



## DISCLAIMER

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Certain sections of the Unilever Annual Report and Accounts 2014 have been audited. These are on pages 84 to 135, 137 to 139, and those parts noted as audited within the Directors' Remuneration Report on pages 65 to 77.

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Unilever



**MAKING  
SUSTAINABLE  
LIVING  
COMMONPLACE**

ANNUAL REPORT  
AND ACCOUNTS 2014  
STRATEGIC REPORT





## NEW DOVE BOTTLES – LESS PLASTIC, LOWER COSTS



In 2014 Unilever launched a newly developed packaging technology for Dove Body Wash bottles that uses 15% less plastic. Projected cost savings for the whole portfolio are €50 million. This is another substantial step towards the USLP target of halving Unilever's waste footprint by 2020.

The MuCell® Technology for Extrusion Blow Moulding was created in partnership with two packaging suppliers – ALPLA and MuCell Extrusion. By using gas-injection to create gas bubbles in the middle layer of the bottle wall, it reduces the density of the bottle and the amount of plastic required.

The technology represents a breakthrough for Unilever and the industry. With up to 59 million Dove Body Wash bottles sold across Europe, the new technology will save approximately 180 tonnes of plastic a year overall. A full roll-out across every Unilever product and packaging format could save up to 27,000 tonnes of plastic per year.

Unilever has waived exclusivity rights from 1 January 2015, so that other manufacturers can also use the technology.

# OUR PURPOSE

## UNILEVER HAS A SIMPLE PURPOSE – TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE SEE IT AS THE BEST, LONG-TERM WAY FOR OUR BUSINESS TO GROW.

Our clear Purpose helps us to remain distinct in the eyes of consumers, retailers and suppliers.

It also means we can set an ambitious Vision – to double the size of the business whilst reducing our environmental footprint and increasing our positive social impact.

To meet our growth ambition we invest in people whose talent will help us win through our brands and innovation, unrivalled execution in the market place and a relentless focus on continuous improvement for greater efficiency.

Our environmental and social ambitions are driven through the Unilever Sustainable Living Plan (USLP), which has economic benefits and operates across all our brands, markets and our entire value chain.

Even when markets are tough we cannot ignore sustainability. If we did, this would diminish the future resilience of Unilever for its long-term shareholders.

We would miss out on the growing consumer preference for goods that do not damage the environment or exploit people.

Our entire business would rely on increasingly rare and expensive raw materials, pushing up our costs. Without more efficient use of energy our production costs would increase while we would miss considerable savings from more sustainable packaging and less waste.

We would also risk the disapproval of governments, regulators and NGOs, and our brands – Unilever’s crown jewels – could suffer reputational damage, representing serious economic loss to the business.

That’s why sustainability is at the heart of everything we do to ensure we have a viable long-term business that is attractive to investors.

## ANNUAL REPORT AND ACCOUNTS 2014

### OUR ANNUAL REPORT AND ACCOUNTS 2014 IS IN TWO PARTS:

#### OUR STRATEGIC REPORT

The Strategic Report contains information about us, how we make money 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](http://www.unilever.com). For the latest information on the USLP visit [www.unilever.com/sustainable-living](http://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/ara2014/downloads](http://www.unilever.com/ara2014/downloads).

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This Strategic Report has been approved by the Boards and signed on their behalf by Tonia Lovell – Group Secretary.

# CHAIRMAN'S STATEMENT

I AM PLEASED TO REPORT THAT 2014 WAS ANOTHER YEAR OF PROGRESS FOR UNILEVER ACROSS A NUMBER OF FRONTS DESPITE A DIFFICULT ENVIRONMENT FOR THE BUSINESS.

## OVERVIEW

Tough economic and financial headwinds with continued competitive intensity made 2014 one of the most challenging years that the industry and Unilever have faced for some time. A slowdown in the growth of emerging markets proved a testing environment while consumers in developed markets continued to show caution. Volatile currencies were a further negative.

However, Unilever's business model and strategy proved robust, delivering a competitive performance with underlying sales growth ahead of the market and solid margin expansion. Our growth model is based on a leaner, more agile Unilever and consistency of delivery in this more volatile market is key. The Boards remain convinced that a clear, purpose-driven business model is the best way for Unilever to continue generating sustainable, long-term returns for all stakeholders, including our shareholders, as proved by a year of strong, dependable cash flow and steadily increasing dividends. The full year dividend paid in 2014 rose to €1.12, a 7% increase on 2013.

## HIGHLIGHTS

For me, the Boards' highlights of 2014 were:

### DEEP UNDERSTANDING OF THE BUSINESS

Investing in people and in innovation is crucial in this tough environment. To that end, the Boards were pleased to spend time at Unilever's new state-of-the-art training facility in Singapore, and to see first-hand the high-quality innovations being developed for the Refreshment category at Unilever's global R&D laboratory in Colworth, UK.

The volatile currency environment made our review of the Group's treasury operations particularly pertinent. The Boards also spent time assessing the quality of talent management and Unilever's competitive environment. Broad exposure to senior managers in 2014 allowed the Directors to gain a deeper understanding of the business and helped in the wider strategy discussions.

## STRATEGIC DISCUSSIONS

The Boards held in-depth discussions with management on strategy and portfolio development with particular attention to changing market dynamics especially in emerging markets. Despite the short-term challenges, the Boards believe the growth story in these markets remains intact. The challenges in developed markets are no less important; one response to which is our new Baking, Cooking and Spreading Business Unit in Europe and North America.

The Boards also reviewed the progress made under the Unilever Sustainable Living Plan (USLP). The Directors are confident that the USLP remains hugely relevant in addressing today's global challenges and will continue to be a long-term driver of profitable growth for Unilever.

## BOARD COMPOSITION AND SUCCESSION

We continue to work on succession planning for both the Boards and management, and thorough processes are in place.

Our Directors bring complementary and relevant skills to the Boards. In addition to wide global experience, these skills include expertise on finance and accounting, consumer markets, science and technology, customers and marketing as well as government and legal experience.

I'm delighted that Feike Sijbesma has joined the Boards with effect from 1 November 2014. Feike, who has a wealth of experience as a sustainable business leader and in finance, food and nutrition, has already added considerably to the Boards' discussions.

## DIVERSITY

Over 40% of our Non-Executive Directors are now women. This is not surprising for a Group that has long understood the importance of diversity within the workforce and wider value chain. The progress made in employee diversity over recent years has been among the best in our sector and led to widespread external recognition.

## UNILEVER'S AUDITOR

Our shareholders appointed KPMG as our new auditor at the AGMs in May 2014 and a smooth and well managed transition has been completed.

## BOARD EFFECTIVENESS

Our Board evaluation in 2014 was externally facilitated and the results were discussed at the November 2014 Board meeting. The Boards continue to function well with good leadership and competent and engaged members. Good progress has been made on the actions agreed in previous evaluations. The actions agreed by the Boards in the 2014 evaluation included the continued focus on overall strategy, portfolio management, and succession and induction planning.

## SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

In May 2014 we bought out certain third party rights that were convertible in 2038 into over 70 million PLC ordinary shares. This simplified Unilever's capital structure and enhanced core earnings per share. In addition, in 2014 we rolled out a new employee share scheme to align our employees' interests with those of shareholders.

Unilever values open, constructive and effective communication with shareholders. In 2014, I again met with principal shareholders in Europe and the US. Together with management, we explained our strategy to shareholders through meetings, conferences and at our annual investor event.

In line with the focus on simplification in the business, the Boards have decided to simplify the 2015 AGMs. We will revert to holding the NV and PLC AGMs on consecutive days and will host our AGMs at Unilever offices in the Netherlands and the UK. More information can be found within the NV and PLC AGM Notices which will be published on 17 March 2015.



## BOARD OF DIRECTORS

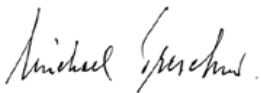
### STRATEGIC REPORT

The Boards' objective is to meet high standards of disclosure and we consider this Annual Report and Accounts to provide a fair, balanced and understandable account of Unilever's year in 2014 with the information required to assess performance, business model and strategy.

This 2014 Annual Report and Accounts is published in a two-part format: a stand-alone Strategic Report and a separate Governance and Financial Report.

Among many other things, this Strategic Report explains how Unilever fulfils its core Purpose of making sustainable living commonplace for consumers, society and people and how that delivers sustainable value for shareholders.

Finally, on behalf of the Boards, I would like to thank all Unilever's 172,000 employees for their hard work in delivering good results in a challenging environment.



**Michael Treschow**  
Chairman

**i** For more information on Board evaluation and shareholder engagement, see pages 42 and 45 of the Governance and Financial Report.



1. **Michael Treschow**  
Chairman
2. **Kees Storm**  
Vice-Chairman and Senior Independent Director
3. **Paul Polman**  
Chief Executive Officer
4. **Jean-Marc Huët**  
Chief Financial Officer
5. **Laura Cha**  
Non-Executive Director
6. **Louise Fresco**  
Non-Executive Director
7. **Ann Fudge**  
Non-Executive Director

8. **Byron Grote**  
Non-Executive Director
9. **Mary Ma**  
Non-Executive Director
10. **Hixonia Nyasulu**  
Non-Executive Director
11. **Sir Malcolm Rifkind**  
Non-Executive Director
12. **John Rishton**  
Non-Executive Director
13. **Feike Sijbesma**  
Non-Executive Director
14. **Paul Walsh**  
Non-Executive Director

**i** For Directors' biographies, please see page 54 of the Governance and Financial Report.

# CHIEF EXECUTIVE OFFICER'S REVIEW

UNILEVER CONTINUED TO GROW AHEAD OF ITS MARKETS IN 2014 AND RE-AFFIRMED ITS REPUTATION FOR CONSISTENT TOP AND BOTTOM LINE GROWTH, ENSURING CONTINUED RETURNS FOR INVESTORS. PAUL POLMAN, CHIEF EXECUTIVE OFFICER, ANSWERS THE KEY QUESTIONS ABOUT 2014.

## Q: HOW WOULD YOU SUMMARISE 2014 FOR UNILEVER?

**A:** In a volatile environment consistency of results is key. Our model calls for consistent, competitive, profitable and responsible growth. With 2.9% underlying sales growth, and good profit progress, this is the fifth consecutive year of top and bottom line growth. This was achieved despite a challenging external environment.

Our business is growing ahead of our markets with 60% gaining share and we believe this growth is also competitive. The Unilever Sustainable Living Plan (USLP) helps to ensure growth is responsible. The consistency of our delivery is underlined by the fact that our average growth over the last five years is 4.9%, making us one of the most reliable performers in our industry.

## Q: HOW WOULD YOU CHARACTERISE THE EXTERNAL ENVIRONMENT IN WHICH YOU HAVE HAD TO OPERATE OVER THE LAST YEAR?

**A:** Very challenging and among the most difficult I can remember. We certainly faced more headwinds than tailwinds. For the first time in many years, for example, we had to confront the reality of largely flat developed markets and markedly slowing emerging markets. Indeed, markets slowed from some 3.5% in 2013 to around 2.5% in 2014.

At the same time, the world continued to be rocked by a combination of geopolitical instability and natural, climate-related disasters that have sadly become the norm.

All of these add a cost to doing business, which is why we believe that confronting these issues and looking for solutions to them – rather than just being buffeted by events – is the only long-term viable growth model. Agility is equally important in this environment and we have worked hard once again to reduce complexity and evolve the organisational model for speed and efficiency.

## Q: WHAT PLEASSED YOU MOST ABOUT THE COMPANY'S PERFORMANCE IN 2014?

**A:** The ability to deliver results while balancing the needs of our multiple stakeholders. The consistency of our delivery, even in these unusually volatile and uncertain conditions, helps. It reassures me that the fundamental pillars of the business are strong and that we have developed the resilience needed to compete even in the most difficult circumstances.

What pleased me specifically was that we were able to take the short-term measures necessary to respond to events – further tightening our belts, for example, and simplifying the organisation through initiatives like Project Half for Growth – while at the same time continuing to invest in the long-term drivers of growth. The launches of some of our biggest brands into new markets – like Omo in the Gulf, Clear in Japan or Lifebuoy in China – were great examples of this.

We also made a number of strategic acquisitions over the year to help strengthen our portfolio further: the Talenti super-premium ice cream business in North America, for example, and the Qinyuan water purification business in China, both take us into some attractive segments of the market.

I was equally delighted by the progress we made during 2014 in increasing our proportion of female managers. There is much still to do, but beating our stretching targets and ending the year with women representing 43.3% of all managers was a great achievement and a real sign of the commitment felt across Unilever to make progress in this area. Finally we have made further progress on sustainable sourcing, decoupling growth from environmental impact and increasing positive social impact throughout our value chain. This has further enhanced our corporate reputation and lowered risk and costs.

## Q: WHAT DID ALL THIS MEAN FOR THE GROUP'S FINANCIAL PERFORMANCE?

**A:** Weakening consumer demand certainly impacted our underlying sales growth yet it provided a great opportunity to accelerate our efficiency effort. Growth was therefore profitable, with an improvement in core operating margin of 0.4 percentage points, driven by strong savings programmes. Tight control of working capital contributed to another year of healthy cash flow delivery (more than €3.1 billion) which – combined with the improvement in operating margin – contributed to earnings per share (EPS) growth of 2% (or 11% adjusted for currency impact).

## RESHAPING OUR PORTFOLIO



We continued to reshape our portfolio in 2014 to ensure resources are best utilised for growth. In June we sold the Ragu and Bertolli pasta sauces business in North America for approximately US \$2.15 billion. We invested capital in growth opportunities by acquiring a majority stake in the Qinyuan Group, a leading Chinese water purification business. This doubled our size in this sector, addressing a fast-growing consumer need and furthering our aim to grow our business sustainably. More details of our mergers and acquisitions activity can be found on page 29.

**Q: ARE THERE AREAS IN WHICH YOU WOULD LIKE TO HAVE SEEN MORE PROGRESS?**

**A:** Even though we have made significant strides over recent years in improving our organisational agility and our ability to respond quickly to events, there is still room for improvement. I would like to have seen us react a little quicker, for example, to the slowdown in a number of markets, particularly China, where frankly we were caught off-guard by the speed and scale of weakening consumer demand. In terms of our categories, all of them contributed – albeit in different ways – to the overall performance of the Group and I have confidence in the strength and long-term growth potential of our portfolio.

We took steps last year to sharpen the portfolio even further with a number of strategic acquisitions and disposal of non-core brands, although there is always scope to do more and I would like to see the level of activity accelerate in the year ahead. It is also clear that we still need to do more to get our Foods category growing again, although we are winning market share.

This is a tough business to be in – with much of our portfolio in flat or even declining developed markets – but we have to do more to leverage the strength of our wonderful Foods brands and bring back the growth momentum. By contrast, while our Home Care and Refreshment categories delivered good or solid growth, we need to increase the levels of cash and profitability if we are to invest in the many growth opportunities. These will all be priorities in 2015.

**Q: HOW DID UNILEVER SERVE THE INTERESTS OF ITS VARIOUS STAKEHOLDERS IN 2014?**

**A:** Meeting the diverse interests of multiple stakeholders is a challenge for a company of Unilever's size but also a great opportunity given our Vision to grow in a sustainable and socially inclusive way. Once again, we made good progress.

**INVESTING IN EMERGING MARKETS**



Unilever's strategic commitment to emerging markets continued in 2014 with significant investments in brand launches, new production facilities and our operations.

We undertook major launches of brands including Lifebuoy into China and Omo

into Saudi Arabia and the Gulf region. Brazil saw the entry of the Baby Dove range and Omo stain removers.

In China we undertook large capital expenditure, building a new dry savoury plant and a new washing powder factory. In Indonesia, large-scale capital investment was made in Siliwangi, creating a plant for Cikarang Foods, adding significant capacity to dry and wet savoury production. In the Philippines a new dry savoury factory was built. Detergent and ice cream factories were built in Africa.

We are extending our distribution reach in the outer islands of Indonesia, rural India and the north and central west of Brazil, while Singapore continues to be a major hub for our development of Unilever people at our Four Acres training campus.

There is no doubt that over the long term our investors have benefited from their continued belief in Unilever, with total shareholder return increasing by a further 18% in 2014. Our employees remain a key priority of course and, despite the constrained economic environment, we did not compromise on our investments in training, personal development, safety and other employee support programmes. It was heartening to see employee engagement scores remain at historically high levels in our annual Global People Survey (GPS), with improvements across all five metrics.

It is also clear that the demand to join Unilever has never been greater. We received over 2 million applications or expressions of interest in 2014 and for the second year running Unilever was ranked the third most in-demand employer among jobseekers on LinkedIn, behind only Apple and Google, as more and more young people want to work for purpose-driven organisations.

We also made progress in our commitment to serve a wider group of stakeholders through the USLP and our Vision of growing the business while reducing our environmental footprint and increasing our positive social impact, not only in that part of the business under our direct control but throughout the whole value chain. This manifests itself in many different ways – everything from playing our part in putting an end to deforestation to ensuring we embrace and advance human rights principles throughout the length of our supply chain. You can see a number of examples set out in other parts of this report.

