

Disclaimer

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Certain sections of the Unilever Annual Report and Accounts 2005 have been audited. Sections that have been audited are set out on pages 78 to 151, 157 to 172 and 174 to 177. The auditable part of the Directors' Remuneration report as set out on page 69 has also been audited.

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.

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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 forwardlooking statements are made subject to the reservations specified on page 4 of the Report.

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

Corporate governance

Introduction

The Unilever Group

Unilever N.V. and Unilever PLC are the two parent companies of the Unilever Group. NV was incorporated under the name Naamlooze Vennootschap Margarine Unie in the Netherlands in 1927. PLC was incorporated under the name Lever Brothers Limited in Great Britain in 1894. The two companies have different shareholder constituencies and shareholders cannot convert or exchange the shares of one company for shares of the other. NV is listed in Amsterdam, New York, Frankfurt and Zürich. PLC is listed in London and New York.

NV and PLC together with their group companies operate effectively as a single economic entity. This is achieved by a series of agreements between NV and PLC (the Foundation Agreements, see below), together with special provisions in the Articles of Association of NV and PLC. NV and PLC have the same directors and adopt the same accounting principles. Shareholders of both companies receive dividends on an equalised basis. NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

NV and PLC have agreed to co-operate in all areas and to ensure that all group companies act accordingly. NV and PLC are holding and service companies, and the business activity of Unilever is carried out by their subsidiaries around the world. Shares in group companies may ultimately be held wholly by either NV or PLC, or jointly by the two companies, in varying proportions.

The Equalisation Agreement

The Equalisation Agreement regulates the mutual rights of the shareholders of NV and PLC. Its objective is to ensure that the position of these shareholders is, as far as possible, the same as if they held shares in a single company. Under the Equalisation Agreement, NV and PLC must adopt the same financial periods and accounting policies. Further information on the Equalisation Agreement is given on page 41.

The Deed of Mutual Covenants

The Deed of Mutual Covenants provides that NV and PLC and their respective subsidiary companies shall co-operate in every way for the purpose of maintaining a common operating policy. In addition, they shall exchange all relevant information about their respective businesses – the intention being to create and maintain a common operating platform for the Unilever Group throughout the world. The Deed of Mutual Covenants illustrates some of the information which makes up this common platform, such as the mutual exchange and free use of know-how, patents, trade marks and all other commercially valuable information. The Deed contains provisions which indicate, without laying down any rigid constraints, which operation according to geography shall be held ultimately by either NV or PLC. These arrangements were designed to create a balance between the two parent companies and the funds generated by them, for the benefit of their respective sets of shareholders.

The Agreement for Mutual Guarantees of Borrowing

Under the Agreement for Mutual Guarantees of Borrowing between NV and PLC, each company will, if asked by the other, guarantee the borrowings of the other. The two companies can also agree jointly to guarantee the borrowings of their subsidiaries. These arrangements are used, as a matter of financial policy, for certain significant public borrowings. They enable lenders to rely on our combined financial strength.

Corporate Policies

Unilever policies are characterised by being universally applicable within the Unilever Group. They are mandatory in effect and have been developed to ensure consistency in key areas within our world-wide operations. They cover operational and functional matters, and govern how we run our business, in order to comply with applicable laws and regulations.

Unilever corporate policies include: the Code of Business Principles; policies on positive assurance and risk management; policies on environmental strategy and reporting, social and ethical matters, including in respect of human rights; corporate social responsibility; the Unilever share dealing code; and a procedures manual for the timely release of price sensitive information.

The Code of Business Principles sets out the standards of behaviour we require from all of our employees. We also have a Code of Ethics that applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the US Securities and Exchange Commission (SEC). The Code of Ethics comprises an extract of the relevant provisions of Unilever's Code of Business Principles and the more detailed rules of conduct that implement it. Copies of the Code of Business Principles and the Code of Ethics are posted on our website at www.unilever.com/investorcentre/corpgovernance.

Our internal risk management and control systems are described on page 31.

Developments in corporate governance

Unilever constantly keeps its corporate governance arrangements under review. NV and PLC are subject to different corporate governance requirements and best practice codes, the most relevant being those in the Netherlands, the United Kingdom and the United States. It is Unilever's practice to comply, where practicable, with the highest level of these codes, and respond to developments appropriately.

