



DISCLAIMER

This PDF is a section of the Unilever Annual Report and Accounts 2015. It does not contain sufficient information to allow a full understanding of the results of the Unilever Group and the state of affairs of Unilever N.V., Unilever PLC or the Unilever Group. For further information the Unilever Annual Report and Accounts 2015 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2015 have been audited. These are on pages 90 to 159, and those parts noted as audited within the Directors' Remuneration Report on pages 66 to 83.

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

Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Except where you are a shareholder, this material is provided for information purposes only and is not, in particular, intended to confer any legal rights on you.

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

The information is given as of the dates specified, is not updated, and any forward-looking statements are made subject to the reservations specified in the cautionary statement on the inside back cover of the Annual Report and Accounts.

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

REPORT OF THE AUDIT COMMITTEE

COMMITTEE MEMBERS AND ATTENDANCE

	ATTENDANCE
John Rishton Chair (since April 2015)	8 / 8
Byron Grote (Chair until April 2015)	5 / 5
Judith Hartmann (Member since April 2015)	3 / 3
Mary Ma	8 / 8
Hixonia Nyasulu	8 / 8

This table shows the membership of the Committee together with their attendance at meetings during 2015. If Directors are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Committee Chair. Attendance is expressed as the number of meetings attended out of the number eligible to be attended.

HIGHLIGHTS OF 2015

- Annual Report and Accounts
- Viability assessment
- Non-Financial KPIs
- Impact of upcoming tax regulations
- IT security and data privacy
- IT resilience

PRIORITIES FOR 2016

- Exchange rate management
- Non-Financial KPIs
- IT security and data privacy
- Tax strategy and reporting

MEMBERSHIP OF THE COMMITTEE

The Audit Committee is comprised only of independent Non-Executive Directors with a minimum requirement of three such members. It is chaired by John Rishton. The composition of the Committee changed after the AGMs in April 2015 when Byron Grote left the Committee and Judith Hartmann joined the Committee. At that time John Rishton took over the Chairmanship of the Committee from Byron Grote. The other members are Mary Ma and Hixonia Nyasulu. For the purposes of the US Sarbanes-Oxley Act of 2002 John Rishton is the Audit Committee's financial expert. The Boards have satisfied themselves that the current members of the Audit Committee are competent in financial matters and have recent and relevant experience. Other attendees at Committee meetings (or part thereof) were the Chief Financial Officer, Chief Auditor, Group Controller, Chief Legal Officer, Group Secretary and the external auditors. Throughout the year the Committee members periodically met without others present and also held separate private sessions with the Chief Financial Officer, Chief Auditor and the external auditors, allowing the Committee to discuss any issues in more detail directly.

ROLE OF THE COMMITTEE

The role and responsibilities of the Audit Committee are set out in written terms of reference which are reviewed annually by the Committee taking into account relevant legislation and recommended good practice. The terms of reference are contained within 'The Governance of Unilever' which is available on our website at www.unilever.com/corporategovernance. The Committee's responsibilities include, but are not limited to, the following matters with a view to bringing any relevant issues to the attention of the Boards:

- oversight of the integrity of Unilever's financial statements;
- review of Unilever's quarterly and annual financial statements (including clarity and completeness of disclosure), and approval of the quarterly trading statements for quarter 1 and quarter 3;

- oversight of risk management and internal control arrangements;
- oversight of compliance with legal and regulatory requirements;
- oversight of the external auditors' performance, objectivity, qualifications and independence; the approval process of non-audit services; recommendation to the Boards of their nomination for shareholder approval; and approval of their fees, refer to note 25 on page 135;
- the performance of the internal audit function; and
- approval of the Unilever Leadership Executive (ULE) expense policy and the review of Executive Director expenses.

In order to help the Committee meet its oversight responsibilities, each year management organise knowledge sessions for the Committee on subject areas within their remit. In 2015, sessions on legislative developments in tax and the reporting and assurance methods used for the Unilever Sustainable Living Plan were held. In addition, both Byron Grote and John Rishton visited one of our key accounting and reporting centres in Bangalore.