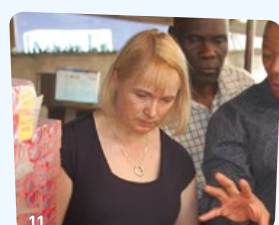
It was pleasing to see our efforts recognised once again in 2014, including regaining sector leadership in the prestigious Dow Jones Sustainability Index (DJSI) and being ranked – for the fourth year running – as the Number One Company in the Globescan/SustainAbility index of leading sustainability experts around the world.



# CHIEF EXECUTIVE OFFICER'S REVIEW

## CONTINUED

### UNILEVER LEADERSHIP EXECUTIVE (ULE)



1. **Paul Polman<sup>^</sup>**  
Chief Executive Officer
2. **Doug Baillie**  
Chief Human Resources Officer
3. **David Blanchard**  
Chief R&D Officer
4. **Kevin Havelock**  
President, Refreshment
5. **Jean-Marc Huët<sup>^</sup>**  
Chief Financial Officer
6. **Alan Jope**  
President, Personal Care
7. **Kees Kruythoff**  
President, North America

8. **Nitin Paranjpe**  
President, Home Care
9. **Antoine de Saint-Affrique**  
President, Foods
10. **Pier Luigi Sigismondi**  
Chief Supply Chain Officer
11. **Ritva Sotamaa**  
Chief Legal Officer
12. **Keith Weed**  
Chief Marketing and Communications Officer
13. **Jan Zijdeveld**  
President, Europe

<sup>^</sup> Board member

**i** For ULE biographies, please see page 55 of the Governance and Financial Report.

### Q: WHAT DO YOU SEE AS THE PRINCIPAL CHALLENGES FOR UNILEVER IN THE YEAR AHEAD?

**A:** Operating in an environment of almost unprecedented volatility and complexity will remain a big challenge for everyone. Few people predicted that in 2014 we would see such a sharp slowdown in some of the major world economies or the escalation of geopolitical conflicts or the outbreak of pandemics like Ebola and oil prices ending the year at less than US \$50 a barrel. We must be prepared for a similarly unpredictable year in 2015.

The key is to have a model that responds to people's needs and concerns, and an organisation that is both resilient and agile in the face of growing economic and geopolitical uncertainty. We achieved that again in 2014 and I want to thank – and recognise – the supreme efforts of our 172,000 colleagues and the many more partners around the world.

### Q: WHAT IS YOUR OUTLOOK FOR 2015?

**A:** We expect the economic pressures to continue. Consumer demand in emerging markets is likely to remain subdued for some time to come. There is still little sign of a recovery in Europe and, while conditions in North America have improved, any increase in consumer demand is likely to be slow and shoppers will remain focused on value.

We are also prepared for managing any continuing volatility on the world's currency markets and for what could be fluctuations in commodity costs as a result of the reduction in oil prices. At the same time, we expect the levels of competitive activity – both from global competitors and, increasingly, from local players – to remain high in 2015.

Despite these pressures, we are confident that with the many positive changes we have already made to Unilever we are well placed to continue delivering our objectives of volume growth ahead of our markets, steady and sustainable improvements in core operating margin, and strong cash flow.

**Paul Polman**  
Chief Executive Officer

# OUR PERFORMANCE

IN 2014, DESPITE A CHALLENGING YEAR FOR OUR INDUSTRY, WITH SIGNIFICANT ECONOMIC HEADWINDS AND WEAK MARKETS, WE HAVE DELIVERED COMPETITIVE UNDERLYING SALES GROWTH AND MARGIN EXPANSION.

## OPERATIONAL HIGHLIGHTS

Turnover was €48.4 billion, down 2.7% with a negative impact from foreign exchange of 4.6%, and net acquisitions and disposals of 0.9%. Underlying sales grew 2.9%.

Gross margin declined 0.2 percentage points driven by currency-related cost increases in emerging markets, partly offset by pricing, savings and mix such as margin accretive innovations.

Core operating margin rose by 0.4 percentage points despite maintaining brand and marketing investment at 14.8% of turnover, as overheads were reduced by 0.6 percentage points.

- Underlying sales growth of 2.9% was ahead of our markets, with volume 1.0% and price 1.9%.
- Emerging markets, 57% of our business, grew underlying sales by 5.7%.
- Developed markets reported a decline in underlying sales of 0.8%, with price down 1.3% and volume up 0.5%.

## KEY PERFORMANCE INDICATORS

We report our performance against ten key performance indicators (KPIs) – four financial and six non-financial – as shown below. Our financial KPIs are described in more detail in the Financial review starting on page 31.

## KEY FINANCIAL INDICATORS

### UNDERLYING SALES GROWTH<sup>‡</sup>

2014  
**2.9%**  
2013: 4.3%

Underlying sales growth over five years has averaged 4.9%.

### CORE OPERATING MARGIN<sup>‡</sup>

2014  
**14.5%**  
2013: 14.1%

Core operating margin has steadily increased over five years from 13.6% to 14.5%.

### UNDERLYING VOLUME GROWTH<sup>‡</sup>

2014  
**1.0%**  
2013: 2.5%

Underlying volume growth averaged 2.9% over five years.

### FREE CASH FLOW<sup>‡</sup>

2014  
**€3.1 BILLION**  
2013: €3.9 billion

Over the last five years Unilever has generated free cash flow of €17.7 billion.

## KEY NON-FINANCIAL INDICATORS

### MANUFACTURING

2014  
**92.02kg<sup>◇</sup>**  
2013: 98.85kg<sup>◇</sup>

CO<sub>2</sub> from energy per tonne of production.

2014  
**2.01m<sup>3</sup><sup>◇</sup>**  
2013: 2.12m<sup>3</sup><sup>◇</sup>

Water per tonne of production.

2014  
**1.19kg<sup>◇</sup>**  
2013: 2.96kg<sup>◇</sup><sup>#</sup>

Total waste (sent for disposal) per tonne of production.

<sup>‡</sup> These measures are non-GAAP measures. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-GAAP measures on pages 34 to 35.

<sup>◇</sup> PricewaterhouseCoopers (PwC) assured. For details and the basis of preparation see [www.unilever.com/ara2014/downloads](http://www.unilever.com/ara2014/downloads).

<sup>◇</sup> Measured 1 October – 30 September.

<sup>#</sup> Prior year restated to include additional waste identified.

### TOTAL RECORDABLE ACCIDENT FREQUENCY RATE

2014  
**1.05<sup>◇</sup>**  
2013: 1.03<sup>◇</sup>

Per 1 million hours worked.

### DIVERSITY

2014                      2014  
**57%**                      **43%**  
male                      female  
2013: 58%                      2013: 42%

The percentage of persons of each sex who were Unilever managers.

### ENGAGEMENT

2014  
**75%**  
2013: 78%

Overall engagement score among managers who participated in our Global People Survey in 2014.



# ABOUT US

THIS SECTION EXPLAINS OUR BUSINESS – HOW AND WHERE WE MAKE OUR PRODUCTS, HOW WE TAKE THEM TO MARKET AND HOW WE ENSURE THAT OUR BRANDS REMAIN OUR CONSUMERS' CHOICE.

## 1. CONSUMERS



### INSIGHTS FOR INNOVATION

A fundamental requirement at Unilever is to understand our consumers. We use focus groups and quantitative studies and spend time with consumers in stores and in their homes to find out what is important to them – as citizens as well as consumers – so we can create products they need and want. Unilever carelines are also a rich source of information. Digital communications and social media mean we can engage with large numbers of people consistently over long periods of time so we can immerse ourselves in their day-to-day lives. We can use online search data to identify and anticipate future consumer trends and gain a competitive edge.



## 2. INNOVATION



### TECHNOLOGY AT WORK

R&D is an engine of sustainable growth; Unilever spends around €1 billion on R&D annually. Our 6,000 R&D professionals are responsible for building brands through benefit-led innovation, which is unlocked through science and technology. This includes looking at long-term emerging science and transforming science into technologies which are used to design branded products.



## 4. SOURCING



### SUSTAINABLE SOURCING

A dedicated team is responsible for Unilever's annual €35 billion procurement programme, including agricultural raw materials. In 2014 we rolled out our Responsible Sourcing Policy (RSP) as part of our commitment to business integrity, openness, respect for universal human rights and core labour principles. To ensure that our suppliers embrace the RSP and move up the continuous improvement ladder our initial goal is for our key Partner To Win suppliers, approximately 200 large companies, to meet mandatory RSP criteria by the end of March 2015. We are also targeting our broader supplier base to secure continuous improvement across the board.

By the end of 2014 all palm oil directly sourced for Unilever's European Foods business was close to 100% traceable and certified sustainable (over 98% in December 2014 and on track to be 100% by the end of March 2015). By leading the industry's efforts to make sustainable palm oil ubiquitous we help to halt deforestation and mitigate the risk of rising commodity costs.



## 3. COLLABORATION



### PARTNER TO WIN

To meet our Vision we know we must work in partnership with others, such as suppliers, agencies, universities, governments and NGOs.

The big development for 2014 has been the launch of our Partner To Win 2020 programme to create a supplier ecosystem where partners work with us and each other to create breakthroughs in products or packaging to deliver the capacity, innovation and sustainable solutions to meet our growth ambition. A great example is the new Dove Body Wash bottle using 15% less plastic (see inside front cover).

# 15%

### LESS PLASTIC USED

Unilever has waived exclusivity rights from 1 January 2015 so that other manufacturers can also use the technology.

## OUR VALUE CHAIN

Unilever's value chain – the process by which we create brands, products and ultimately shareholder value – begins with acquiring insight into consumers' needs, which vary considerably between developed and emerging markets.

Insight requires close engagement with consumers, often over prolonged periods, and allows us to identify future trends to gain a competitive edge.

That knowledge helps us to target our subsequent R&D activities and our investments in innovation. Unilever has filed more than 200 new patent applications in 2014 and our Partner To Win 2020 programme, also launched in 2014, creates a new platform for us to work with our suppliers in the development of product and packaging innovations that capture consumers' interest and attention.

Bringing these innovations to market as physical products is a core function of Unilever's supply chain, which employs about 110,000 of our 172,000 people. It also involves working with suppliers around the world.

Unilever itself manufactures the majority of its products and we maintain an international network of 240 manufacturing sites. In sourcing large amounts of raw materials we also have a direct impact on the environment. By sourcing sustainably, we can protect scarce resources, ensure security of supply for our business and reduce price volatility while protecting the environment and enhancing people's lives, which is at the heart of our Unilever Sustainable Living Plan (USLP). More detail can be found on page 11.

By the time manufacturing is under way Unilever's marketing teams have worked with our category experts to define the complete marketing mix, including communications, that makes our brands come alive. Communicating the benefits of our products and brands to consumers is increasingly complex, with digital communications and social media creating new and more direct ways to engage alongside traditional media.

Our logistics operations move Unilever products to retailers and our go-to-market teams ensure that we get enough of the right products in the right price bracket in the right sales channels for consumers to buy, be they stores or the fast-growing e-commerce channel.

## 5. MANUFACTURING



### GLOBAL SCALE, LOCAL AGILITY

We make the majority of what we sell through a network of more than 240 manufacturing sites around the world. We have invested significantly in our factories in recent years to create an efficient, reliable and more sustainable network. We are now able to maximise the global scale of our operations, while having the agility to meet local demands. More eco-efficient production is helping us meet the USLP targets, so by the end of January 2015, for instance, all our factories had achieved zero non-hazardous waste to landfill, producing 140,000 tonnes less waste. Since 2008, we estimate that eco-production has avoided costs in excess of €400 million.



## 8. SALES



### GO-TO-MARKET EXPERTISE

We work closely with retailers to win in the market place and make sure that our brands are always available, properly displayed and in the right price bracket. Our go-to-market capability ensures that we become the supplier of choice for our customers and trade partners, through strong joint business planning and in-store execution via Perfect Store programmes, to help deliver sustainable sales growth. This is essential for us to be able to add premium brand extensions to our product ranges, land product innovations on the shelves, enter new geographies and markets, and build our distribution strength to reach new consumers.



## 6. LOGISTICS



### CENTRALISED LOGISTICS EXPERTISE

How we move products from factories to customers is the role of our logistics operation. We are now rolling out our global network of logistics centres that organise movement of goods centrally and more efficiently, delivering savings, reduced stocks, reduced carbon emissions and improved customer service. These operational hubs now allow us to centralise other services too, including monitoring orders from customers through to payment.

# 22%

**CO<sub>2</sub> SAVINGS FROM LOGISTICS**  
Improvement in CO<sub>2</sub> efficiency since 2010 measured across 14 countries.

## 7. MARKETING



### GENERATING CONSUMER-LED GROWTH

We spend about €7 billion annually on marketing, making us one of the world's biggest advertisers. This ensures that our brands and products are consumers' first choice. We use multiple media to achieve cut-through in a highly competitive and busy world. Traditional media channels continue to play a big part but digital communications have revolutionised the way marketing engages with people, creating entirely new sales and marketing opportunities. We create our own entertainment content, including Unilever brand advertising, and this is distributed, for example, by mobile devices in emerging markets.



# ABOUT US

CONTINUED

## OUR CATEGORIES AND BRANDS

Unilever's portfolio has four categories: Personal Care, Foods, Refreshment and Home Care. We have 13 brands with sales of more than €1 billion. Brands are our biggest asset but also present a risk if they do not maintain value and relevance to consumers. That's why innovation and remaining competitive are crucial. We launched new brands in 2014, backed by marketing and customer insight, for example Regenerate, a dental care product. In addition to the Qinyuan and Talenti Gelato & Sorbetto acquisitions, we are also in the process of acquiring the Camay and Zest brands, to expand categories and boost growth. To sharpen our portfolio in 2014 we disposed of Slim-Fast, Ragu and Bertolli in North America, and other non-core Foods brands.



### PERSONAL CARE

Underlying sales growth

**3.5%**  
2013: 7.3%

Core operating margin

**18.7%**  
2013: 17.8%

Turnover

**€17.7 BILLION**  
2013: €18.1 billion

### FOODS

Underlying sales growth

**(0.6)%**  
2013: 0.3%

Core operating margin

**18.6%**  
2013: 17.7%

Turnover

**€12.4 BILLION**  
2013: €13.4 billion

### REFRESHMENT

Underlying sales growth

**3.8%**  
2013: 1.1%

Core operating margin

**8.8%**  
2013: 9.1%

Turnover

**€9.2 BILLION**  
2013: €9.4 billion

### HOME CARE

Underlying sales growth

**5.8%**  
2013: 8.0%

Core operating margin

**6.3%**  
2013: 6.4%

Turnover

**€9.2 BILLION**  
2013: €8.9 billion

## WHERE WE OPERATE

Unilever's products sell in more than 190 countries and are used by 2 billion consumers every day. Our business is organised across three geographies: the Americas; Europe; and markets comprising Asia, Australasia, Africa, Middle East, Turkey, Russia, Ukraine and Belarus. We also analyse operations by developed and emerging markets. This wide spread exposes us to economic and political risks beyond our control. However, the diversity of our portfolio and geographic reach help mitigate our exposure to any specific risk.



# UNILEVER SUSTAINABLE LIVING PLAN

We cannot achieve our Vision to double our size unless we find new ways to operate that decouple growth from our environmental impact, while using growth as an enabler for positive social impact. Launched in 2010, the Unilever Sustainable Living Plan (USLP) is our blueprint for sustainable growth. It is helping to drive profitable growth for our brands, save costs and fuel innovation.