Developments in 2004

Following a review of our governance arrangements in 2004, the NV and PLC shareholders adopted proposals to create a one-tier board with a majority of independent Non-Executive Directors.

Corporate governance (continued)

Developments in 2005

In 2005 the Boards announced a series of further changes to streamline management and leadership. These were approved by our shareholders at the Annual General Meetings (AGMs) in 2005. A separate Non-Executive Chairman and Group Chief Executive were appointed. The Group Chief Executive established the Unilever Executive (UEX) which comprises three Regional Presidents (for Europe, The Americas, Asia Africa), two Category Presidents (for Foods and Home and personal care) the Chief Financial Officer and the Chief HR Officer. The regions are responsible for performance, implementing proven brand mixes in their region and focusing on building capabilities with customers. The categories are responsible for the entire brand development process including innovation, brand positioning and communication and category strategies. The interdependence between the regions and categories allows us to exploit our global scale, while building on our deep roots in local markets. Our HR and Finance functions concentrate on excellence in human capabilities and cost-efficiencies across the Group.

In 2005, we also announced that we would undertake a thorough review of our corporate structure to see if any change should be made. The review team was led by the Chairman, Antony Burgmans, and included Non-Executive Directors David Simon and Jeroen van der Veer. On 19 December 2005, the conclusions of the structure review were announced. The Boards decided that Unilever would retain its current structure with some important changes (see below). Reference is made to the announcement text on our website at www.unilever.com/ourcompany/investorcentre.

Proposed Developments for 2006

The changes in our structure that the Boards wish to propose to our shareholders at the AGMs in 2006 are:

- to adapt Unilever's constitutional arrangements to allow greater flexibility to allocate assets between both parent companies;
- to simplify the relationship between our NV and PLC shares by establishing a one-to-one equivalence in their economic interest in the Unilever Group; this will be achieved by a split of the NV shares and a consolidation of the PLC shares; and
- to allow shareholders the right to nominate candidates to the Boards, taking into account the need to ensure the unity of management.

The above proposals will require changes to the Articles of Association of NV and PLC, to the Deed of Mutual Covenants, and to the Equalisation Agreement.

More information on these proposals can be found in the notices to these AGMs, which can be found at www.unilever.com/investorcentre/agms.

The text that follows describes the corporate governance arrangements since the 2005 AGMs. More information on our corporate governance arrangements is set out in The Governance of Unilever, the Boards' statement of their internal arrangements, which can be found at www.unilever.com/investorcentre/corpgovernance.

The Boards

The Boards of NV and PLC comprise the same Directors. The Chairman and all of the Directors are Directors of both NV and PLC. This ensures unity of governance and management. In order to operate as nearly as practicable as a single entity it is important for the Boards of NV and PLC to operate as far as possible as one Board. This ensures that all matters are considered by the Boards as a single intellect, reaching the same conclusions on the same set of facts.

The Boards are one-tier boards, comprising Executive Directors and, in a majority, Non-Executive Directors. The Boards have ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors have additional responsibilities for the operation of our business as determined by the Group Chief Executive.

Our Directors have set out a number of areas of responsibility which are reserved to themselves and other areas for which matters are delegated to the Group Chief Executive and committees whose actions are regularly reported to and monitored by the Boards. These are described on pages 37 to 39.

Further details of how our Boards effectively operate as one board, govern themselves and delegate their authorities are set out in The Governance of Unilever, which can be found at www.unilever.com/investorcentre/corpgovernance.

Appointment of Directors

In order to try to ensure that NV and PLC have the same Directors, the Articles of Association of NV and PLC contain provisions which ensure that both NV and PLC shareholders are presented with the same candidates for election as Directors. This is achieved through a nomination procedure operated by the Boards of NV and PLC through Unilever's Nomination Committee.

As mentioned above, proposals will be made to the AGMs in 2006 to allow shareholders the right to nominate directors. Below, we describe our current system used in 2005.