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES

During the year, the Committee's principal activities were as follows:

FINANCIAL STATEMENTS

The Committee reviewed the quarterly financial press releases together with the associated internal quarterly reports from the Chief Financial Officer and the Disclosure Committee, and with respect to the half-year, and full-year results the external auditors' reports, prior to their publication. They also reviewed the Annual Report and Accounts and Annual Report on Form 20-F. These reviews incorporated the accounting policies and significant judgements and estimates underpinning the financial statements as disclosed within note 1 on pages 94 and 95. Particular attention was paid to the following significant issues in relation to the financial statements:

- revenue recognition – estimation of discounts, incentives on sales made during the year, refer to note 2 on page 96;
- direct tax provisions and contingencies, refer to note 6 on pages 106 to 108; and
- indirect tax provisions and contingencies, refer to note 19 on page 129

The external auditors have agreed the list of significant issues discussed by the Audit Committee.

For each of the above areas the Committee considered the key facts and judgements outlined by management. Members of management attended the section of the meeting of the Committee where their item was discussed to answer any questions or challenges posed by the Committee. The issues were also discussed with the external auditors and further information can be found on page 86. The Committee was satisfied that there are relevant accounting policies in place in relation to these significant issues and management have correctly applied these policies.

At the request of the Boards the Committee undertook to:

- review the appropriateness of adopting the going concern basis of accounting in preparing the annual financial statements; and
- assess whether the business was viable in accordance with the new requirement of the UK Corporate Governance Code. The assessment included a review of the principal risks facing Unilever, their potential impact, how they were being managed, together with a discussion as to the appropriate period for the assessment. The Committee recommended to the Boards that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

At the request of the Boards the Committee also considered whether the 2015 Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Committee was

satisfied that, taken as a whole, the 2015 Annual Report and Accounts is fair, balanced and understandable.

RISK MANAGEMENT AND INTERNAL CONTROL ARRANGEMENTS

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

- the Controller's Quarterly Risk and Control Status Report, including Code of Business Principles cases relating to frauds and financial crimes and significant complaints received through the Unilever Code Support Line;
- the 2015 corporate risks for which the Audit Committee had oversight and the proposed 2016 corporate risks identified by the ULE;
- management's improvements to reporting and internal financial control arrangements;
- processes related to cyber security, information management and privacy;
- tax planning, insurance arrangements and related risk management;
- treasury policies, including debt issuance and hedging; and
- litigation and regulatory investigations.

The Committee reviewed the application of the requirements under Section 404 of the US Sarbanes-Oxley Act of 2002 with respect to internal controls over financial reporting. In addition, the Committee reviewed the annual financial plan and Unilever's dividend policy and dividend proposals.

During 2015 the Committee continued its oversight of the independent assurance work that is performed on a number of our Unilever Sustainable Living Plan (USLP) metrics (selected on the basis of their materiality to the USLP).

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

INTERNAL AUDIT FUNCTION

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

AUDIT OF THE ANNUAL ACCOUNTS

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

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

EXTERNAL AUDITORS

Shareholders approved the appointment of KPMG as the Group's external auditors at the 2015 AGMs in April. On the recommendation of the Committee, the Directors will be proposing the re-appointment of KPMG at the AGMs in April 2016.

Both Unilever and KPMG have safeguards in place to avoid the possibility that the external auditors' objectivity and independence could be compromised, such as audit partner rotation and the restriction on non-audit services that the external auditors can perform as described below. The Committee reviewed the report from KPMG on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Unilever.

Each year, the Committee assesses the effectiveness of the external audit process which includes discussing feedback from the members of the Committee and stakeholders at all levels across Unilever. Interviews are also held with key senior management within both Unilever and KPMG.

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

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

Several types of engagements are prohibited, including:

- bookkeeping or similar services;
- design and/or implementation of systems or processes related to financial information or risk management;
- valuation, actuarial and legal services;
- internal audit;
- broker, dealer, investment adviser or investment bank services;
- transfer pricing advisory services; and
- staff secondments of any kind.

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

The Committee confirms that the Group is in compliance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The last tender for the audit of the annual accounts was performed in 2013.

EVALUATION OF THE AUDIT COMMITTEE

As part of the internal Board evaluation carried out in 2015, the Boards evaluated the performance of the Committee. The Committee also carried out an assessment of its own performance in 2015. Whilst overall the Committee members concluded that the Committee is performing effectively, the Committee agreed that to further enhance its effectiveness they needed to ensure they continued to develop their knowledge of business operations and how they were evolving which would involve further knowledge sessions and site visits.

John Rishton

Chair of the Audit Committee

Judith Hartmann

Mary Ma

Hixonia Nyasulu