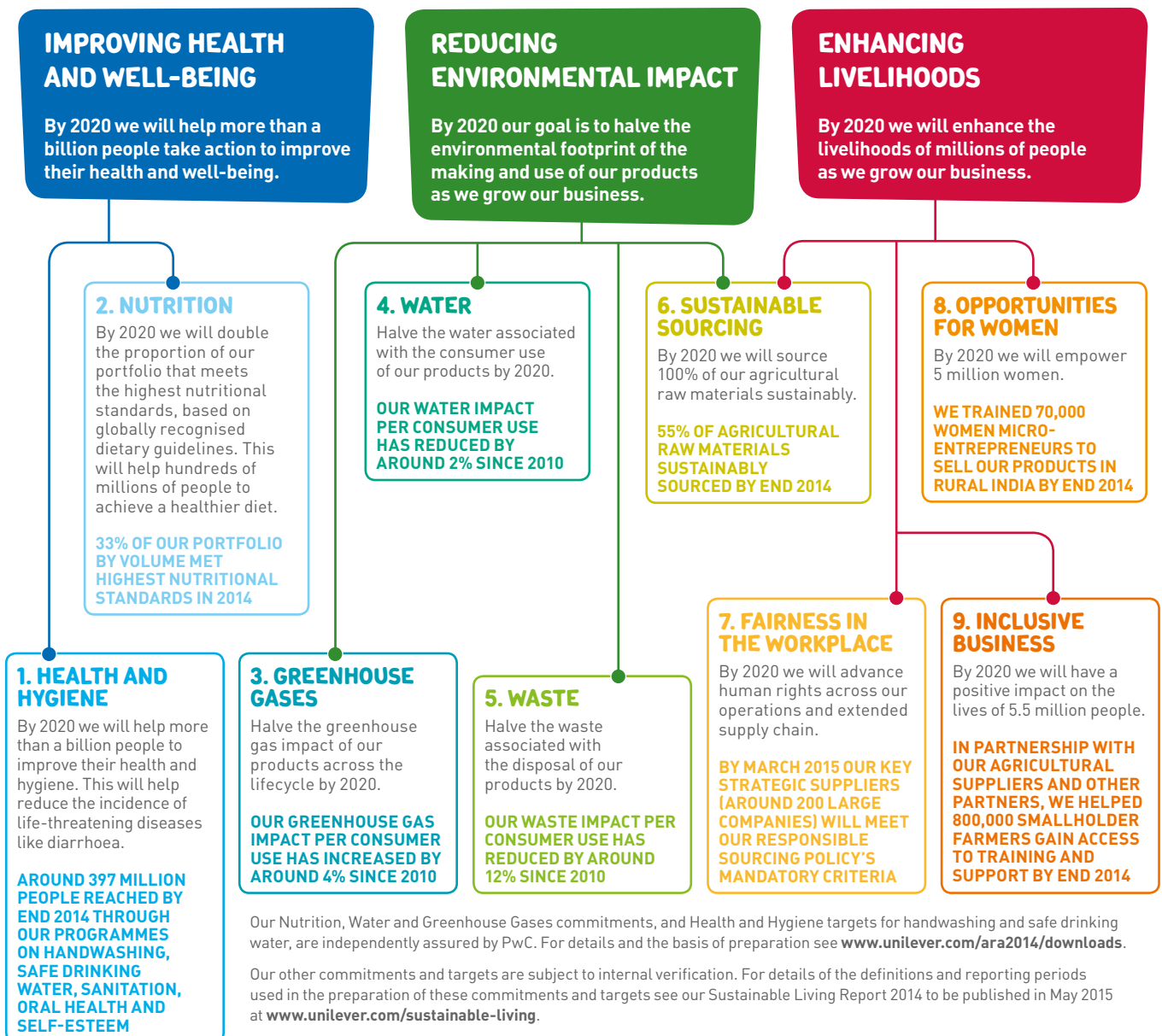
The USLP sets out three big, ambitious goals. Underpinning these goals are nine commitments supported by targets spanning our social and environmental performance.

We are making good progress with our first goal: to help more than a billion people improve their health and well-being by 2020, reaching 397 million by the end of 2014. The progress on our second goal is more mixed. We have achieved zero non-hazardous waste to landfill from our factories, and continue to make significant reductions in the greenhouse gas (GHG)

and water impacts of our manufacturing. But the consumer element of our target to halve the water and GHG impacts of our products remains a challenge. On waste reduction, new technology such as the roll-out of compressed deodorant sprays and our new Dove Body Wash bottles has enabled reductions. On our third goal, we are also making good progress. We are now sourcing more than half our agricultural raw materials sustainably and have reached around 800,000 smallholder farmers with help and training. We have created 70,000 women micro-entrepreneurs distributing our products in India while making progress on our new commitments to enhance livelihoods across the value chain.

More on our performance against our targets can be found in our online Sustainable Living Report 2014 to be published in May 2015.

[www.unilever.com/sustainable-living](http://www.unilever.com/sustainable-living)





# OUR MARKETS

UNILEVER OPERATES IN FAST MOVING CONSUMER GOODS (FMCG) MARKETS WHICH INVOLVE THE MANUFACTURE, DISTRIBUTION AND MARKETING OF BRANDED PRODUCTS ADDRESSING A BROAD RANGE OF EVERYDAY NEEDS INCLUDING FOOD, REFRESHMENT AND HOME AND PERSONAL CARE.

The top 25 companies in the FMCG market have global sales of approximately US \$870 billion.

The market is characterised by high levels of competition between brands and FMCG companies are among the world's biggest advertisers, accounting for about a fifth of all advertising expenditure.

### CONSUMER CONFIDENCE

Levels of consumer confidence are critical to the FMCG market. Confidence has benefited from governments and central banks around the world engaging in various economic support programmes since the 2008 financial crisis.

But in 2014 the major trend in global consumption patterns was a marked slowdown, evidenced by a fall in growth rates in emerging economies, notably China, which is now growing at its slowest rate for five years, and Brazil, which is in recession.

Inflation and a rising cost of living have squeezed consumers in emerging markets, while economies only narrowly missed falling back into recession in Europe. A small number of major markets, such as the US and UK, saw better levels of economic activity but the outlook for consumer confidence remains weak.

This broad economic trend was reflected in our markets, which grew at around 2.5%.

### CHANGING CONSUMER HABITS: E-COMMERCE

E-commerce, driven by the rapid take-up of smartphones and tablets, is an increasingly significant distribution channel. In the retail market, FMCG e-commerce sales are growing and account for 1.2% of total sales, although on current trends this is expected to double to 2.4% by 2020.

In some developed markets, such as the UK, e-commerce is already up to 5% of FMCG sales.

Online shoppers can be up to 25% more loyal, while e-commerce also offers FMCG companies the opportunity of round-the-clock shopping, access to new consumers, improved margins and easier product launches.

# 100%

GROWTH IN THE FMCG E-COMMERCE CHANNEL BY 2020

### POLITICS AND COMMODITIES

The FMCG market is also sensitive to geopolitical events which can hold back growth such as the current situation in Russia and Ukraine where sanctions and political tensions are having an impact on the market.

A further area of exposure is raw material and commodity prices, which drive the industry's cost base. Across many emerging markets, devaluing currencies have imported inflation into local raw material production.

Elsewhere the oil price has been trending down, compounding price deflation in Europe.



## COMPETITION

Some of the largest FMCG companies, along with Unilever, include: Nestlé, Procter & Gamble, L'Oréal, Danone, Kraft Foods and Colgate-Palmolive. All have identified emerging markets as a major growth opportunity in years to come.

Of growing influence in the FMCG markets are discount stores which are providing fierce competition to the incumbent supermarket chains, most notably in the US and Europe.



## WORLD POPULATION GROWTH BY 2050

The expected rise in world population highlights the fact there will be 3 billion middle class consumers in the world as a source of growth for FMCG companies, but also the pressure being placed on raw materials and sustainability.

## POPULATION TRENDS

The FMCG market is driven in part by global population trends and demographic changes within countries.

World population is expected to rise to 8 billion by 2025 and, by then, more than 4 billion will be part of the 'consuming class'. For the first time the number of people with discretionary income will exceed the number struggling to meet basic needs – a trend described by management consultancy McKinsey as possibly the biggest opportunity in the history of capitalism.

## ENVIRONMENTAL PRESSURES

Population growth also places a strain on the world's natural resources – the raw materials that the FMCG industry relies on to make its products.

FMCG companies are among the world's largest buyers of commodities such as agricultural products, natural oils and fats, coffee, tea, paper and board.

Cultivation of commodities such as palm oil has contributed to deforestation which has been a major factor behind climate change. This in turn has reduced the availability of raw materials, increasing their price and FMCG production costs.

While the world population grew fourfold in the 20th century, fresh water withdrawals grew nine times – which highlights the threat of water scarcity to the economic production and consumption of consumer goods.

Numerous initiatives are under way led by industry working in partnership with governments and NGOs to place raw material production on a sustainable footing.

Meanwhile, consumer trends are also shifting towards responsible consumption, and products defined or labelled as natural, organic, ecological or fairly traded.

Boston Consulting Group estimates that two thirds of the US grocery sector market growth comes from the responsible consumption of products which are now worth US \$400 billion.

The segment has grown about 9% a year over the past three years and, in the UK, Fairtrade products grew at 14% in 2013 versus overall growth of food spending of less than 5.1%.

## HEALTH, HYGIENE AND NUTRITION

FMCG product development is also reacting to consumers' concerns about their own health and well-being.

Malnutrition – under and over nutrition – is an issue affecting the industry in both emerging and developed markets. This is creating a trend toward the manufacture of healthier food products, which either have fortified

## THE ROLE OF WOMEN



Women play a pivotal role in the FMCG market, controlling the majority of purchasing decisions. The promotion of women's rights and opportunities has clear long-term implications for the FMCG market in terms of product development and innovation. Significant developments such as the UN's new Sustainable Development Goals are expected to accelerate these opportunities.

ingredients to improve dietary quality or address other dietary-related complaints such as unhealthy cholesterol levels.

Initiatives such as the UN's new Sustainable Development Goals also have implications for the industry. Governments in emerging markets, such as India, have made commitments to universal sanitation to improve health and hygiene which will drive increased use of personal and household care products.

## DIGITAL MEDIA AND ADVERTISING GROWTH



FMCG advertising is rapidly migrating to digital platforms, driven by the take-up of smartphones and tablets. Global digital advertising is estimated at US \$137.5 billion, or a quarter of total advertising spend.

The trend is being driven in developed and also emerging markets where mobile phones are proving to be one of the most effective ways of delivering advertising to individuals, particularly in the most remote rural locations. For instance, large parts of rural India have no, or very limited, access to television,

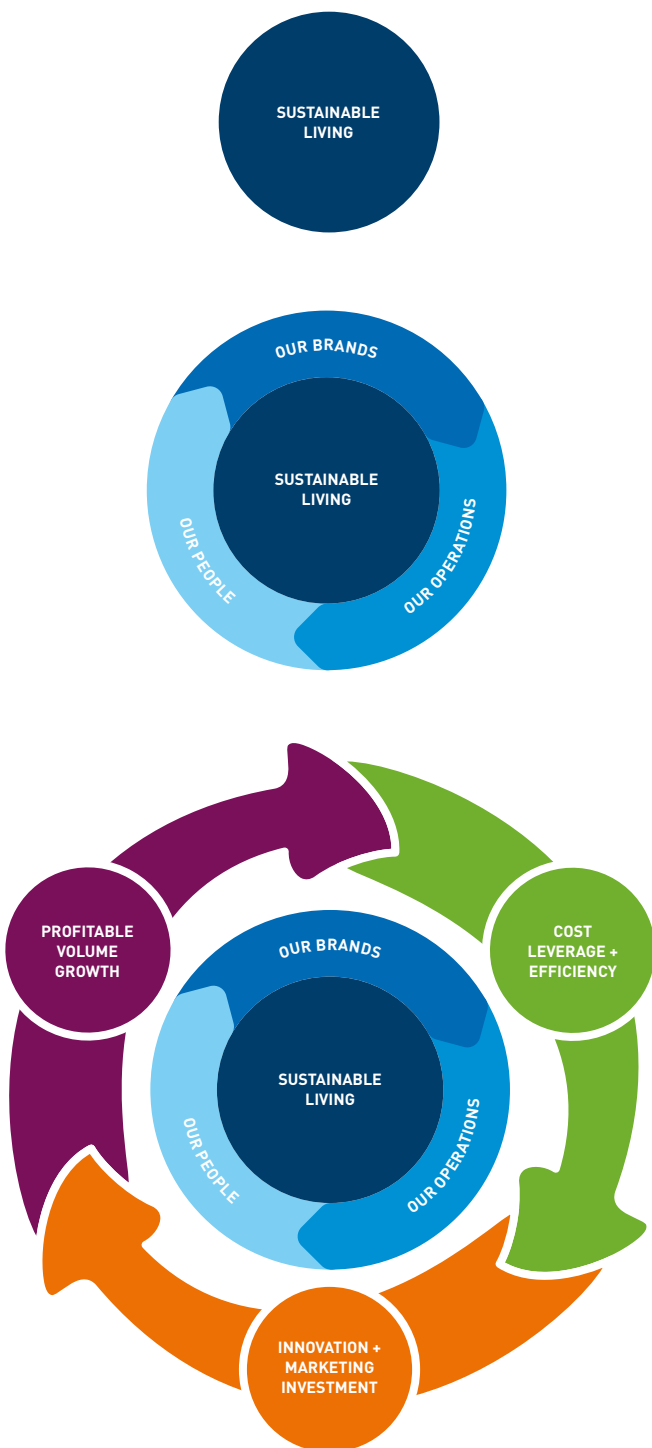
print or radio. However, mobile phone penetration and usage is high. As a result, Unilever has launched Kan Khajura Mobile Radio Station in India, which delivers radio content to mobile phones through the simple mechanism of giving a missed call.

This mobile channel provides content including Bollywood movie songs, dialogues and jokes that can be accessed for free by the mobile user. The content is interspersed with Unilever brand advertising. Data and analytics are extensively used to vary content to make it relevant and interesting. The channel reaches approximately 10 million people without a TV in Bihar and Jharkhand states, making it one of the largest media channels in these regions. The channel had 29.5 million users by the end of December 2014, helping increase spontaneous awareness of Unilever brands.

# HOW WE CREATE SUSTAINABLE VALUE

OUR BUSINESS MODEL AND STRATEGY COME TOGETHER TO DELIVER VALUE FOR SHAREHOLDERS. HERE WE EXPLAIN THEIR ELEMENTS AND HOW THEY ARE COMBINED.

## OUR BUSINESS MODEL



### OUR CORE PURPOSE

#### MAKING SUSTAINABLE LIVING COMMONPLACE

Our business model starts with our core Purpose which is a clear expression of what we believe to be the best long-term way for Unilever to grow. It is a simple Purpose to help us meet changing consumer preferences and the challenges of a volatile, uncertain, complex and ambiguous world.

### KEY INPUTS

#### BRANDS, OPERATIONS, PEOPLE

Our business model works by combining three key inputs and filtering them through the lens of the Unilever Sustainable Living Plan (USLP). Our brands have significant value and succeed through products that meet the needs of consumers. Our people identify social and consumer needs to grow our brands, market them and manufacture and distribute them. Our operations are the essential supply chain functions and assets of raw material supply, factories, logistics, go-to-market expertise and marketing. We invest financial capital to support all these assets and activities.

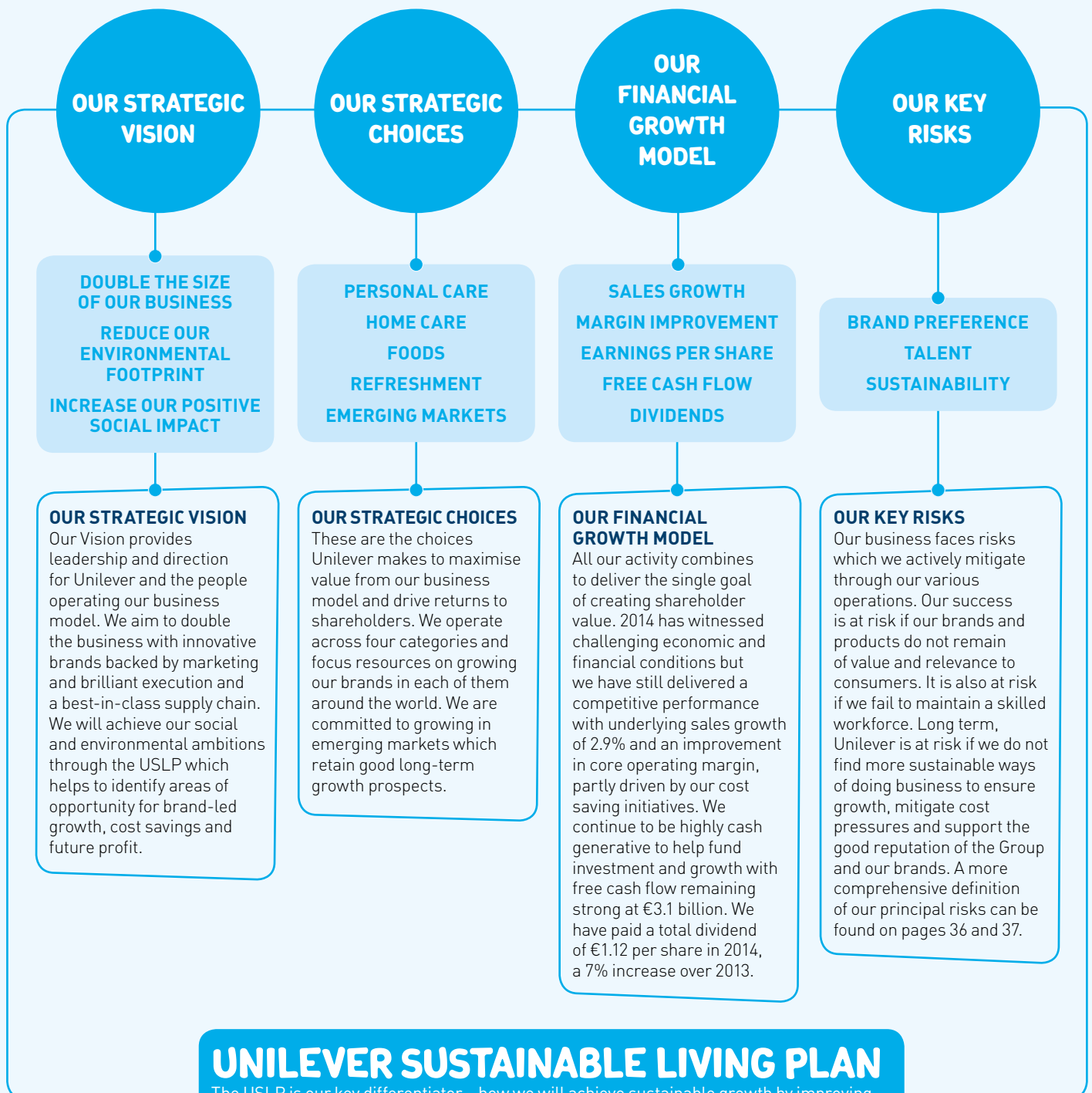
### HOW WE DRIVE PROFIT

#### PROFITABLE VOLUME GROWTH, COST LEVERAGE + EFFICIENCY, INNOVATION + MARKETING INVESTMENT

Unilever aims for a virtuous circle of growth. Profitable volume growth is driven by investment in innovation and brands to deliver products which 2 billion consumers use every day. We can leverage this scale to spread fixed costs and improve profitability while further investing in the business. This investment funds R&D and innovation to create new and improved products backed by marketing to create even stronger brands. This drives profitable volume growth and the virtuous circle continues.



