acquire NV ordinary shares of €0.16 each and options to acquire PLC ordinary shares of 3¹⁄₉p each were outstanding, were exercised, lapsed or remained outstanding as shown in the following table.

From 2007 onwards no new awards have been made under this Plan as the Global Share Incentive Plan was approved by shareholders at the 2007 AGMs. From 2007 long-term incentive awards will be made only under that new plan.

| | | | | | Options outstanding below market price at 31 December 2008 | | Options outstanding above market price at 31 December 2008 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share type | Balance of options at 1 January 2008 | Number of options exercised/ lapsed in 2008 | Balance of options at 31 December 2008 | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | First exercisable date | Final expiry date |
| Patrick Cescau | | | | | | | | | | |
| Executive Plan | NV | 242 166 | – | 242 166 | 27 000 | €14.72 | 215 166 | €20.10 | 24/03/02 | 31/12/10 |
| Executive Plan | PLC | 245 967 | (33 750)[(a)] | 212 217 | 212 217 | 1 166.00p | – | – | 07/03/03 | 31/12/10 |
| NL All-Employee Plan | NV | 600 | (150)[(b)] | 450 | – | – | 450 | €17.70 | 13/05/04 | 17/05/11 |
| UK ShareSave Plan | PLC | 1 374 | – | 1 374 | 1 374 | 1 171.00p | – | – | 01/01/09 | 30/06/09 |
| Kees van der Graaf[(c)] | | | | | | | | | | |
| Executive Plan | NV | 135 450 | – | 135 450 | 83 250 | €18.30 | 52 200 | €21.94 | 24/03/02 | 28/02/11 |
| Executive Plan | PLC | 135 450 | – | 135 450 | 135 450 | 1 080.00p | – | – | 24/03/02 | 28/02/11 |
| NL All-Employee Plan | NV | 600 | (150)[(b)] | 450 | 450 | €17.70 | – | – | 13/05/04 | 17/05/11 |
| UK ShareSave Plan | PLC | 1 374 | – | 1 374 | 1 374 | 1 202.00p | – | – | 01/06/08 | 30/11/08 |
| Ralph Kugler[(c)] | | | | | | | | | | |
| Executive Plan | NV | 176 625 | – | 176 625 | 120 600 | €18.19 | 56 025 | €22.04 | 24/03/02 | 28/02/11 |
| Executive Plan | PLC | 176 625 | – | 176 625 | 176 625 | 1 163.00p | – | – | 24/03/02 | 28/02/11 |
| NL All-Employee Plan | NV | 300 | – | 300 | 300 | €17.59 | – | – | 18/05/05 | 17/05/11 |
| UK ShareSave Plan | PLC | 1 374 | – | 1 374 | 1 374 | 1 202.00p | – | – | 01/06/08 | 30/11/08 |

(a) Options exercised 30 December 2008 at a market value of 1 557p. The options had originally been granted on 24 March 1999 at a price of 1 233p.
(b) Options exercised 30 May 2008 at a market value of €21.01. The options had originally been granted on 2 June 2003 at a price of €17.
(c) Closing balances shown for Kees van der Graaf and Ralph Kugler are as at date of stepping down as a Director in May 2008. The closing market prices of ordinary shares at that date were €21.16 and 1 686p.

The term 'Executive Plan' refers to options granted under the PLC or NV Executive Option Plans.

The closing market prices of ordinary shares at 31 December 2008 were €17.34 (NV shares) and 15.97pp (PLC shares). During 2008 the highest market prices were €25.61 and 1 947p respectively, and the lowest market prices were €16.20 and 1 249p respectively.

# Report of the Remuneration Committee continued

**Comments on pensions**

Jim Lawrence is a member of the Unilever International Pension Plan (IPP), a defined contribution arrangement. In line with current policy, the contribution structure is equivalent in value to the all-employee plan in the USA, his home country. The current rate of company contributions is 9% of base salary and he makes a personal contribution of 5% of base salary (by individual salary sacrifice). The company contributions paid in 2008 cover the period from September 2007, his date of hire.

Paul Polman will be offered membership of a defined contribution pension plan. In line with current policy, the contribution structure will be broadly equivalent in value to the all-employee plan in the Netherlands, his home country. The company will contribute 15% of his base salary and he will make a personal contribution similar to other managers in the Netherlands. To compensate for the forfeiture of pension from his previous employer, additional company contributions of 12% of base salary with investment returns in line with his defined contribution pension account will vest at age 60 or later at actual retirement.