Corporate governance (continued)

Currently, in the case of NV, the Articles of Association grant to the holders of the special ordinary shares numbered 1-2 400 inclusive the right to draw up a nomination list for shareholders to vote upon at the General Meeting. In the case of PLC, this right of nomination is given by the Articles of Association to the holders of PLC's deferred stock. The joint holders of both the NV special ordinary shares and the PLC deferred stock are N.V. Elma and United Holdings Limited, which are joint subsidiaries of NV and PLC. The boards of N.V. Elma and United Holdings Limited comprise the members of the Nomination Committee. Only persons who have offered themselves for election to the Boards of both NV and PLC are eligible to be elected as Directors of NV and PLC.

The interests of our shareholders are protected because all the Directors submit themselves for election every year and shareholders can remove any of them by a simple majority vote. Thus, as a practical matter, the Boards cannot perpetuate themselves contrary to the will of the shareholders.

In addition, shareholders can overrule Director nominations. In the case of NV, this can be done by a resolution adopted by at least a two-thirds majority of the votes cast, which majority must represent more than one half of NV's issued share capital. If this happens, a new meeting can be held and a new Director can be appointed with an absolute majority of the votes cast. In the case of PLC, shareholders can overrule nominations with resolutions passed at General Meetings to alter the nomination rights attached to the Deferred Shares and to alter the Articles of Association. The former resolution would require a two-thirds majority of those voting, so long as that majority comprises not less than half of the issued PLC shares. The latter resolution would require a three-quarters majority of those voting.

Board meetings

Our Boards meet at least seven times a year to consider important corporate events and actions, such as:

- approval of corporate strategy;
- approval of the corporate Annual Plan;
- review of risks and controls;
- authorisation of major transactions;
- review of the functioning of the Boards and their Committees;
- preparation of the Annual Report and Accounts;
- declaration of dividends;
- agreement of quarterly results announcements;
- convening of shareholders' meetings;
- nominations for Board appointments; and
- approval of Board remuneration policy.

In 2005 the Boards of NV and PLC met ten times. All our Executive Directors attended all meetings. All the Non-Executive Directors attended all meetings, except for Hilmar Kopper and David Simon who each missed one meeting and Jeroen van der Veer and Oscar Fanjul who each missed two meetings.

Board meetings are held either in London or Rotterdam and chaired by the Chairman. The Chairman is assisted by the Joint Secretaries, who ensure the Boards are supplied with all the information necessary for their deliberations. The Chairman and the Joint Secretaries involve the Senior Independent Director (see page 38) in the arrangements for Board Meetings.

Board induction and training

Upon election, Directors receive a comprehensive Directors' Manual and are briefed thoroughly on their responsibilities. Updates on corporate governance developments and investor relations matters are frequent items at Board meetings. They receive presentations, either as Directors of the Boards or as a member of a Board Committee, on relevant aspects of the Unilever business. In addition, during 2005 the Boards received two separate teach-ins, one on the new market abuse regime in the Netherlands and the UK and the other on Directors' indemnification (see page 40) and Directors' and Officers' insurance cover.

Board evaluation

The terms of reference of each Board Committee provide that the Committees conduct an annual self-assessment of their performance, which includes taking the views of the Boards on the performance of the Committee. The Chairman of the Committee reports to the Boards on the results of the process.

2005 was the first year of our new Boards' operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations.

Board support

The Joint Secretaries are available to advise all Directors and ensure that Board procedures are complied with. They are appointed and can be removed by the Boards.

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

Board changes

The current Directors, with their biographies, are shown on page 49. All the Executive Directors held office throughout the year, with the exception of Ralph Kugler, who was elected as a Director at the 2005 AGMs.

Antony Burgmans took up the role of Non-Executive Chairman of NV and PLC at the 2005 AGMs and Patrick Cescau became Group Chief Executive in April 2005.

Corporate governance (continued)

Leon Brittan, Lynda Chalker, Bertrand Collomb, Wim Dik, Oscar Fanjul, Hilmar Kopper, David Simon and Jeroen van der Veer were nominated for re-election as Non-Executive Directors of NV and PLC at the 2005 AGMs. Their biographies are set out on page 49.

In 2005, Bertrand Collomb, our Senior Independent Director, became Vice-Chairman of NV and PLC, Wim Dik joined the Audit Committee, and Antony Burgmans joined the External Affairs and Corporate Relations Committee.

At the 2005 AGMs, Clive Butler, Keki Dadiseth and André van Heemstra retired as Executive Directors and Claudio Gonzalez retired as Non-Executive Director.