## OUR STRATEGIC FOCUS



## UNILEVER SUSTAINABLE LIVING PLAN

The USLP is our key differentiator – how we will achieve sustainable growth by improving the health and well-being of more than a billion people, reducing the environmental footprint of the making and use of our products, and enhancing the livelihoods of millions of people across our value chain.





# DELIVERING VALUE FOR OUR STAKEHOLDERS

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THE FOLLOWING PAGES SPELL OUT HOW UNILEVER HAS PERFORMED FOR THE BENEFIT OF OUR CONSUMERS, WIDER SOCIETY, OUR PEOPLE AND OUR SHAREHOLDERS IN 2014.

## OUR CONSUMERS

In 2014 many consumers have faced tough conditions as economic uncertainty has held back growth around the world, both in the developed markets and in emerging markets. Meanwhile consumption continues to be linked to many of the world's biggest problems – deforestation, climate change, water scarcity, malnutrition and unhealthy diets.

However, each of our categories continues to innovate to meet the challenges posed by these trends and changing consumer preferences, such as products that are sustainably sourced. Whether it's laundry products which use less water or compressed cans for deodorant packaging with 25% less aluminium, consumers are reacting positively to our innovations.

**PAGES 18 TO 21**

## SOCIETY

Acting alone Unilever can only do so much to make sustainable living commonplace. Acting in partnership with others it can help bring about transformational change at a societal level to tackle the world's major social, environmental and economic issues. By adopting a leadership role, and working with governments, NGOs, suppliers and others, we are influencing change on a bigger scale, with a much bigger prize for the business on offer. We are deepening our efforts in three areas where we have scale, influence and resources to create transformational change: deforestation; sustainable agriculture and smallholder farmers; and water, sanitation and hygiene.

**PAGES 22 TO 24**

## OUR PEOPLE

Delivering our business goals requires Unilever to recruit, develop and retain the right talent. We are determined to help all our people to be the best they can be, to help fulfil their potential and the potential of the business. Training and development are crucial at all levels and we strive to create a working environment that respects the human rights and interests of all our employees. Ensuring gender equality is a fundamental part of our approach while our Purpose of making sustainable living commonplace is a commitment that our people can engage with every day and make a reality through their work.

**PAGES 25 TO 27**

## OUR SHAREHOLDERS

We aim to deliver the best possible operational performance from the business to deliver maximum returns to shareholders. The resulting investment case of long-term, sustainable growth and improvement in returns is clear.

How we manage our portfolio of assets and finances is an important contributor to shareholder returns and reflects how the business is changing to meet a more volatile and uncertain world.

**PAGES 28 TO 30**

## IT TAKES A VILLAGE

Our Flora Pro-activ 'It Takes A Village' campaign to lower cholesterol is featured on page 19.



# OUR CONSUMERS

## PERSONAL CARE



Personal Care is Unilever's largest category. It includes five of Unilever's 13 €1 billion brands: global names such as Dove, Rexona, Axe, Lux and Sunsilk.

Sales of €17.7 billion in 2014 accounted for 37% of Group turnover and 41% of operating profit. The strategic role of the category is to generate continued excellent returns, delivering competitive growth while expanding gross margins to release further investment for future growth.

Our Personal Care brands serve consumers across the full range of price points, playing to the category's historic strengths of developing markets and reaching down while very deliberately adding a new dimension to the business through accessing faster growing premium segments.

We also continue to expand our presence by launching our brand portfolio in new geographic markets and by improving our presence in distribution channels where we are under-represented. Our current focus is the e-commerce channel and specialist drug stores.

In 2014 the global market slowed. In this context, Personal Care achieved 3.5% growth and continued to gain market share.

Many of our leading brands have enjoyed success. Dove, our biggest brand, delivered another year of strong performance, driven by double-digit growth in deodorants and consistent performance in skin cleansing, which is rooted in a successful repeatable model of compelling communication and targeted innovation in bar and body wash. In hair, Dove's success was helped by the strong start of the Advanced Hair Care range launched in the US and Europe. The brand is also building a premium offering with, for example, its new Oxygen Moisture hair care range in Europe and the launch of Dove Advanced Care solid deodorant sticks in the US.

We also made progress against our Unilever Sustainable Living Plan (USLP) commitment to improve opportunities for women with the Dove Self-Esteem project, which has already reached over 15 million people. The brand partnered with the World Association of Girl Guides and Girl Scouts to launch the 'Free Being Me' Girl Guides

badge awarded to girls taking part in education on common body myths. Also working to improve livelihoods, Lifebuoy soap continues to drive the largest handwashing behavioural change programme in the world, having reached 257 million people in more than 16 countries between 2010 and 2014.

We made less progress on the USLP target of reducing our water footprint. Research and development will be critical to finding commercially viable and sustainable ways of driving the necessary changes in consumer behaviour when using our hair and skin cleansing products.



### LIFEBUOY GROWTH IN 2014

Lifebuoy enjoyed 15% growth, helped by the re-launch in South Asia of the core range, with ANS (Activ Naturol Shield) – a patented combination of synergistic natural ingredients – proven to protect against ten infection-causing germs. We also entered China with the brand in 2014. More detailed coverage of Lifebuoy's success and its contribution to our USLP can be found on page 24.

## REGENERATE – NEW PRODUCTS, NEW MARKETS



Regenerate, a completely new Personal Care brand, was launched in the UK in 2014. It is a highly differentiated, oral care system based on revolutionary science and market-leading technology.

Regenerate is the first dental care system to regenerate tooth enamel mineral, reversing the early enamel erosion process. The products work using our patented NR-5 technology and took scientists nine years of research across our R&D facilities in Port Sunlight, Milan and Shanghai to master. At each use, the NR-5 specific ingredients combine to form a fresh supply of enamel mineral which wraps and integrates on to teeth.

## FOODS

Foods is a €12.4 billion category, home to Unilever's largest brand, Knorr, and several €1 billion-plus brands including Hellmann's and Family Goodness (Rama/Blue Band).

The category accounts for 25% of Group turnover and 45% of operating profit and its strategic role is to accelerate growth while maintaining above average cash and profit. To that end we continued the sale of non-core businesses, such as Ragu and Bertolli pasta sauces in North America, and the meat snacks business under the Bifi and Peperami brands in Europe, while positioning the remaining business for organic growth and expansion, especially in emerging markets.

While the category improved profitability, sales were affected by a continued deterioration in market conditions, particularly for margarine where the decline in bread consumption has had an impact on the spreads markets in Europe and North America, which remain challenging.

The underlying picture saw improved competitiveness though, with global market share gains in savoury, dressings and margarine, as well as strong performance in our Food Solutions business, which is focused on serving professional, out-of-home channels.

In savoury, Knorr continued to expand its presence in emerging markets accounting for 50% of sales, with the brand enjoying double-digit growth in South Asia, North Africa, the Middle East and Turkey. Also brands like Royco and Bango, catering to local market needs, registered good growth.

Knorr continues to spearhead the sustainability agenda in Foods, with more than 90% of our 13 most used vegetables sustainably sourced. 'Knorr Landmark Farms' use and promote advanced sustainable farming practices; there are 45 in operation globally, almost twice the number than in 2013, demonstrating the brand's commitment to sustainable agriculture.

### IT TAKES A VILLAGE



Our Foods business plays an important role in delivering the USLP goals, particularly improving health and well-being, by delivering commercially attractive brands to meet consumer needs. In 2014 we continued the global roll-out of the 'It Takes A Village' initiative under leading brands such as Becel and Flora Pro-activ.

The campaign shows that, with small changes to diet and lifestyle, cholesterol can be significantly reduced in three weeks and more than 80% of people who have participated have achieved this result.

Consumers continue to enjoy Knorr which is growing, supported by its commitment to sustainability. Our target is to source 100% of our agricultural raw materials sustainably by 2020.

In spreads, we accelerated the roll-out of our successful mélange range (blends of vegetable oils and butter), such as Rama with Butter, into 20 markets.

Overall the markets in Europe and North America remained challenging and our margarine business declined. To address this we announced the creation of a stand-alone Baking, Cooking and Spreading Business Unit in these regions, which will be fully operational by the middle of 2015. The aim is to return to growth through greater management focus, speed and agility in executing the strategy.

Growth in dressings was broad-based, thanks to positive contributions from all key brands and segments: mayonnaise, ketchup and mustard.



### HELLMANN'S - A WORLD-LEADING BRAND

Hellmann's, the world's No.1 mayonnaise brand, kept pushing into new markets, successfully launching in Portugal and the Netherlands. We also continued to venture into new channels and locations with the exclusive Maille brand, including a new store opening in New York, the brand's first stand-alone boutique outside Europe.



# OUR CONSUMERS

## CONTINUED

### REFRESHMENT

Refreshment generated €9.2 billion in sales. It includes ice cream brands such as Wall's, Magnum, Cornetto and Ben & Jerry's, and tea brands Lipton, Brooke Bond and PG tips. Lipton, Magnum and Heartbrand (Wall's) are all €1 billion brands.

The category accounts for 19% of Group turnover and 7% of operating profit, and its strategic role is to contribute to growth and improve profitability.

Our ice cream brands grew well in 2014, and ahead of our markets, helped by emerging countries, with strong growth in Brazil, Turkey, Indonesia, South Africa and the Philippines.

In 2014 we fulfilled our commitment to ensure that all our children's ice cream brands were 110 calories or less per serving, driving growth in Asia, offering a better choice for parents and contributing to our USLP goal of improving health and well-being.

North America is one of the largest geographies for ice cream where consumption is high, but the market is challenging with regional and local supermarket brands operating at low

#### AISLES OF JOY



Unilever's Aisles of Joy initiative, based on the Wall's brand, drives in-home consumption of ice cream around desserts and special occasions. It is a good example of our go-to-market expertise to ensure that Unilever brands enjoy best positioning and visibility in stores which drives ice cream sales growth.

Aisles of Joy has been rolled out across both developed and emerging markets. In Europe a partnership with Carrefour saw 400 stores adopt Aisles of Joy.

prices and low margins. Although profitable growth has been tough, our business has shown the best improvement in several years. We have premiumised the portfolio, aided by innovations such as Ben & Jerry's Cores and Breyers Gelato. Towards the end of 2014 we announced the acquisition of Talenti Gelato & Sorbetto.

Europe witnessed poor summer weather but we managed to grow sales and market share in a flat market. The '25 Year' celebration of Magnum drove growth while innovations included downsized packs to enter the snacks market, such as the €1 Cornetto, and a responsible approach to nutrition, with all children's ice creams now 110 calories or less. Magnum also now has more than 70% of its cocoa sustainably sourced from Rainforest Alliance certified farmers.

Performance in leaf tea was mixed. Our strategy is to innovate with premium, higher quality teas and new formats, such as capsules like those used in coffee machines. Lipton K-Cup® tea capsules were launched in 2013 into the US and led a growth improvement in 2014.

Lipton intends to grow all its tea on Rainforest Alliance certified estates by 2015. Total beverages performance was lower than expected partly due to the low momentum of AdeS growth post the product recall in 2013.

Our recent premium tea acquisition T2 has demonstrated strong growth in Australia and New Zealand of 26%. Globally retail sales have grown 31% in a difficult retail environment.

Last year we bought T2, a premium tea brand. In 2014 we opened T2 stores, which retail tea and tea ware products, in Shoreditch, the King's Road and Westfield in London, and SoHo in New York, with a further eight stores planned in the UK in 2015.





## HOME CARE



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The Cleanipedia online platform, currently available in Argentina, Brazil, Indonesia, India, the UK, Russia and across the Gulf, leverages the years of experience of our household care brands, such as Cif, Domestos, Persil, Omo and Comfort, to provide advice and solutions for the specific cleaning and housekeeping needs of our consumers.

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Home Care is a €9.2 billion category with nearly 80% of sales coming from emerging markets, making it well positioned for long-term growth. Its products cover fabric cleaning, with €1 billion brands such as Omo and Surf, as well as fabric conditioners such as Comfort, and household care including Domestos – a product which typifies the success of Unilever’s brands with purpose.

More on the role Domestos plays in driving social change is on page 24.

The category has delivered strong top line performance consistently, with growth averaging 8.1% per annum over the last four years. Even in the tough operating conditions of 2014, it has had an underlying sales growth of 5.8%, well ahead of the market. The growth has been broad-based, with our household care business continuing its strong performance, as we continued to expand our presence across markets. Laundry also grew strongly, with our biggest laundry brand Omo entering the Gulf markets in 2014.

Pureit, our water purification business, continued to make rapid strides, with an underlying sales growth of 20%. The acquisition of the Qinyuan business adds to our capabilities in this area, giving us greater scale and presence in China.

However, overall category margins were under pressure, due to a combination of competitive battles and currency devaluation in the emerging markets, which together had a significant impact on our costs.

The category’s strategic role is to increase the value it generates for Unilever by continuing to grow ahead of the market while increasing our operating margins over time.

We are well positioned for growth as we look to cater to the opportunities that emerge as a result of global trends. Our footprint and strong competitive position in emerging markets are strong tailwinds and we are identifying segments that emerge. One such segment is wash additives, a segment which is already approximately 12% of the fabric cleaning market in some parts of the developed world and one we have entered in 2014 in Brazil.

Opportunities to upgrade consumers to newer benefits and more convenient formats not only drive growth, but also increase our operating margins by improving the mix of products we sell. A continued focus on delivering our low-cost business model, which unlocks savings across our entire operations, will also contribute to margin expansion, giving us the confidence that we can deliver on our strategic role of increasing the value we generate for Unilever.

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2014 saw the launch of wash additives in Brazil, under the Omo brand name. The product delivers a significant improvement in the quality of wash delivered in a machine, especially on stain removal, and marks our entry into the wash additives and ancillaries segments.

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### ECO-PACKS AND THE ENVIRONMENT



In laundry, we are rolling out our concentrated liquid brands in eco-packs which drive growth, increase the benefit we deliver to our consumers and improve our profitability, while at the same time reducing our environmental impact.

Eco-packs use less plastic, meaning up to 70% less plastic used and a 50-85% reduction in greenhouse gases per consumer use. Simultaneously,

a reduction in plastic packaging delivers a significant cost saving, allowing us to pass on lower costs to our consumers and improve the category profitability. Overall, eco-packs have a significantly lower impact on the environment compared to traditional packaging.

Having launched eco-packs in the UK, Italy and Switzerland, we are aiming to launch them across Europe in 2015.

# SOCIETY



In September 2015 the UN will agree a new set of Sustainable Development Goals. In December Paris hosts the next major UN Climate Change Summit. The close link between human development and climate will focus the world on growth that is more inclusive, sustained and sustainable.

With this in mind, in 2014 Unilever examined where it can bring about improvements on a larger, societal scale by creating transformational change in key areas relevant to our business. These are:

- the elimination of deforestation;
- championing sustainable agriculture and the development of smallholder farmers; and
- improving health and hygiene through handwashing, safe drinking water and sanitation.

Later in this section we have highlighted new, related areas of Unilever activity under way in 2014 that are of broad benefit to society, including our work on behalf of women, which will continue to develop in the next few years.

## THE BUSINESS CASE FOR SUSTAINABILITY

Sustainability is an integral part of our business model. It meets growing consumer preference for responsible consumption and retailers' own sustainability targets. It acts as a catalyst for innovation, thus developing new markets, and is an inspiration to Unilever's current and future employees.

Alleviating social problems, such as the lack of effective sanitation, safe drinking water and related hygiene issues, helps communities while increasing sales of brands like Domestos, Pureit and Lifebuoy.

Access to sustainable and plentiful raw materials reduces volatility and mitigates risk. More efficient use of energy and the development of packaging with less plastic

further reduces costs. Brand reputation is defended and enhanced.

## DEFORESTATION – 2014 A DEFINING YEAR

Unilever is one of the world's biggest buyers of palm oil as a raw material for use in a number of our Foods and Personal Care brands. Palm oil is recognised as one of the four major commodities driving deforestation, which contributes up to 15% of the world's greenhouse gas emissions.