Three Executive Directors retired from Unilever during 2008. Patrick Cescau stepped down from the Boards and retired at year end aged 60 and 3 months. His pension is payable from 31 December 2008. Kees van der Graaf stepped down from the Boards at the AGMs in May 2008 and retired on 31 May 2008. His pension is payable from 1 March 2009. His retirement terms were in line with Unilever's normal practice for long-serving senior executives in the Netherlands. Ralph Kugler stepped down from the Boards at the AGMs and left the company on 31 May 2008. His pension is payable from 1 March 2009. His retirement terms were in line with Unilever's normal practice for long-serving senior executives in the UK.

**Executive Directors' pensions**[a]

Pension values for the year ended 31 December 2008 are set out below.

| Name and base country | Age at 31/12/08 | Accrued pension at 31/12/07 €'000 pa | Movement in accrued pension during 2008[b] €'000 pa | **Accrued pension at 31/12/08[c] €'000 pa** | Transfer value of accrued pension at 31/12/07[d] €'000 | Movement in transfer value during 2008 (less individual contributions)[e] €'000 | Individual contributions made during 2008[f] €'000 | **Transfer value of accrued pension at 31/12/08[d] €'000** |
|---|---|---|---|---|---|---|---|---|
| Patrick Cescau (UK)[g] | 60 | 1 029 | 59 | **1 088** | 23 937 | (131) | 4 | **23 810** |
| Kees van der Graaf (NL)[h] | 58 | 639 | (16) | **623** | 7 951 | 948 | 4 | **8 903** |
| Ralph Kugler (UK)[h] | 52 | 418 | (111) | **307** | 7 800 | 428 | – | **8 228** |

(a) Figures have been translated into euros where necessary using the following exchange rates: 31 December 2007 €1.00 = £0.7342, $1.471 31 December 2008 €1.00 = £0.9773, $1,471; average for the year ended 31 December 2008 €1.00 = £0.7880, $1.468.

(b) Includes the effect of inflation on the accrued pension at 31 December 2007 and the impact on the accrued pension of changes to the payment dates of the pensions during the year. In the case of Patrick Cescau no pension accrued after age 60 and in the case of Kees van der Graaf and Ralph Kugler the pensions were recalculated for early retirement. See note (c) for details.

(c) Based on the Executive Directors' pension benefits that have now crystallised and become payable from 31 December 2008 in the case of Patrick Cescau and 1 March 2009 in the cases of Kees van der Graaf and Ralph Kugler (rather than the normal retirement date). It includes all pensions provided from Unilever pension plans.

(d) The Netherlands-based Executive Director's arrangement is calculated on the basis used by the Unilever Netherlands pension plan (Progress), as prescribed by the Netherlands Ministry of Social Affairs and Employment. This basis changed for accounting periods ending after 1 January 2008. Calculated on the old basis the transfer value at 31 December 2007 was €8 975 000. The UK-based Executive Directors' arrangement is calculated on the market-related basis used by the Unilever United Kingdom Pension Fund (UUKPF). This basis has changed during 2008. Calculated on the old basis, the transfer values at 31 December 2007 for Patrick Cescau and Ralph Kugler were €20 617 000 and €6 502 000. The transfer values at 31 December 2008 were calculated using market conditions at December 2008 for Patrick Cescau and May 2008 for Ralph Kugler.

(e) The movement in transfer values during 2008 includes market changes, together with additional service, the Executive Directors being one year closer to retirement and exchange rate movements (for pensions denominated in currencies other than euros). For Patrick Cescau also includes the impact of his salary increase effective from 1 January 2008. For Kees van der Graaf and Ralph Kugler includes the enhancement for early retirement of €542 000 and €2 515 000 respectively.

(f) Consistent with employees in the current Unilever Netherlands pension plan, the rate of individual contributions paid by Kees van der Graaf is 0.5% of pensionable salary between €12 209 and €58 993 and 1% on the balance. Consistent with employees in the Unilever United Kingdom pension plan, Ralph Kugler's contributions are paid through salary sacrifice at 7% of pensionable salary (5% of pensionable salary from January to March) above the UK Lower Earnings Limit, and as such no individual contributions are shown above. Patrick Cescau's contributions on the part of his salary paid in the Netherlands are paid on the basis of the old Unilever Netherlands pension plan, at 1% above €58 993. His contribution on the part of his salary paid in the UK are consistent with employees in the Unilever United Kingdom pension plan, paid through salary sacrifice at 7% of pensionable salary (5% of pensionable salary from January to March) above the UK Lower Earnings Limit.

(g) Stepped down from the Boards and retired on 31 December 2008. Attained age 60 on 27 September 2008, accrued no additional pension for service thereafter.

(h) Stepped down from the Boards at the AGMs in May 2008 with pension payable from 1 March 2009. The values shown in the table are at 31 May 2008, or the period ending on that date, as appropriate, and include the enhancement for early retirement. Life cover benefits continued to be payable as if still in employment up to 1 March 2009.