At the 2006 AGMs, all of the Executive Directors and the Non-Executive Directors, with the exception of Bertrand Collomb, Oscar Fanjul and Hilmar Kopper, will be nominated for re-election.

Bertrand Collomb, Oscar Fanjul and Hilmar Kopper will retire as Non-Executive Directors at the 2006 AGMs and their colleagues wish to thank them for their advice during the period of their appointments.

In addition at the 2006 AGMs, Charles Golden, Executive Vice-President and CFO of Eli Lilly and Company, Byron Grote, CFO of BP p.l.c., Jean-Cyril Spinetta, Chairman/CEO of Air France-KLM S.A., and Kornelis (Kees) Storm, former Chairman of the Executive Board of AEGON N.V. will be nominated as Non-Executive Directors. Biographical details for the new Non-Executive Directors are contained in the 2006 AGM Notice's of Meeting, and on our website at www.unilever.com/ourcompany/investorcentre.

Chairman and Group Chief Executive

Since the 2005 AGMs Unilever has had a separate Non-Executive Chairman and Group Chief Executive. There is a clear division of responsibilities between their roles. The Chairman is primarily responsible for leadership of the Boards, ensuring their effectiveness and setting their agendas. He is also responsible for ensuring that the Boards receive accurate, timely and clear information.

The Group Chief Executive has been entrusted, within the parameters set out in the Articles of Association of NV and PLC and The Governance of Unilever, with all the Boards' powers, authorities and discretions in relation to the operational management of Unilever. The Group Chief Executive has the authority to determine which duties regarding the operational management of the companies and their business enterprises will be carried out under his responsibility by one or more Executive Directors or by one or more other persons. This provides a basis to the Unilever Executive team (UEX) that reports to the Group Chief Executive. For UEX members' biographies see page 50. For our business structure, please refer to 'About Unilever' on page 10.

Executive Directors

All four Executive Directors are members of the UEX: the Group Chief Executive, the Chief Financial Officer, the President Europe and the President Home and personal care. Details on their responsibilities can be found in The Governance of Unilever at www.unilever.com/investorcentre/corpgovernance.

The Executive Directors are full-time employees of Unilever. Information about their remuneration can be found in the report of the Remuneration Committee and on our website at www.unilever.com/investorcentre/corpgovernance.

The current Executive Directors are long-serving Unilever executives who can reasonably expect, subject to satisfactory performance, to be employed by Unilever until retirement. The Remuneration Committee takes the view that the entitlement of the Executive Directors to the security of twelve months' notice of termination of employment is in line both with the practice of many comparable companies and the entitlement of other senior executives within Unilever.

The Remuneration Committee's aim is always to deal fairly with cases of termination while taking a robust line in minimising any compensation.

The Executive Directors submit themselves for re-election at the AGMs each year. The Nomination Committee carefully considers each nomination for reappointment.

The Directors stop holding executive office on ceasing to be Directors. Those appointed prior to 2004 retire at the latest by the age of 62. Appointees from 2004 onwards retire at an age between 60 and 65, as decided by either them or Unilever.

At the AGMs of 2001 our shareholders adopted the remuneration policy for Executive Directors. Further changes were made at the AGMs in 2005. We do not grant our Executive Directors any personal loans and guarantees.

There are no family relationships between any of our Executive Directors, other key management personnel or Non-Executive Directors. None of our Executive Directors are elected or appointed under any arrangement or understanding.

Executive Directors are to obtain approval from the Chairman for all outside Board appointments. Normally not more than one such appointment should be accepted. For Executive Directors' biographies see page 49.

Non-Executive Directors

The Non-Executive Directors share responsibility for the execution of the Board's duties, taking into account their specific responsibilities, which are essentially supervisory. In particular, they comprise the principal external presence in the governance of Unilever, and provide a strong independent element. See page 49 for their biographies.

Corporate governance (continued)

Role and Responsibility

The key elements of the role and responsibilities of our Non-Executive Directors are:

- supervision of and advice to the Group Chief Executive;
- developing strategy with the Group Chief Executive;
- scrutiny of performance;
- controls;
- reporting of performance;
- remuneration of and succession planning for Executive Directors; and
- governance and compliance.