We have committed to source 100% of our palm oil sustainably from certified, traceable sources by 2020. We also set ourselves the ambition that, by the end of 2014, all the palm oil we buy would be traceable to known sources. On that ambition we still have work to do but we have achieved a significant milestone in our European Foods business.

In June 2014 Unilever, along with fellow members of the Consumer Goods Forum, called on heads of state for a binding global climate change deal. In September 2014 we helped facilitate the New York Declaration on Forests at the UN Climate Summit where more than 170 governments, companies and NGOs pledged to cut forest loss by half by 2020, end it by 2030 and restore 350 million hectares of degraded land.

Also in the same month, Unilever and the World Resources Institute announced a partnership aimed at increasing transparency in agricultural commodity supply chains. This will enable Unilever and our suppliers to use the Global Forest Watch Commodities platform to monitor forest cover change around commodity supply areas and processing facilities such as palm oil mills.

Unilever's work in moving from commitment to action in combating deforestation has been recognised. In November, we were ranked joint first for corporate action on tackling deforestation in our sector by CDP, formerly the Carbon Disclosure Project. The CDP report was produced on behalf of 240 investors, who together represent US \$15 trillion in assets, and analysed the disclosures of 152 companies from around the world. It said: "Companies that regularly respond to CDP's forests program are now identifying many more opportunities available to them, including securing their supply chain against the risks associated with deforestation and commodity sourcing. This in turn is helping to secure shareholder value."

## PALM OIL IN FOODS – A UNILEVER BREAKTHROUGH



In 2014 we were able to announce a significant achievement that by the end of the year all palm oil directly sourced for Unilever's European Foods business was close to 100% traceable and certified sustainable (over 98% in December 2014 and on track to be 100% by the end of March 2015).

On a global level Unilever is working hard to drive transparency in the palm

oil supply chain. We now have visibility of about 1,800 crude palm oil mills, representing around two thirds of all mills in the global palm oil industry. We can also demonstrate traceability to a consumer product, which five years ago appeared unachievable. This represents a considerable breakthrough for Unilever and the food industry generally.

Unilever is determined to work with the palm oil industry to drive deforestation out of its supply chain. Knowing the origin of palm oil is vital to halt deforestation.

We want to build on our progress in Europe by repeating the achievement internationally. One of the next steps is our new processing plant in Sei Mangke, Indonesia. The plant is a significant investment to source palm oil from known and certified sources for our global use.



**SUSTAINABLE AGRICULTURE AND THE DEVELOPMENT OF SMALLHOLDER FARMERS**

In 2014 Unilever enhanced its Unilever Sustainable Living Plan (USLP) by introducing new pillars to its goal of enhancing livelihoods. These were: fairness in the workplace, where we will advance human rights across our operations and extended supply chain; opportunities for women, where we will empower 5 million women by 2020; and inclusive business, where we will have a positive impact on the lives of 5.5 million people by 2020.

This latter commitment includes improving livelihoods of smallholder farmers and links directly to our USLP goal of reducing our environmental impact through sustainable sourcing.

Around half of Unilever’s raw materials come from farms or forests so sustainable agriculture is a strategic priority.

Smallholder farmers produce 70% of the world’s food and make up 85% of the world’s farmers. Most grow their crops on less than two hectares and are often cut off from training so lack knowledge of how to maximise incomes by improving their agricultural practices. Many of our smallholder farmers are women.

Through our own supply chain, our suppliers and our NGO partners, we are providing help and training to 800,000 smallholders to enable them to adopt sustainable practices. This helps them to increase yields, increase profits, invest and become more competitive

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The tax Unilever pays is an important part of its wider economic impact and plays a key role in the development of countries where we operate. We are supportive of international tax reform and believe public trust in tax systems for companies is essential. We have published a set of global tax principles covering issues including transfer pricing, use of tax havens and relationships with tax authorities that represent good corporate practice. They also balance the interests of our various stakeholders.

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while Unilever benefits from better yields, sustainably produced crops and security of raw material supply. However, assessing the impact of our programmes on farmers’ livelihoods is a complex area and our challenge is to find a practical and cost-effective means to demonstrate this.

Our Unilever Sustainable Agriculture Code is used by our own suppliers to drive these improvements but it is also a benchmark for other companies and organisations encouraging broader change.

In February 2014 we signed a five-year partnership with the International Fund for Agricultural Development (IFAD) to improve the livelihoods of smallholder farmers. Signed by IFAD President Kanayo F Nwanze and our CEO, Paul Polman, the partnership aims to help improve food security, by raising agricultural productivity and linking farmers to markets.

In January 2014, we signed a partnership with our supplier, Symrise, and overseas development agency GIZ to source vanilla from Madagascar. The programme is set to benefit 4,000 farmers in 32 villages.

In 2014 we published our Responsible Sourcing Policy (RSP). The RSP embodies our commitment to conduct business with integrity, openness, and respect for universal human rights and core labour principles. The RSP breaks new ground by defining a ‘continuous improvement ladder’ to help our suppliers move from a base level of ‘do no harm’ to ‘good practice’ and ultimately up to ‘best practice’ and as such is intended progressively to replace our Supplier Code in our dealings with key suppliers. The new code has been

**SCIENCE AND SUSTAINABILITY**



Unilever is one of the world’s biggest tea suppliers with brands such as Lipton, PG tips and Brooke Bond. We are helping to safeguard the world’s tea supply through an R&D programme to cultivate sustainable varieties.

Our partnership with Nature Source Genetics uses plant breeding to meet global demand while supporting communities that rely on the crop for income. The aim is to enhance productivity, quality and overall sustainability, and help stem any decline in crop diversity that could limit its ability to withstand drought, disease and pests.

introduced to the supply base through communications and engagement from Procurement, and also through targeted events in critical markets such as Brazil, China and Vietnam.





**DOMESTOS – IMPROVING SANITATION AND SALES**



Domestos has led our efforts on sanitation in partnership with UNICEF. Our brand, together with the Unilever Foundation, supports UNICEF’s Community Approaches to Total Sanitation (CATS) programme which aims to eliminate open defecation by changing people’s behaviour and promoting demand for sanitation. Domestos contributed 5% of its average proceeds from specially marked bottles on sale in certain markets to UNICEF. Domestos sales continue to grow strongly and were up 7.3% in 2014.

**WATER, SANITATION AND HYGIENE**

In his first Independence Day address in 2014, Narendra Modi, India’s new Prime Minister, made a commitment that by 2019 every Indian would have access to a toilet. The promise highlights that about 2.5 billion people globally are without access to adequate sanitation, good hygiene and safe drinking water. There are still 46 countries in the world where less than half the population has access to adequate sanitation facilities. 800,000 children die every year from diarrhoea caused by unsafe water, and poor sanitation and hygiene.

Transformational change is needed to combat these issues. Unilever is uniquely placed to help because of our expertise in consumer behaviour change, our global reach and our portfolio of health and

hygiene brands, including Domestos, Lifebuoy and Pureit, our water purifier. However, bringing about widespread, sustainable behaviour change is not something we can do alone, so we need to work closely with governments, NGOs, academia and funding partners to increase our reach and impact.

In 2014 we committed to help 25 million people gain improved access to a toilet by 2020. By helping people who don’t have a toilet to get one and by promoting the benefits of using a clean toilet, we will open new markets and drive demand for our products.

Lifebuoy has long championed the health benefits of handwashing with soap and aims to change the hygiene behaviour of 1 billion consumers across Asia, Africa and Latin America. To achieve this ambition, we have to find ways to scale up our programmes: we need to develop lower cost, mass-scale behaviour change approaches and expand our partnerships and co-investment models. Lifebuoy has enjoyed four years of sequential double-digit sales growth.

**EMPOWERING WOMEN**

Women are the majority of our consumer base and their purchasing decisions are pivotal to our growth. They are strongly represented in our agricultural supply chains and in the distribution of our brands to market. At the same time we are a large employer and need the best available talent to succeed in our business goals.

But women around the world face discrimination and disadvantage, lack access to skills and training, and face obstacles to economic participation.

Our approach starts with respect for the rights of women, such as safety, and extends to their promotion as well as helping to develop skills and open opportunities, both in our own operations, where 43% of managers are women, and in our value chain.

To this end we are implementing the UN Women’s Empowerment Principles across our business. These principles reinforce the direct action we are also taking as a business.

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We believe we can create a brighter future for our children. Project Sunlight is a growing community of people who believe it is possible to build a world where everyone lives well and lives sustainably. The campaign continues to engage people in programmes that can help to contribute to a #brightfuture – almost 180 million ‘acts of sunlight’ were pledged by the end of December 2014.

[www.projectsunlight.com](http://www.projectsunlight.com)

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For instance in Sekondi, Ghana, a three-day workshop by the Unilever Ghana Foundation taught 60 women how to think and act like entrepreneurs, coached them in bookkeeping procedures, and cash and working capital management. This brings to more than 700 the number of women trained in Ghana and supports Unilever’s commitment to empower 5 million women by 2020.

To date we have trained and recruited more than 3,400 women from nearly 1,100 villages in Pakistan as part of the Guddi Baji (‘Good Sister’) programme. This initiative helps increase sales as well as generating sustainable incomes for women through the sale of Unilever hygiene and personal care brands and through the provision of beauty services to other local women.

In India, recruiting and training more women entrepreneurs (Shakti Ammas) were central to our rural expansion in 2014, reaching more remote villages.

Our programmes also help young women and men. Our Wall’s team has developed a youth employment programme, known as ‘Feet on the Street’, to help tackle the youth jobless rate in Europe while driving our growth agenda by bringing ice cream to the streets. Wall’s provides tools and equipment, such as trikes or push carts and freezers, to enable a micro-entrepreneur to run his or her own mini-business selling ice cream and also to provide young people with their first job experience. In Portugal, Spain and Italy, 250 seasonal jobs were also created to enhance livelihoods while boosting ice cream sales. Our ambition is to have 50,000 micro-entrepreneurs by 2020 with a potential contribution to turnover of more than €100 million.



# OUR PEOPLE



To achieve Unilever's Vision of doubling the size of its business, reducing its environmental footprint and increasing its positive social impact, we need to ensure the talent in the business today can realise these ambitions in future.

Some years ago we set three priorities for the development of our employees around the world. They were to:

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

These priorities still underpin everything we do. Our people are also the embodiment of the Unilever Sustainable Living Plan (USLP) – without their commitment and belief, the business could not achieve the plan's three main goals of improving health and well-being, reducing our environmental impact and enhancing livelihoods. More than 75% of employees say they can contribute to the USLP in their roles and help realise our Vision.



## EMPLOYER OF CHOICE

Unilever is the No.1 most sought-after FMCG employer and is a Top 3 most sought-after global employer according to LinkedIn's Most in Demand Employers Index 2014.

## BUILDING TALENT AND LEADERS FOR THE FUTURE

Two growth drivers have been implementing a robust talent and leadership programme suitable for a business doubling in size, and developing the necessary skills for the business.

We support these with activities that together develop Unilever's capability and leadership, and make it an agile, flexible and diverse organisation with the right values and culture.

Engagement scores among our managers who participated in our Global People Survey (GPS) in 2014 remain very high at 75%, while engagement across our whole employee population has risen by two percentage points to 77% since last measured in 2012.

## EMPLOYER OF CHOICE

Our status as Employer of Choice in the FMCG sector is at an all-time high. We enjoy this status in 32 countries around the world. This compares to just three in 2009 and 26 in 2013.

This independent measure reveals our success at engaging with future leaders which has been driven in part by our Future Leaders League. This is a global competition in which universities around the world send a representative team of undergraduates to our Four Acres campus in Singapore. They are each set a demanding case study to run one of our brands, which in 2014 was TRESemmé, with a strong sustainability theme.

All participants interact with senior management, including our CEO, Paul Polman, and receive first-hand insights into business and leadership. They learn what it's like to contribute to a business and build ideas.

Future Leaders League started with teams from ten countries competing in 2013. In 2014 this was increased to teams from 22 countries.

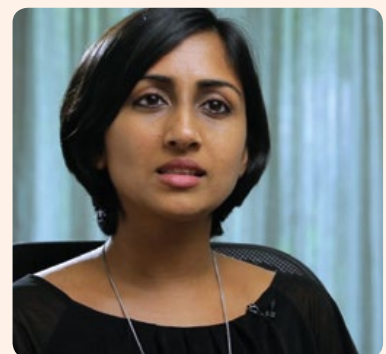
## UNILEVER 2020

Critical to our success are leaders equipped to deliver our Vision and USLP. Our new leadership programme, UL2020, based at the Four Acres site, is designed to meet this need by developing leaders with the insight and imagination to anticipate the challenges and opportunities in the world of 2020.

Guided and supported by some of the world's top thought leaders, UL2020 identifies some of Unilever's most critical challenges and asks small, diverse leadership teams to create solutions. These projects, called Purpose to Impact Initiatives, are structured programmes that deliver individual and wider business development consistent with our commercial and social aims.

Recent programmes have focused on topics such as the Muslim consumer opportunity, leveraging mobile for our business, and linking business development and job creation. UL2020 is unlocking groundbreaking ways of working and new leadership skills, while delivering results that help to define our future.

## UNILEVER HEROES



Every year, our people nominate 'Unilever heroes' for work that brings our Purpose to life. Anila Gopal, Global Social Mission Manager for Lifebuoy, based in India, is a Unilever hero. She is helping to run the world's largest handwashing behaviour change programme that demonstrates how using soap could help save children from deadly, but preventable, diseases.

# OUR PEOPLE

## CONTINUED

### PROVIDING FUEL FOR BUSINESS GROWTH

Key to this initiative has been delivering the Fit To Win programme. Activity has taken place throughout the business to make it leaner, more agile and more efficient with resources aligned behind the growth priorities.

We continued the implementation of Project Half for Growth which is how we have been simplifying the organisation and our work processes. It follows the principle of half the time, half the process, double the speed.

We identified key internal processes where time and effort could be reduced. A significant saving was the time spent on Performance & Development Planning assessments. By reducing and simplifying the number of steps involved, we saved an estimated 200,000 employee hours.

Elsewhere, over 2013-14, there has been a 51% reduction in the number of internal reports prepared for leadership teams, releasing time to focus on more productive activity. We also simplified the GPS which we ask all employees to complete annually, enabling us to cut the time individuals spent completing the survey significantly.

In 2013 we successfully ran the Winning Together Campaign to drive more inclusive and efficient ways of working among teams in the organisation. Building on that, in 2014 we launched a second campaign called Time Saving Idea to make simplification a habit and encouraged employees to try simple time-saving ideas. As a result more than 10,000 ideas were tried and rated by our employees.

### CAPABILITIES FOR THE FUTURE

During 2013-14 we completed 30 Talent & Organisation assessments in 69 countries, across four categories and three functions, to identify global themes and risks that need addressing and the capabilities required.

Key issues include replenishing the talent pipeline as we promote people. We need new talent in the business and to accelerate their development. We need to improve mid-career attrition and female attrition. Improved maternity programmes have been introduced to address this latter issue.

We also invested in building the capabilities of our people across the business.

The Marketing Fit To Win programme put in place the DOIT approach which aims to drive greater interdependence and improved collaboration within the Marketing function. All our marketeers attended DOIT workshops to understand roles and relationships better. This is key to tackling barriers and achieving faster, brand-led growth.

In the supply chain we have taken a broad approach to building capabilities for our employees. This includes a host of skills development programmes for blue and white collar employees. Training in core skills is mandatory across 130 roles. Skill assessments are completed every two years and the data is used to understand and address specific gaps across roles, capabilities and geographies.

We also ran a Manufacturing Leadership Development programme to improve the skills of our factory leaders who fulfil pivotal roles.



### OUR SAFETY RECORD



Our aim is to improve the safety and well-being not only of our employees, but also of the wider community in which Unilever operates, with our Vision Zero strategy – zero fatalities, zero injuries, zero motor vehicle accidents, zero process incidents, zero tolerance of unsafe behaviour and practices – serving as our foundation. To meet our commitments, we assess and reduce risk through a variety of programmes, including our continued work to address behaviour safety, process safety, safe travel and construction safety.

In 2014, we introduced a step change in our Safe Travel programme. With more people on the road than ever before, including many in developing countries where there is a higher risk of car accidents, we released a revised and

strengthened travel standard that includes programmes and strategies specifically targeted at high and medium risk locations. By the middle of 2015, we will also have in place a mandatory global ban on using all hand-held and hands-free mobile phone devices while driving on company business.

This year saw considerable advancement in our behavioural-based approach to health and safety, with 84% of our manufacturing and 38% of our non-manufacturing sites now having rolled out the first phase of the BeSafe programme. This includes training 79 master coaches and 91 trainers, who have in turn trained more than 1,840 employees.

2014 also saw some challenges. Our overall safety performance, as measured by the Total Recordable Frequency Rate (TRFR), increased slightly from 1.03 to 1.05 per 1 million hours worked due to a spike in injury rates in the first quarter of the year. With a renewed focus on safety programmes and initiatives, in co-operation with our project partners, injury rates have been brought back down since the first quarter.