# Report of the Remuneration Committee continued

The Listing Rules of the UK Financial Services Authority are different from the Directors' Remuneration Report Regulations 2002 and require certain disclosures for defined benefit pension plans to be calculated on an alternative basis to those disclosed in the preceding table. Also, the Dutch Corporate Governance Code requires the disclosure of pension service costs charged to operating profit. These additional disclosures are set out in the table below, with further explanatory information given in the footnotes.

| | Listing rules of the Financial Services Authority | | Dutch Corporate Governance Code |
|---|---|---|---|
| | (a) €'000 | (b) €'000 | (c) €'000 |
| Patrick Cescau (UK) | 8 | 170 | 414 |
| Kees van der Graaf (NL)[d] | 3 | 25 | 785 |
| Ralph Kugler (UK)[d] | (2) | (31) | 2 976 |

(a) Increase in accrued pension during 2008 (excluding the effect of inflation on the accrued pension at 31 December 2007). Excludes the impact of early retirement.
(b) Transfer value at 31 December 2008 of the increase in accrued pension during 2008 (excluding the effect of inflation on the accrued pension at 31 December 2007 and less individual contributions).
(c) Pension service costs charged to operating profit.
(d) Values shown are as at 31 May 2008, or the period ending at that date, as appropriate.

Jim Lawrence is a member of Unilever's International Pension Plan (IPP), a defined contribution arrangement. The company contribution paid during the period was €61 000 of which €49 000 was in respect of service in 2008. In addition he made a personal contribution of €16 000 by individual salary sacrifice. The pension service cost for the period since he joined the Board in May 2008 was €63 000. Paul Polman will be offered membership of a defined contribution pension plan and the Company contribution accrued for the period was €79 000. The pension service cost accrued against operating profit for the period after he joined the Board in October 2008 was €53 000.

**Executive Directors' interests – share capital**

The interests in the share capitals of NV and PLC and their group companies of those who were Executive Directors at 31 December 2008 and of their connected persons were as shown in the table below:

| | Share type[a] | Shares held at 1 January 2008[b] | Shares held at 31 December 2008[b] |
|---|---|---|---|
| Patrick Cescau[c] | NV | 93 099 | 119 403 |
| | PLC | 65 798 | 96 434 |
| Jim Lawrence[d][e] | NV | 297 338 | 309 193 |
| | PLC | 241 830 | 323 435 |
| Paul Polman | NV | – | – |
| | PLC | – | – |

(a) NV shares are ordinary €0.16 shares and PLC shares are ordinary 3$\frac{1}{9}$p shares.
(b) Numbers are excluding unvested matching shares.
(c) Balances include under NV 38 715 NV New York shares and under PLC 10 220 PLC ADRs.
(d) Opening balance is at date of appointment as a Director in May 2008.
(e) Balances held at date of appointment as a Director include under PLC 240 000 PLC ADRs and balance held at 31 December 2008 include under PLC 309 750 ADRs

The Executive Directors, in common with other employees of PLC and its United Kingdom subsidiaries, had beneficial interests in 10 920 385 PLC ordinary shares at 1 January 2008 and 9 450 493 PLC ordinary shares at 31 December 2008, acquired by the Unilever Employee Share Trust (Jersey) for the purpose of satisfying options and vesting of shares under various group share plans (including the PLC Executive Option Plans and the UK Employee ShareSave Plan). Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share-based compensation plans, is given in note 29 on pages 133 and 134.

The voting rights of the Directors who hold interests in the share capitals of NV and PLC are the same as for other holders of the class of shares indicated. None of the Directors' or other executive officers' shareholdings amounts to more than 1% of the issued shares in that class of share. Except as stated above, all shareholdings are beneficial.

The only changes in the interests of the Executive Directors and their connected persons in NV and PLC ordinary shares between 31 December 2008 and 27 February 2009 were that the holding of the Unilever Employee Share Trust (Jersey) has reduced to 9 306 937 PLC ordinary shares.

## Non-Executive Directors

The following section contains detailed information and commentary on the Non-Executive Directors' annual fees and share interests. The Non-Executive Directors receive fees from both NV and PLC. No other remuneration is given in respect of their non-executive duties from either NV or PLC, such as annual incentives, share-based incentives or pension benefits.

The fee levels are benchmarked against those paid in other global companies based in Europe, excluding companies in the financial sector. The level of their fees reflects their commitment and contribution to Unilever.

In 2007 the shareholders agreed to a total maximum limit of £2 000 000 (€3 000 000).