Our Non-Executive Directors are chosen for their broad and relevant experience and international outlook, as well as their independence. They form the Audit Committee, the Nomination Committee, the Remuneration Committee and the External Affairs and Corporate Relations Committee. The roles and membership of these key Board committees are described on page 39. The profile set by the Boards for the Non-Executive Directors and the chart used for orderly succession planning can be seen on our website at www.unilever.com/investorcentre/corpgovernance.

Meetings

The Non-Executive Directors meet regularly as a group, without the Executive Directors present, under the chairmanship of the Senior Independent Director. In 2005 they met three times as a group. In addition, the Non-Executive Directors usually meet before each Board meeting with the Chairman, the Group Chief Executive and the Joint Secretaries.

Senior Independent Director

Our Non-Executive Directors have appointed Bertrand Collomb as Senior Independent Director. He acts as their spokesman. The Senior Independent Director is consulted by the Chairman on the agenda and arrangements for Board Meetings. He is also, in appropriate cases, a point of contact for shareholders and other stakeholders. In 2005 Bertrand Collomb was appointed Vice-Chairman of NV and PLC. Mr Collomb will be retiring at the AGMs in 2006.

Tenure

Our Non-Executive Directors submit themselves for re-election each year. Their nomination for re-election is subject to continued good performance which is evaluated by the Boards, based on the recommendations of the Nomination Committee. The Nomination Committee carefully considers each nomination for reappointment. The Non-Executive Directors normally serve for a maximum of nine years.

Remuneration

The remuneration of the Non-Executive Directors is determined by the Boards, within the overall limit set by the shareholders at the AGMs in 2004, and it is reported on page 68. Details of the engagement of our Non-Executive Directors can be seen on the Unilever website at www.unilever.com/investorcentre/corpgovernance.

Independence

Taking into account the role of Non-Executive Directors, which is essentially supervisory, and the fact that they make up the key committees of the Board, it is important that our Non-Executive Directors can be considered to be independent.

Our definition of 'independence' for Directors is set out in The Governance of Unilever. It is derived from the applicable definitions in use in the Netherlands, UK and US. Our current Non-Executive Directors are considered to be independent of Unilever, with the exception of Antony Burgmans. Our Boards reached this conclusion after conducting a thorough review of all relevant relationships of the Non-Executive Directors, and their related or connected persons.

A number of relationships, such as non-executive directorships, exist between several of our Non-Executive Directors and companies that provide banking, insurance or financial advisory services to Unilever. Our Boards considered in each case the number of other companies that also provide or could readily provide such services to Unilever, the significance to those companies of the services they provide to Unilever, the roles of the Non-Executive Directors within those companies and the significance of that role to our Non-Executive Directors. It concluded that none of these relationships threaten the independence of the Non-Executive Directors concerned.

For example, the Boards have satisfied themselves that Leon Brittan's position at UBS Investment Bank does not involve him in any way in its broking relationship with Unilever. They have noted that Lynda Chalker's involvement in consultancy services for Unilever had been terminated before she was elected a Non-Executive Director in May 2004. The Boards have formed the view that the fact that Antony Burgmans is a member of the Supervisory Board of ABN AMRO, and David Simon is Senior Advisor of Morgan Stanley Dean Witter, was not material. The Board considers that the Chairmanship of Bertrand Collomb and the Non-Executive Directorship of Oscar Fanjul, and Lynda Chalker's membership of the International Advisory Board, of Lafarge, do not affect their status as independent in relation to their Non-Executive Directorships of Unilever.

Antony Burgmans, who before May 2005 was an Executive Director, is not considered to be independent. The Nomination Committee and the Boards nominated him for election as a Non-Executive Director in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Boards considered his knowledge of the business to be essential to see through the changes resulting from the structure review. We expect Antony Burgmans to be succeeded by an independent Chairman in 2007.

None of our Non-Executive Directors are elected or appointed under any arrangement or understanding.

Corporate governance

(continued)

Board committees

The Boards have established the following committees, all formally set up by Board resolution with carefully defined remits. They are comprised of Non-Executive Directors and report regularly to the Boards. The remits can be found on our website at www.unilever.com/investorcentre/corpgovernance.