### BESAFE PROGRAMME

By the end of 2014 we had rolled out the first phase of our BeSafe programme to 84% of our manufacturing sites and 38% of our non-manufacturing sites globally.

### DIVERSITY

Women are Unilever's core consumers, controlling nearly two thirds of consumer spending, so it's important that we represent them in our workforce. In fact, 2014 marks five years since we began the process of building an agile and diverse Unilever and making sure we have the right gender balance throughout the organisation.

By the end of 2014, over 43% of our managers were women, up from 38% in 2010. The hard work we are doing to retain more women in our workforce by promoting flexible working, women's networks, job shares and maternity and paternity support is paying benefit and will remain a focus area.

As at 31 December 2014, around 117,559 (68%) of our global workforce of 172,471 employees were male and 54,912 (32%) female.



However, challenges remain. We have not made sufficient progress among the top 110 executive managers in the business, a group where just under 20% are women. If you include employees who are statutory directors of the corporate entities whose financial information is included in the Group's 2014 consolidated accounts in this Annual Report and Accounts, the number increases to 592 males and 157 (21%) females.

We are pleased though that 36% (five out of 14) of the Board are female which is over 40% of the Non-Executive Directors.

**MENTAL HEALTH AND RESILIENCE**

In 2014 we paid particular attention to mental health initiatives. The rising incidence of mental ill health in the UK is reflected in our absence data. Help and support on nutrition, sleep, exercise and mindfulness all improve the day-to-day well-being of employees. A robust framework with support tools is now in place and is being rolled out across the organisation.

**HUMAN RIGHTS**

In 2014 we published our Human Rights Policy Statement which contains overarching principles which are embedded into our policies and systems. A full version of the document can be read at [www.unilever.com/humanrightspolicystatement](http://www.unilever.com/humanrightspolicystatement).

We believe that business can only flourish in societies where human rights are protected and respected. We recognise that business has the responsibility to respect human rights and has the ability to contribute to a positive impact on human rights.

This is an area of growing importance to our employees, shareholders, customers, consumers, the communities where we operate and civil society groups.

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**We promote human rights by upholding values and standards in our operations, with suppliers and through initiatives such as the UN Global Compact.**

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**A PERFECT VILLAGE**



A team in Nigeria looked at how to bring the concept of a Perfect Village to life in Africa, embracing broad areas such as water, health, hygiene, nutrition, women's empowerment and smallholder farming. They developed a strategy we can take forward globally. Their work took them from the classroom to the field as they brought their pilot programme to life.

There is therefore both a business and a moral case for ensuring that human rights are upheld across our operations and our value chain. In giving effect to our Human Rights Policy Statement, we continue to raise awareness, build capacity and engage with others to address root causes and provide remedies where needed.

In 2014 we strengthened the enhancing livelihoods ambition of the USLP. An integral part of this is our implementation of the UN Guiding Principle on Business and Human Rights and our public reporting on this. We also committed to enhancing

access to training and skills for women and to advancing women's rights. A key aspect of this has been our safety programme for women and girls, with the involvement of men and boys, which we have begun at our tea plantation in Kericho, Kenya, in response to reports of sexual harassment in 2013. The programme is being rolled out to other locations. More information on our progress on women's rights is in the Society section on pages 22 to 24, with full details to be published in our Sustainable Living Report 2014 which will be found on [www.unilever.com/sustainable-living](http://www.unilever.com/sustainable-living) in May 2015.



# OUR SHAREHOLDERS

## OUR TRACK RECORD

This Strategic Report lays out how Unilever's business works, the highlights of 2014 and the underlying importance of the Unilever Sustainable Living Plan (USLP), to ensure that our business will remain relevant to future generations of consumers and investors. The following pages reveal how this adds up to sustainable value for shareholders.

Our financial growth model is based on applying all the levers of value creation. Underlying sales growth, core operating margin improvement and efficient financial management all contribute to growth in earnings per share and free cash flow, from which we pay dividends to our shareholders or reinvest in the business. We aim for these dividends to be attractive, growing and sustainable over time.

Over the period 2010-14 underlying sales grew by an average of 4.9% per year, which was ahead of our markets, and core operating margin grew by an average of 0.25 percentage points per year. Core earnings per share has grown by an

The USLP is embedded into our business model. It helps to drive long-term shareholder value by:

- driving growth through innovations that bring new sustainability benefits to consumers and retailers;
- reducing waste and energy and thereby saving cost; and
- managing risk in our supply chain, for example by securing long-term sustainable sourcing of materials.

average of 9% per year at current exchange rates and 11% per year at constant exchange rates. We have delivered an average free cash flow of €3.5 billion. Dividends have increased by an average of 8% per year over this time.

Underpinning our financial performance are our strong brands, with 13 €1 billion brands at our core, accounting for 53% of turnover, and 57% of our business is in the emerging markets which offer the greatest long-term growth opportunity. We have a 'grow everywhere' mindset with action in place to evolve our brand portfolio into more premium segments of existing markets, enter new geographies, and seek new consumers to add to the 2 billion we serve every day.

Our growth model is enabled by a leaner, fitter, more agile Unilever, with costs being reduced through our supply chain efficiency programmes. These have been boosted by our low-cost business model initiative, which has delivered €450 million of savings since 2011.

Our supply chain was recognised in 2014 by Gartner as No.1 in the FMCG industry and the overall No.1 supply chain in Europe. Our go-to-market performance has sharpened. The on-shelf availability of our brands has improved 2.2% in 2014 with more than 8.5 million shops now enrolled in our Perfect Stores programme.

Our award-winning marketing expertise has positioned us well in the most popular media channels, be they traditional print and broadcast, online video and social media, or creating our own content for distribution through mobile devices in emerging markets.

### EMERGING MARKETS

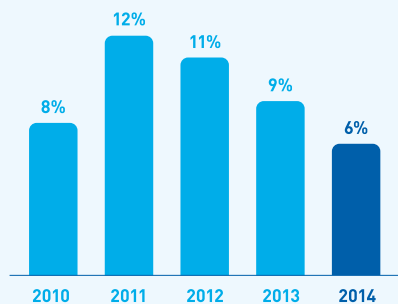
At Unilever we look to the future and what the consumer of tomorrow will need. This has inevitably drawn us to increase our business in emerging markets where population and consumption growth offer attractive opportunities. In 2014, 57% of our turnover was generated in emerging markets.

These markets also bring challenges. Performance can prove volatile as witnessed in 2014. Economies have slowed and exchange rates have weakened leading to a reduction in consumer spending.

That said, over time emerging markets have delivered Unilever a source of remarkably consistent growth. Over the past five years, emerging markets have generated underlying sales growth averaging 9% a year.

These markets are also among the most sensitive to environmental and social pressures brought about by growth in population and consumption and the activities of companies such as Unilever. That's why our USLP goals are to improve health and well-being, reduce our environmental impact and enhance livelihoods through direct action and partnerships.

Our efforts have been recognised and Unilever is No.1 in the Dow Jones Sustainability Index for Food, Beverage & Tobacco.



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

57%

TURNOVER FROM EMERGING MARKETS



### PORTFOLIO EVOLUTION

Personal Care is now our largest category at 37% of sales. Unilever has been reclassified to the Personal Products subsector from the Food Products subsector by the Industry Classification Benchmark Panel. The reclassification provides a more accurate stock market definition for our business, reflecting our strategy to evolve the portfolio to ensure Unilever continues to deliver sustainable long-term returns for our shareholders.

## DEVELOPMENTS IN 2014

Our long-term track record of delivery for shareholders continued during 2014 despite some significant challenges in the business environment. These included continued weak consumer demand in developed markets, slowing demand in emerging markets and currency devaluations in many countries. The resilience of our business and the broad nature of our brand portfolio and geographic reach enabled us to deliver a year of steady progress in slower markets.

In a lower growth environment we stepped up our cost savings initiatives. We accelerated Project Half for Growth which is simplifying the business and reducing costs, particularly in overheads. As a result we were able to continue to invest in sustained brand and marketing investment and deliver underlying sales growth ahead of our markets and a further improvement in core operating margin.

We took action to reshape our portfolio to ensure we have the right mix of brands to address growth opportunities today and in the future.

Continuing our policy of enhancing earnings for shareholders with a more simple capital structure, we announced in May 2014 the £715 million purchase of rights left in family trusts by Lord Leverhulme. These were convertible in 2038 into 70,875,000 Unilever PLC ordinary shares and were bought for the equivalent of £10.09 per share. We estimate that annualised core earnings per share will be enhanced by 2% as a result.

In March 2014 Unilever announced the issuance of our first ever green sustainability bond which raised £250 million. The fixed rate notes pay a coupon of 2% and are due for repayment in 2018. The proceeds are being deployed on projects which support the achievement of the goals of the USLP in reducing greenhouse gas emissions, water usage and production of waste.

In June 2014 we sold the Ragu and Bertolli pasta sauces business in North America for approximately US \$2.15 billion to Mizkan Group. In Europe we disposed of our meat snacks business to Jack Link's. We also sold our Royal pasta brand in the Philippines for US \$48 million and our Slim-Fast business in the US.

On the acquisition front, in March 2014 we bought a majority stake in the Qinyuan Group, a leading Chinese water purification business. Qinyuan generated sales of €163 million in the year to 31 December 2014.

In December 2014 we bought Talenti Gelato & Sorbetto in the US. Founded in 2003, Talenti has grown into the best-selling packaged gelato in the US with products made from the finest ingredients, using artisanal methods. Talenti generated sales of more than US \$126 million in the year to 31 December 2014. We also committed to acquire the skin cleansing brands Camay, globally, and Zest outside North America and the Caribbean. Our Mexican market position will be a particular beneficiary of these deals.

We are also taking action to make sure that we get the most out of our core business by making sharper choices within our existing category portfolio and addressing areas of under-performance. For example, we have set a clear target to double our core operating margin in Home Care over the coming years, as this is a category where profitability is relatively low. We also announced a new stand-alone business unit for European and North American spreads, where turnover has been declining. The new unit, called Baking, Cooking and Spreading, will be fully in place by the middle of 2015. It will bring greater focus, address new growth opportunities, and has a clear objective to stabilise sales while maintaining strong cash delivery.



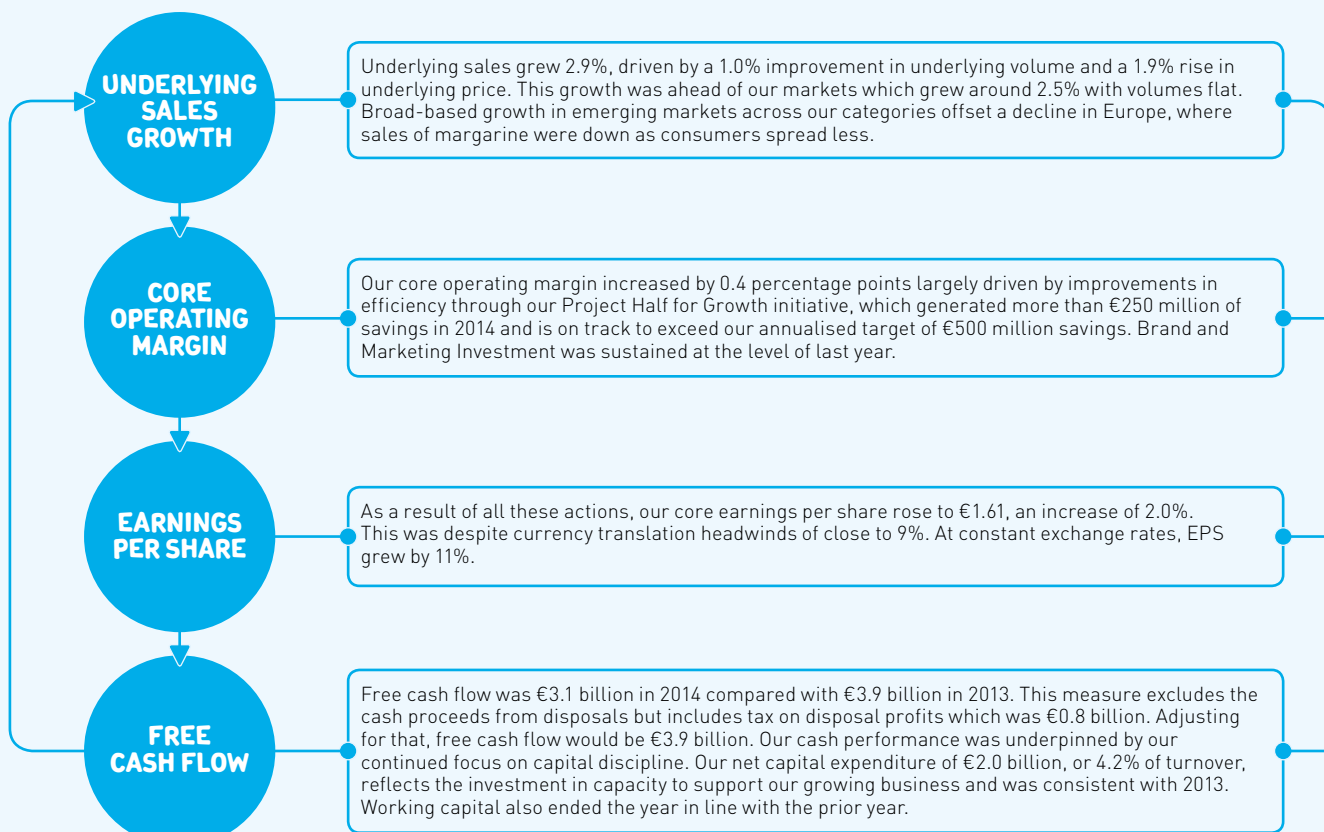


# OUR SHAREHOLDERS

CONTINUED

## OUR FINANCIAL GROWTH MODEL

We continued to deliver shareholder value in 2014, despite the lower growth environment, as we applied all the levers of value creation.



### DIVIDENDS

In April Unilever announced an increase in the quarterly dividend to €0.2850 giving a total payout during 2014 of €1.12 per share. Dividends increased by 7% in 2014. Dividends have increased by an average of 8% per year in the last five years.

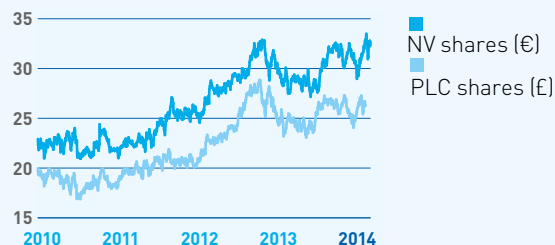
#### TOTAL DIVIDENDS PER SHARE



### SHARE PRICE

Our NV shares closed more than 11% higher than the prior year while PLC shares closed 6% higher. Over the period 2010-14 our NV share price has grown 43% while PLC shares have grown 32%. Total Shareholder Return, which includes the increase in both the share price and the dividends, was 18% in 2014 and 79% over the last five years.

#### SHARES 2010-14



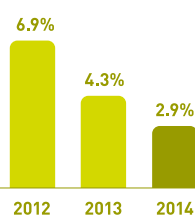
### FINANCIAL MANAGEMENT

We continued to follow our financial strategy of maintaining a strong balance sheet, equivalent to a 'strong single A' credit rating. This provides the financial flexibility to fund investments in the business and acquisitions, and at the same time allows our weighted cost of capital to benefit from the lower cost of debt compared with equity.

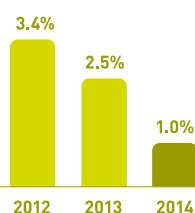
# FINANCIAL REVIEW 2014

## FINANCIAL OVERVIEW 2014

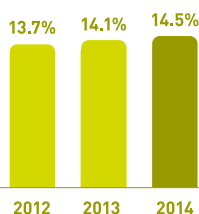
### UNDERLYING SALES GROWTH\*



### UNDERLYING VOLUME GROWTH\*



### CORE OPERATING MARGIN\*



### CONSOLIDATED INCOME STATEMENT

Turnover at €48.4 billion decreased 2.7%, including a negative impact from both foreign exchange, of 4.6%, and acquisitions net of disposals of 0.9%. Underlying sales growth was 2.9% (2013: 4.3%), balanced between volume growth of 1.0% (2013: 2.5%) and pricing of 1.9% (2013: 1.8%). Emerging markets, consistent at 57% of total turnover, were down 2.2% at reported exchange rates, with underlying sales growth of 5.7% versus 8.7% in the prior year. Developed markets underlying sales declined by 0.8%. Globally, our markets grew by around 2.5% with flat volumes.

Core operating margin was up 0.4 percentage points to 14.5%. Gross margin declined by 0.2 percentage points to 41.4%. This was driven by increased costs in emerging markets, largely currency related, partly offset by pricing, savings and margin-accretive innovation. Commodity costs increased around 4%, at constant exchange rates, as devaluing currencies have imported inflation into local raw material production partially offset by cost savings.

Significant efficiencies in the cost of producing advertising allowed us to increase our share of spend while maintaining brand and marketing investment at 14.8%. Overheads were reduced by 0.6 percentage points largely due to saving initiatives such as Project Half for Growth and some favourable one-off items such as property sales in India.