**Non-Executive Directors' remuneration**
The total fees payable to each Non-Executive Director in 2008 are set out below:

| Non-Executive Directors | **Total fees paid in 2008[(a)] €'000** | Total fees paid in 2007[(a)] €'000 |
|---|---|---|
| Michael Treschow[(b)] | **663** | 469[(c)] |
| Geneviève Berger | **42**[(d)] | 60[(c)] |
| Leon Brittan | **101** | 97 |
| Wim Dik | **93** | 92 |
| Charles Golden | **118** | 134 |
| Byron Grote | **91** | 90 |
| Narayana Murthy | **98** | 97[(c)] |
| Hixonia Nyasulu | **118** | 82[(c)] |
| David Simon | **129** | 131 |
| Kees Storm | **112** | 113 |
| Jeroen van der Veer | **87** | 90 |

(a) Covers fees and allowances received from both NV in euros (50%) and PLC in Sterling (50%). Includes fees for intercontinental travel if applicable.
(b) Chairman NV and PLC since the 2007 AGMs.
(c) Appointed in 2007. The 2007 fee therefore only represents the period June – December 2007.
(d) Stepped down as Non-Executive Director on becoming a member of the Unilever Executive Team as from 1 July 2008. The fees paid in 2008 reflect the period January – May 2008.

Please see pages 18 and 19 for details of committee memberships.

Figures for amounts in sterling have been translated into euros using the average exchange rate over the year €1=£0.7880 (2007: €1=£0.6822).

# Report of the Remuneration Committee continued

**Non-Executive Directors' interests – share capital**

The interests in the share capitals of NV and PLC and their group companies of those who were Non-Executive Directors as at 31 December 2008 and had share holdings (including those of their connected persons) were as shown below:

| | Share type(a) | Shares held at 1 January 2008(a) | Shares held at 31 December 2008(a) |
|---|---|---|---|
| Michael Treschow | NV | 15 000 | 15 000 |
| | PLC | 15 000 | 15 000 |
| Byron Grote | NV NY | 3 000 | 3 000 |
| | PLC ADRs | 1 800 | 1 800 |
| David Simon | NV | – | |
| | PLC | 1 536 | 1 569 |
| Jeroen van der Veer | NV | 16 800 | 16 800 |
| | PLC | – | |

(a) NV shares are ordinary €0.16 shares and PLC shares are ordinary 3 1⁄9p shares.

The only change in the interests of the Non-Executive Directors and their connected persons in NV and PLC shares between 31 December 2008 and 27 February 2009 was that Byron Grote acquired further interests in 1 300 NV NY shares and 1 700 PLC ADRs during February 2009.

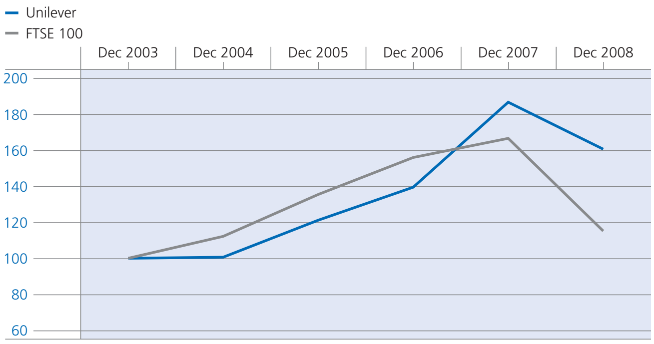
## Additional statutory and other disclosures

**Unilever's share performance relative to broad-based equity indices**

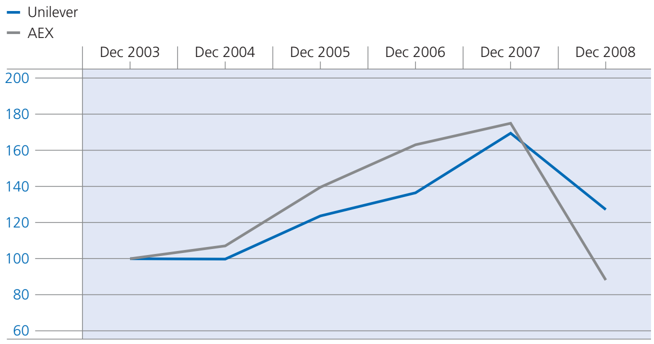
The UK Companies Act 1985 (schedule 7A) requires us to show Unilever's relative share performance, based on Total Shareholder Return, against a holding of shares in a broad-based equity index for the last five years. The Remuneration Committee has decided to show Unilever's performance against two indices, namely the FTSE 100 Index, London, and the Euronext, Amsterdam, as these are the most generally used indices in the UK and the Netherlands, where we have our principal listings.

**Five-Year Historical TSR Performance**

Growth in the value of a hypothetical £100 holding over five years
FTSE 100 comparison based on 30-trading-day average values




Growth in the value of a hypothetical €100 investment over five years
AEX comparison based on 30-trading-day average values




The Report has been approved by the Boards. Signed on behalf of the Boards by Sven Dumoulin (Group Secretary).