Operating profit was €8.0 billion, compared with €7.5 billion in 2013, up 6%. The increase was driven by non-core items which were a net credit of €960 million (2013: €501 million). Included within non-core items was the gain on disposal of the Ragu and Bertolli pasta sauces business and the Bifi and Peperami brands. We sold the Slim-Fast business and recognised an impairment charge of €305 million on the related assets within non-core items.

Highlights for the year ended 31 December

	2014	2013	% change
Turnover (€ million)	48,436	49,797	(2.7)
Operating profit (€ million)	7,980	7,517	6
Core operating profit (€ million)*	7,020	7,016	-
Profit before tax (€ million)	7,646	7,114	7
Net profit (€ million)	5,515	5,263	5
Diluted earnings per share (€)	1.79	1.66	8
Core earnings per share (€)*	1.61	1.58	2

The cost of financing net borrowings in 2014 was €383 million versus €397 million in 2013. The average interest rate on borrowings was 3.5% and the average return on cash deposits was 3.8%. Pensions financing was a charge of €94 million versus a charge of €133 million in the prior year.

The effective tax rate was 28.2%, higher than 26.4% in 2013 due to the impact of business disposals. Our longer term expectation remains around 26%.

Net profit from joint ventures and associates, together with other income from non-current investments, contributed €143 million compared to €127 million in 2013. Diluted earnings per share for the full year was up 8% at €1.79. Core earnings per share were €1.61, up 2% from €1.58 in 2013 after a 9% currency headwind.

.....  
 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 79 to 83 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 88 and 89 of the Governance and Financial Report and are consistent with those applied in 2013.

.....  
 \* 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 34 and 35.

# FINANCIAL REVIEW 2014

## CONTINUED

### TURNOVER BY CATEGORY



### OPERATING PROFIT BY CATEGORY



### PERSONAL CARE

	2014	2013	% Change
Turnover (€ million)	17,739	18,056	(1.8)
Operating profit (€ million)	3,259	3,078	5.9
Core operating profit (€ million)	3,325	3,206	3.7
Core operating margin (%)	18.7	17.8	0.9
Underlying sales growth (%)	3.5	7.3	
Underlying volume growth (%)	1.2	5.5	
Effect of price changes (%)	2.3	1.7	

### FOODS

	2014	2013	% Change
Turnover (€ million)	12,361	13,426	(7.9)
Operating profit (€ million)	3,607	3,064	17.7
Core operating profit (€ million)	2,305	2,377	(3.0)
Core operating margin (%)	18.6	17.7	0.9
Underlying sales growth (%)	(0.6)	0.3	
Underlying volume growth (%)	(1.1)	(0.6)	
Effect of price changes (%)	0.6	0.9	

### KEY DEVELOPMENTS

- Personal Care delivered another year of underlying growth, although exchange rate movements (5.0%) led to turnover decreasing on last year. Underlying sales growth, at 3.5%, remained above our markets which slowed to around 3% for the year. Volume growth was lower than the previous year due to the slowdown of global markets and high competitive intensity. Growth benefited from a strong set of new product launches such as the Dove Advanced Hair Series and compressed deodorants in Europe.
- Core operating profit improved by €119 million over the prior year despite a €300 million reduction from exchange rate movements. Underlying sales growth contributed €189 million while improved margin added €230 million. Margin improvement was driven by our savings programmes, an improved mix from margin accretive innovation and savings in the cost of producing advertising, which is highest in Personal Care.

### KEY DEVELOPMENTS

- Foods turnover declined primarily due to exchange rate movements (3.9%) and business disposals (3.6%) including the Ragu and Bertolli pasta sauces business. Savoury and dressings both grew but spreads declined due to lower consumer demand for margarine in Europe and North America. We gained market share in margarine but this was insufficient to offset the decline of the category which also saw price deflation in a benign commodity cost environment.
- Core operating profit was €72 million lower than the prior year after a €95 million adverse impact from exchange rates, a reduction of €105 million from disposals and a €23 million reduction from declining underlying sales. Improved margin added €152 million driven by savings in supply chain costs and our overheads reduction programme, particularly in Europe where we have a large Foods business.

### REFRESHMENT

	2014	2013	% Change
Turnover (€ million)	9,172	9,369	(2.1)
Operating profit (€ million)	538	851	(36.8)
Core operating profit (€ million)	811	856	(5.3)
Core operating margin (%)	8.8	9.1	(0.3)
Underlying sales growth (%)	3.8	1.1	
Underlying volume growth (%)	2.0	(1.8)	
Effect of price changes (%)	1.8	2.9	

### HOME CARE

	2014	2013	% Change
Turnover (€ million)	9,164	8,946	2.4
Operating profit (€ million)	576	524	9.9
Core operating profit (€ million)	579	577	0.3
Core operating margin (%)	6.3	6.4	(0.1)
Underlying sales growth (%)	5.8	8.0	
Underlying volume growth (%)	2.4	5.7	
Effect of price changes (%)	3.4	2.1	

### KEY DEVELOPMENTS

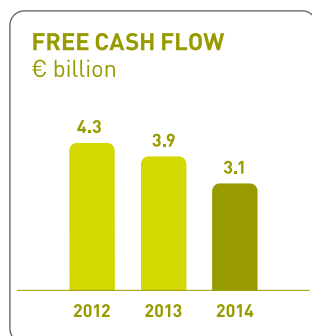
- Refreshment turnover declined due to exchange rate movements (4.6%) and business disposals (1.6%), primarily Slim-Fast, offset by acquisitions of 0.4%, primarily Talenti Gelato & Sorbetto. Underlying sales growth was driven by good volume growth in ice cream due to a strong innovation programme. The more premium brands like Ben & Jerry's and Magnum grew particularly well. Cornetto also had a strong year with multi-media advertising building the core brand and new smaller products launched at lower price points. Tea grew, with a better performance in the US offsetting weaker sales in Russia and Poland.
- Core operating profit was €45 million lower than the prior year due to underlying sales growth, which added €80 million, offset by a €73 million adverse impact of exchange rates and a €41 million reduction due to disposals. Margins declined, reducing profit by €11 million, as higher dairy and chocolate prices were not fully recovered by pricing and savings.

### KEY DEVELOPMENTS

- Home Care turnover showed strong underlying growth, supported by the impact of the Qinyuan acquisition in March of 1.8%, but this was partially offset by exchange rate movements (4.8%). This is the result of a strong portfolio of brands across price points, the depth of our distribution and sustained investment in product performance. We have successfully extended the Omo brand into Saudi Arabia and the Gulf, and we have launched a range of Omo stain removers and pre-treaters in Brazil.
- Core operating profit at €579 million was broadly unchanged on last year after an adverse €84 million from exchange rates was offset by underlying sales growth adding €100 million with acquisitions adding €5 million. Decreasing margin reduced profit by €19 million as gross margins were impacted by cost increases from weaker currencies in emerging markets which were not fully offset by pricing and savings. There was a strong improvement in the second half of the year, which was boosted by gains from property sales in India.



## CASH FLOW



Net cash flow from operating activities and free cash flow were down by €0.8 billion mainly due to tax on disposal profits which were €0.8 billion versus €0.2 billion in 2013. Year-end working capital was in line with the prior year. Our net capital expenditure of €2.0 billion, or 4.2% of turnover, reflects the investment in capacity to support our growing business.

	€ million 2014	€ million 2013
<b>Operating profit</b>	<b>7,980</b>	7,517
Depreciation, amortisation and impairment	1,432	1,151
Changes in working capital	8	200
Pensions and similar obligations less payments	(364)	(383)
Provisions less payments	32	126
Elimination of (profits)/losses on disposals	(1,460)	(725)
Non-cash charge for share-based compensation	188	228
Other adjustments	38	(15)
<b>Cash flow from operating activities</b>	<b>7,854</b>	8,099
Income tax paid	(2,311)	(1,805)
Net capital expenditure	(2,045)	(2,027)
Net interest and preference dividends paid	(398)	(411)
<b>Free cash flow</b>	<b>3,100</b>	3,856
<b>Net cash flow (used in)/from investing activities</b>	<b>(341)</b>	(1,161)
<b>Net cash flow (used in)/from financing activities</b>	<b>(5,190)</b>	(5,390)

The net outflow from investing activities was €0.8 billion lower than the previous year. While net capital expenditure and interest were broadly unchanged, the net inflow of acquisitions, disposals and other investing activities increased €0.8 billion compared with 2013. The increase was principally driven by the disposal of the Ragu and Bertolli pasta sauces business partially offset by the acquisition of Qinyuan and Talenti Gelato & Sorbetto.

Net cash outflow from financing activities was €0.2 billion lower than the prior year. Of the €5.2 billion outflow, €3.2 billion was used to fund our dividend payments and €0.9 billion to purchase the rights left in trust by the first Viscount Leverhulme. The prior year included €2.5 billion in relation to the acquisition of an increased stake in Hindustan Unilever Limited as well as an increase in borrowings of €1.3 billion, which was flat in 2014.

## BALANCE SHEET

In the year to December 2014, Unilever's combined market capitalisation rose from €83.8 billion to €93.9 billion.

Goodwill and intangible assets increased by €1.3 billion mainly due to business acquisitions and currency movements. All material goodwill and indefinite-life intangible assets have been tested for impairment. An impairment charge of €0.3 billion was recognised assets related to the Slim-Fast business as part of the disposal. Increases in other non-current assets of €1.0 billion were driven by capital expenditure and favourable currency movements.

	€ million 2014	€ million 2013
Goodwill and intangible assets	22,174	20,904
Other non-current assets	13,506	12,487
Current assets	12,347	12,122
<b>Total assets</b>	<b>48,027</b>	45,513
Current liabilities	19,642	17,382
Non-current liabilities	14,122	13,316
<b>Total liabilities</b>	<b>33,764</b>	30,698
Shareholders' equity	13,651	14,344
Non-controlling interest	612	471
<b>Total equity</b>	<b>14,263</b>	14,815
<b>Total liabilities and equity</b>	<b>48,027</b>	45,513

Current assets were up €0.2 billion largely due to the impact of currency. Cash and cash equivalents on the balance sheet amounted to €2.2 billion compared to €2.3 billion at the end of 2013. Closing net debt was €9.9 billion versus €8.5 billion as at 31 December 2013. The increase was driven by payment of dividends, the repurchase of the Leverhulme Estate shares and adverse currency movements, offset by free cash flow generated by operations and net cash inflow from acquisitions and disposals.

Current liabilities were €2.3 billion higher mainly driven by an increase in current financial liabilities of €1.4 billion due to bonds maturing in 2015 and by the impact of currency and other underlying movements of €0.9 billion.

Non-current liabilities (excluding pensions) were broadly flat with increases as a result of currency offset by a decrease in financial liabilities due to the bond movements noted above. During the year the following bonds matured and were repaid: (i) US \$750 million 3.65%, (ii) Renminbi 300 million 1.15%, and (iii) €350 million 4.00%. On 20 February 2014, we issued Renminbi 300 million 2.95% fixed rate notes due February 2017. On 19 March 2014 we issued €250 million 2% fixed rate notes due December 2018.

The net movement in assets and liabilities for all pension arrangements during the year was as follows:

	€ million 2014
1 January	(1,977)
Current service cost	(259)
Employee contributions	16
Actual return on plan assets (excluding interest)	1,316
Net interest cost	(94)
Actuarial loss	(3,026)
Employer contributions	537
Currency retranslation	(137)
Other movements <sup>(1)</sup>	53
31 December	(3,571)

<sup>(1)</sup> 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 96.

The overall net liability for all pension arrangements was €3.6 billion at the end of 2014, up €1.6 billion from the end of 2013. The increase in the net obligation reflects the impact of changes in actuarial assumptions, largely due to decreases in the discount rates, partially offset by returns on plan assets. Cash expenditure on pensions was €0.7 billion, the same as in the prior year.

# FINANCIAL REVIEW 2014

## 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 114 to 119 of our Governance and Financial Report.

Approximately €1.7 billion (or 81%) 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 €452 million (2013: €243 million, 2012: €220 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 2014 were US \$6,550 million.

### CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2014

€ million	Total	Due	Due in	Due in	Due in
		within	1-3	3-5	over
		1 year	years	years	5 years
<b>Total contractual obligations<sup>(1)</sup></b>	<b>19,015</b>	6,812	4,016	2,623	5,564

<sup>(1)</sup> 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 105 and 106, note 15C on pages 112 and 113, and note 20 on pages 124 to 125. 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 €14 million (2013: €21 million) paid to the external auditor, of which €14 million (2013: €16 million) related to statutory audit services. Remuneration of the external auditor in respect of 2014 was payable to KPMG while in respect of 2013 it was payable to PricewaterhouseCoopers.

### 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	2014 vs 2013	2013 vs 2012
Underlying sales growth (%)	2.9	4.3
Effect of acquisitions (%)	0.4	-
Effect of disposals (%)	(1.3)	(1.1)
Effect of exchange rates (%)	(4.6)	(5.9)
Turnover growth (%) <sup>(a)</sup>	(2.7)	(3.0)

### PERSONAL CARE

	2014 vs 2013	2013 vs 2012
Underlying sales growth (%)	3.5	7.3
Effect of acquisitions (%)	-	-
Effect of disposals (%)	(0.1)	(0.2)
Effect of exchange rates (%)	(5.0)	(6.8)
Turnover growth (%) <sup>(a)</sup>	(1.8)	(0.2)

### FOODS

	2014 vs 2013	2013 vs 2012
Underlying sales growth (%)	(0.6)	0.3
Effect of acquisitions (%)	-	-
Effect of disposals (%)	(3.6)	(3.7)
Effect of exchange rates (%)	(3.9)	(3.8)
Turnover growth (%) <sup>(a)</sup>	(7.9)	(7.0)

### REFRESHMENT

	2014 vs 2013	2013 vs 2012
Underlying sales growth (%)	3.8	1.1
Effect of acquisitions (%)	0.4	0.1
Effect of disposals (%)	(1.6)	-
Effect of exchange rates (%)	(4.6)	(4.7)
Turnover growth (%) <sup>(a)</sup>	(2.1)	(3.7)

## HOME CARE

	2014 vs 2013	2013 vs 2012
Underlying sales growth (%)	5.8	8.0
Effect of acquisitions (%)	1.8	0.1
Effect of disposals (%)	–	–
Effect of exchange rates (%)	(4.8)	(8.6)
Turnover growth (%) <sup>(a)</sup>	2.4	(1.2)

<sup>(a)</sup> 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:

	2014 vs 2013	2013 vs 2012
Underlying volume growth (%)	1.0	2.5
Effect of price changes (%)	1.9	1.8
Underlying sales growth (%)	2.9	4.3

## 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 2014	€ million 2013
Operating profit	7,980	7,517
Acquisition and disposal related cost	97	112
(Gain)/loss on disposal of group companies	(1,392)	(733)
Impairments and other one-off items	335	120
Core operating profit	7,020	7,016
Turnover	48,436	49,797
Operating margin	16.5%	15.1%
Core operating margin	14.5%	14.1%

Further details of non-core items can be found in note 3 on page 92 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 102 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. Free cash flow 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 2014	€ million 2013
<b>Net profit</b>	<b>5,515</b>	5,263
Taxation	2,131	1,851
Share of net profit of joint ventures/associates and other income from non-current investments	(143)	(127)
Net finance costs	477	530
Depreciation, amortisation and impairment	1,432	1,151
Changes in working capital	8	200
Pensions and similar obligations less payments	(364)	(383)
Provisions less payments	32	126
Elimination of (profits)/losses on disposals	(1,460)	(725)
Non-cash charge for share-based compensation	188	228
Other adjustments	38	(15)
<b>Cash flow from operating activities</b>	<b>7,854</b>	8,099
Income tax paid	(2,311)	(1,805)
Net capital expenditure	(2,045)	(2,027)
Net interest and preference dividends paid	(398)	(411)
<b>Free cash flow</b>	<b>3,100</b>	3,856
Net cash flow (used in)/from investing activities	(341)	(1,161)
Net cash flow (used in)/from financing activities	(5,190)	(5,390)

## 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 2014	€ million 2013
<b>Total financial liabilities</b>	<b>(12,722)</b>	(11,501)
Current financial liabilities	(5,536)	(4,010)
Non-current financial liabilities	(7,186)	(7,491)
<b>Cash and cash equivalents as per balance sheet</b>	<b>2,151</b>	2,285
Cash and cash equivalents as per cash flow statement	1,910	2,044
Add bank overdrafts deducted therein	241	241
<b>Other current financial assets</b>	<b>671</b>	760
<b>Net debt</b>	<b>(9,900)</b>	(8,456)



# 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 49 to 53.

**i** pages 49 to 53 of the Governance and Financial Report

PRINCIPAL RISK	DESCRIPTION OF RISK
<p><b>BRAND PREFERENCE</b></p> <p>As a branded goods business, Unilever's success depends on the value and relevance of our brands and products to consumers across the world and on our ability to innovate and remain competitive.</p>	<p>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.</p> <p>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.</p>
<p><b>PORTFOLIO MANAGEMENT</b></p> <p>Unilever's strategic investment choices will affect the long-term growth and profits of our business.</p>	<p>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.</p>
<p><b>SUSTAINABILITY</b></p> <p>The success of our business depends on finding sustainable solutions to support long-term growth.</p>	<p>Unilever's Vision to double the size of our 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.</p>
<p><b>CUSTOMER RELATIONSHIPS</b></p> <p>Successful customer relationships are vital to our business and continued growth.</p>	<p>Maintaining strong relationships with our customers is necessary for our brands to be well presented to our consumers and available for purchase at all times.</p> <p>The strength of our customer relationships also affects our ability to obtain pricing and secure favourable trade terms. Unilever may not be able to maintain strong relationships with customers and failure to do so could negatively impact the terms of business with the affected customers and reduce the availability of our products to consumers.</p>
<p><b>TALENT</b></p> <p>A skilled workforce is essential for the continued success of our business.</p>	<p>Our ability to attract, develop and retain the right number of appropriately qualified people is critical if we are to compete and grow effectively.</p> <p>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.</p>
<p><b>SUPPLY CHAIN</b></p> <p>Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.</p>	<p>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.</p> <p>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.</p>
<p><b>SAFE AND HIGH QUALITY PRODUCTS</b></p> <p>The quality and safety of our products are of paramount importance for our brands and our reputation.</p>	<p>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.</p>
<p><b>SYSTEMS AND INFORMATION</b></p> <p>Unilever's operations are increasingly dependent on IT systems and the management of information.</p>	<p>We interact electronically with customers, suppliers and consumers in ways which place ever greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession.</p> <p>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.</p> <p>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.</p>

PRINCIPAL RISK	DESCRIPTION OF RISK
<p><b>BUSINESS TRANSFORMATION</b></p> <p>Successful execution of business transformation projects is key to delivering their intended business benefits and avoiding disruption to other business activities.</p>	<p>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.</p> <p>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.</p>
<p><b>EXTERNAL ECONOMIC AND POLITICAL RISKS AND NATURAL DISASTERS</b></p> <p>Unilever operates across the globe and is exposed to a range of external economic and political risks and natural disasters that may affect the execution of our strategy or the running of our operations.</p>	<p>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.</p> <p>Government actions such as fiscal stimulus, changes to taxation and price controls can impact on the growth and profitability of our local operations.</p> <p>Social and political upheavals and natural disasters can disrupt sales and operations.</p> <p>In 2014, more than half of Unilever's turnover came from emerging markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets offer greater growth opportunities but also expose Unilever to economic, political and social volatility in these markets.</p>
<p><b>TREASURY AND PENSIONS</b></p> <p>Unilever is exposed to a variety of external financial risks in relation to Treasury and Pensions.</p>	<p>Changes to the relative value of currencies can fluctuate widely and could have a significant impact on business results. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets and earnings of its foreign subsidiaries.</p> <p>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.</p> <p>Currency rates, along with demand cycles, can also result in significant swings in the prices of the raw materials needed to produce our goods.</p> <p>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.</p> <p>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.</p> <p>In times of financial market volatility, we are also potentially exposed to counter-party risks with banks, suppliers and customers.</p> <p>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.</p>
<p><b>ETHICAL</b></p> <p>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.</p>	<p>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.</p>
<p><b>LEGAL AND REGULATORY</b></p> <p>Compliance with laws and regulations is an essential part of Unilever's business operations.</p>	<p>Unilever is subject to local, regional and global laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes.</p> <p>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.</p> <p>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 exposure.</p>

# SUMMARY REMUNERATION REPORT

## CHAIRMAN'S LETTER

### DEAR SHAREHOLDERS,

I am pleased to report that our Remuneration Policy was adopted at the 2014 NV and PLC AGMs with strong levels of support and remains unchanged for 2015.

### REMUNERATION POLICY – AVAILABLE ON OUR WEBSITE

To simplify this year's report we have chosen not to repeat our Remuneration Policy, which is available on our website. To reflect the reward decisions taken for 2015 by the Compensation Committee we have updated the supporting information in the remuneration policy table and other contextual information.

➔ [www.unilever.com/ara2014/downloads](http://www.unilever.com/ara2014/downloads)

## BUSINESS PERFORMANCE AND REMUNERATION OUTCOMES FOR 2014

### ANNUAL BONUS – A YEAR OF RESILIENT PERFORMANCE

During the year Unilever faced an increasingly challenging external environment. In addition to fierce competition, we also saw weakening consumer demand across many parts of the world and increasing external volatility. The business responded to the combination of these events with resilience by heightening focus on cost control and margin improvement. Although our overall underlying sales growth lowered to 2.9% we continued to outperform our markets, as we have done consistently since Paul Polman's appointment as CEO. Through rigorous control of overheads, we delivered a core operating margin improvement of 0.4 percentage points despite adverse currency movements. With the quality of these results in mind, the Committee exercised its judgement to uplift the annual bonus outcome from 68% to 80% of target and decided to pay a bonus of 132% of salary (66% of maximum) to the CEO, Paul Polman, and a bonus of 88% of salary (59% of maximum) to the CFO, Jean-Marc Huët. The Committee believes that these awards fairly reflect the performance delivered in 2014. This consistency in performance delivery, now established over the last six years, shows that Unilever is building a more resilient company. We are better able to withstand the challenges of an increasingly uncertain business environment because we are moving towards a business model with long-term sustainability at its core.

### GSIP AND MCIP – STRONG FINANCIAL PERFORMANCE OVER THE LAST THREE YEARS

Over the past three years, Unilever has again delivered very strong financial performance. Underlying sales growth during this period was 4.7% per annum. 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 has also generated very strong operating cash in the period, with cumulative operating cash flow of €15.5 billion. Total shareholder return (TSR) over this three-year period was below the performance of our peers, and, as a result, no part of the GSIP and MCIP awards related to TSR will vest. The Committee believes the outcomes of the long-term share incentive plans represent a fair reflection of Unilever's underlying performance over the last three years. On the basis of this performance, the Committee determined that the GSIP awards to the end of 2014 together with MCIP awards, which were granted to Executive Directors for the first time in 2012, will vest at 121% of initial award levels (ie 61% of maximum for GSIP and 81% of maximum awards for MCIP, which is capped at 150%).

### EXECUTIVE DIRECTORS TURN DOWN SALARY INCREASES FOR 2015

In our 2011 Directors' Remuneration Report, the Committee drew shareholders' attention to our concern that the CEO's salary was positioned at the lower end of market practice compared to similar sized UK and European companies. At that time the Committee stated that it would look to make further increases, as appropriate, to address this over the next few years. Since then, largely at the CEO and CFO's own insistence, we have consistently awarded less of a salary increase than we believed was merited by the performance of the Executive Directors. Having held their salaries steady for longer than intended and in view of the sustained track record of performance delivery, the Committee recommended, and the Boards approved, salary increases for the CEO and CFO with effect from January 2015. In making these recommendations the Committee considered the strong performance of Unilever and alignment, both to increases in pay for the broader employee population and externally. The CEO and CFO have turned down the salary increases recommended by the Committee for 2015.

### STRATEGIC LINKAGE OF REWARD TO BUSINESS PERFORMANCE

As in previous years, the Committee continues to use performance-based incentives to drive the business towards delivering sustainable long-term value for shareholders. For 2015, the Committee has decided to focus on the importance of cash generation in an environment of lower global growth rates by replacing underlying volume growth with growth in free cash flow (FCF) as a performance measure for the annual bonus, in alignment with our strategy as set out earlier in this Report. FCF is a widely reported metric used to evaluate Unilever's in-year performance. For our shareholders, cash is an important driver of value creation, allowing us to pay attractive and sustainable dividends while continuing to invest in the business.

The performance measures for our long-term share incentive plans remain unchanged for the 2015-2017 performance cycle. Even though FCF is our primary cash measure, we use operating cash flow (OCF) as the cash measure in our long-term incentive plans as it better represents underlying long-term performance at constant exchange rates. To better describe long-term management performance, OCF is also adjusted to exclude the impact of cash inflows and outflows resulting from M&A activity and the impact of pension contributions and interest costs on external borrowings.

For reasons of commercial sensitivity, our practice is to disclose the target ranges for performance measures together with the outcomes of incentive plans at the end of the respective performance period.

In 2015 the Committee plans to undertake a further review of our remuneration framework to ensure that it continues to be fully aligned with Unilever's business strategy and enables us to respond quickly to the rapidly changing markets in which we operate. Specifically, we will be looking for opportunities to simplify reward arrangements and also to strengthen the linkage between executive pay and the creation of sustainable longer-term shareholder value. To the extent that changes are proposed, the Committee will consult with key shareholders to get their feedback in advance of recommending changes to shareholders.

**Paul Walsh**

Chairman of the Compensation Committee



The following sets out how Unilever's Remuneration Policy, to be found at [www.unilever.com/ara2014/downloads](http://www.unilever.com/ara2014/downloads), was implemented in 2014. Further details of remuneration can be found on pages 62 to 77 of the Governance and Financial Report.

### SINGLE FIGURE OF REMUNERATION IN 2014 FOR EXECUTIVE DIRECTORS (AUDITED)

The table below shows a single figure of remuneration for each of our Executive Directors, for the years 2013 (restated to reflect the final value of GSIP performance shares on the date of vesting) and 2014.

	Paul Polman CEO (UK) (€'000)		Jean-Marc Huët CFO (UK) (€'000)	
	2014	2013 (Restated)	2014	2013 (Restated)
(A) Base salary <sup>(1)</sup>	1,251	1,189	885	841
(B) Fixed allowances and other benefits <sup>(2)</sup>	787	700	377	594
(C) Annual bonus	1,652	1,864	778	879
Long-term incentives	1,803	n/a	370	n/a
(D) MCIP matching shares – (required by UK law)				
(E) GSIP performance shares – (required by UK law)	3,923	3,798	3,022	2,630
Long-term incentives (sub-total)	5,726	3,798	3,392	2,630
(F) Conditional supplemental pension <sup>(3)</sup>	145	138	n/a	n/a
<b>Total remuneration paid – (required by UK law) (A+B+C+D+E+F)</b>	<b>9,561</b>	<b>7,689</b>	<b>5,432</b>	<b>4,944</b>
(G) Share awards (required by Dutch law) <sup>(4)</sup>	4,206	4,069	2,249	2,652
<b>Total remuneration paid – (required by Dutch law) (A+B+C+F+G)</b>	<b>8,041</b>	<b>7,960</b>	<b>4,289</b>	<b>4,966</b>

Where relevant, amounts for 2014 have been translated into euros using the average exchange rate over 2014 (€1 = £0.8071), excluding amounts in respect of long-term incentive plans which have been translated into euros using the exchange rate at vesting date (€1 = £0.7383). Amounts for 2013 have been translated into euros using the average exchange rate over 2013 (€1 = £0.8492), excluding amounts in respect of GSIP which have been translated into euros using the exchange rate at vesting date (€1 = £0.8351).

<sup>(1)</sup> Salary set in sterling and paid in 2014: CEO – £1,010,000 and CFO – £714,000.

<sup>(2)</sup> Includes the fixed allowance, medical insurance cover and actual tax return preparation costs, provision of death-in-service benefits and administration, payment to protect against difference between employee social security obligations in country of residence versus UK (not applicable to Jean-Marc Huët) and Paul Polman's notional gain due to exercising his options under the Unilever 2005 Share Save Plan.

<sup>(3)</sup> 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 2014.

<sup>(4)</sup> 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 2014, 2013 and 2012.

### SINGLE FIGURE OF REMUNERATION IN 2014 FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below shows a single figure of remuneration for each of our Non-Executive Directors, for the years 2013 and 2014.

Non-Executive Director	2014			2013		
	Fees <sup>(a)</sup> €'000	Benefits <sup>(b)</sup> €'000	Total remuneration €'000	Fees <sup>(a)</sup> €'000	Benefits <sup>(b)</sup> €'000	Total remuneration €'000
Michael Treschow <sup>(c)</sup>	654	3	657	637	1	638
Laura Cha	101	–	101	62	–	62
Louise Fresco <sup>(d)</sup>	113	–	113	106	–	106
Ann Fudge	101	11	112	103	17	120
Charles Golden <sup>(e)</sup>	42	–	42	101	14	115
Byron Grote <sup>(f)</sup>	125	–	125	127	2	129
Mary Ma	107	–	107	66	–	66
Sunil Bharti Mittal <sup>(g)</sup>	–	–	–	32	–	32
Hixonia Nyasulu	107	–	107	102	12	114
Sir Malcolm Rifkind	101	–	101	103	–	103
John Rishton	107	–	107	66	–	66
Feike Sijbesma	15	1	16	n/a	n/a	n/a
Kees Storm <sup>(h)</sup>	196	3	199	191	–	191
Paul Walsh <sup>(i)</sup>	113	2	115	119	–	119
<b>Total</b>	<b>1,882</b>	<b>20</b>	<b>1,902</b>	<b>1,815</b>	<b>46</b>	<b>1,861</b>

<sup>(a)</sup> This includes fees received from both NV in euros and PLC in sterling for both 2013 and 2014 respectively. Includes basic Non-Executive Director fee and Committee chairmanship and/or membership.

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

<sup>(c)</sup> Chairman.

<sup>(d)</sup> Chair, Corporate Responsibility Committee.

<sup>(e)</sup> Chose not to put himself forward for re-election at the May 2014 AGMs.

<sup>(f)</sup> Chair, Audit Committee.

<sup>(g)</sup> Chose not to put himself forward for re-election at the May 2013 AGMs.

<sup>(h)</sup> Vice-Chairman and Chair of the Nominating and Corporate Governance Committee.

<sup>(i)</sup> Chair, Compensation Committee.

# SHAREHOLDER INFORMATION

## FINANCIAL CALENDAR

### ANNUAL GENERAL MEETINGS

	Date	Voting Record date	Voting and Registration date
<b>NV</b>	1.30pm 29 April 2015	1 April 2015	22 April 2015
<b>PLC</b>	1.30pm 30 April 2015	–	28 April 2015

### 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 2014 results	20 January 2015	4 February 2015	5 February 2015	6 February 2015	11 March 2015
Quarterly dividend announced with the Q1 2015 results	16 April 2015	22 April 2015	23 April 2015	24 April 2015	3 June 2015
Quarterly dividend announced with the Q2 2015 results	23 July 2015	5 August 2015	6 August 2015	7 August 2015	9 September 2015
Quarterly dividend announced with the Q3 2015 results	15 October 2015	28 October 2015	29 October 2015	30 October 2015	9 December 2015

### PREFERENTIAL DIVIDENDS – NV

	Announced	Ex-dividend date	Record date	Payment date
6% and 7%	23 July 2015	6 August 2015	7 August 2015	9 September 2015

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### WEBSITE

Shareholders are encouraged to visit our website [www.unilever.com](http://www.unilever.com) which has a wealth of information about Unilever.

There is a section designed specifically for investors at [www.unilever.com/investorrelations](http://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 prior years' Annual Review and Annual Report and Accounts documents, at [www.unilever.com/investorrelations](http://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](http://www.unilever.com/shareholderservices).

### PUBLICATIONS

The Strategic Report is only part of the Annual Report and Accounts 2014 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](http://www.unilever.com/investorrelations).

#### UNILEVER ANNUAL REPORT AND ACCOUNTS 2014

The Unilever Annual Report and Accounts 2014 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](http://www.sec.gov).

#### QUARTERLY RESULTS ANNOUNCEMENTS

Available in English with figures in euros.

## 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 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 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. 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 2014 and the Annual Report and Accounts 2014. 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.

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 2014 is separately filed with the US Securities and Exchange Commission and is available on our corporate website [www.unilever.com](http://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.

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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 2014 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](http://www.kpmg.com/uk/auditscopeukco2014b), which is incorporated into the Auditor's Report in the Annual Report and Accounts 2014 as if set out in full.

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**WWW.UNILEVER.COM**

## **BRINGING SANITATION TO THE WORLD'S POOREST CONSUMERS**

In India around 600 million people, like Saritadevi (pictured\*), do not have access to a toilet in their house, leaving them no choice but to use local fields. Unilever is committed to helping 25 million people gain improved access to a toilet by 2020, by promoting the benefits of using clean toilets and making toilets accessible.

We are working with multiple partners, including UNICEF, to create sustainable approaches to better sanitation by promoting good hygiene practices to improve the health and well-being of communities and helping to create demand for access to toilets.

We are also working with Water & Sanitation for the Urban Poor (WSUP) to develop innovative sanitation businesses and promote hygiene communications to millions of the poorest consumers in Ghana, Bangladesh, Kenya and Zambia.

And we are providing support through the Domestos Toilet Academy, a market-based model that improves sanitation in India and Vietnam. By the end of 2014 there were ten Domestos Toilet Academies open, eight in India and two in Vietnam. The Academies train entrepreneurs to form businesses supplying, installing and maintaining hygienic toilets. The initiative will train 250 entrepreneurs and supply 51,000 toilets by the end of 2015.

\*The photograph of Saritadevi was taken for WSUP by Atul Loke.

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