Audit Committee

The Audit Committee comprises a minimum of three independent Non-Executive Directors. It is chaired by Hilmar Kopper, and its other members are Oscar Fanjul and Wim Dik, who replaced Claudio Gonzalez at the AGMs in 2005. The Committee met five times in 2005, and the members attended all meetings. Hilmar Kopper and Oscar Fanjul will retire at the AGMs in 2006. The Boards have satisfied themselves that all the current and intended members of the Committee are competent in financial matters and have recent and relevant experience and that, for the purposes of the US Sarbanes-Oxley Act of 2002, Hilmar Kopper is the Audit Committee's financial expert. The Committee's meetings are attended, by invitation, by the Chief Financial Officer, the General Counsel, the Deputy Chief Financial Officer, the Chief Auditor and our external auditors.

The Audit Committee assists the Boards in fulfilling their oversight responsibilities in respect of the integrity of Unilever's financial statements; risk management and internal control arrangements; compliance with legal and regulatory requirements; the performance, qualifications and independence of the external auditors; and the performance of the internal audit function. The Committee is directly responsible, subject to local laws regarding shareholder approval, for the nomination, compensation and oversight of the external auditors.

The Audit Committee is fully compliant with the rules regarding audit committees that are applicable in the Netherlands, UK and US. The Committee's responsibilities and powers are fully aligned with all requirements in the UK, US and the Netherlands.

The Audit Committee is supplied with all information necessary for the performance of its duties by the Chief Auditor, Chief Financial Officer, and Deputy Chief Financial Officer. Both the Chief Auditor and the external auditors have direct access to the Audit Committee separately from management.

See page 70 for the Report of the Audit Committee to the shareholders.

Nomination Committee

Our Nomination Committee comprises a minimum of three independent Non-Executive Directors. It is chaired by Bertrand Collomb and its other members are David Simon, Jeroen van der Veer and Antony Burgmans. It met six times in 2005 and the members attended all meetings except that Jeroen van der Veer was absent for one meeting. The Committee recommends to the Boards candidates for the positions of Director. It also has

responsibilities for succession planning and oversight of corporate governance matters. It is supplied with information by the Joint Secretaries.

See page 52 for the Report of the Nomination Committee to the shareholders

Remuneration Committee

Our Remuneration Committee comprises three independent Non-Executive Directors. It is chaired by Bertrand Collomb and its other members are David Simon and Jeroen van der Veer. It met six times in 2005 and the members attended all meetings except that David Simon and Jeroen van der Veer were absent for one meeting.

The Committee reviews Directors' remuneration and is responsible for the executive share-based incentive plans. It determines, within the parameters set by our shareholders, specific remuneration arrangements for each of the Executive Directors, the remuneration scales and arrangements for Non-Executive Directors and the remuneration of the tier of management directly below the Board. The Committee is supplied with information by Jan van der Bijl, Joint Secretary of Unilever.

The detailed report to shareholders on Directors' remuneration is on pages 53 to 69.

External Affairs and Corporate Relations Committee

The External Affairs and Corporate Relations Committee currently comprises four Non-Executive Directors. It is chaired by Lynda Chalker and its other members are Leon Brittan, Wim Dik and Antony Burgmans. The Committee oversees our Code of Business Principles, which sets out the standards of behaviour we require from all of our employees. It also advises on external matters of relevance to the business, including issues of corporate social responsibility, and reviews our corporate relations strategy.

Routine business committees

Committees are also set up to conduct routine business as and when they are necessary. They comprise any two of the Directors and certain senior executives and officers. They administer certain matters previously agreed by our Boards or the UEx. The Joint Secretaries are responsible for the operation of these committees.

Disclosures Committee

The Board has set up a Disclosures Committee which is responsible for helping the Boards ensure that financial and other information that ought to be disclosed publicly is disclosed in a timely manner and that the information that is disclosed is complete and accurate. The Committee comprises the Deputy Chief Financial Officer, the Joint Secretaries and the Group Treasurer.

Corporate governance (continued)

Directors – Various formal matters

The borrowing powers of NV Directors on behalf of NV are not limited by the Articles of Association of NV. PLC Directors have the power to borrow on behalf of PLC up to three times the adjusted capital and reserves of PLC, as defined in its Articles of Association, without the approval of shareholders by ordinary resolution.

The Articles of Association of NV and PLC do not require Directors of NV or Directors of PLC to hold shares in NV or PLC. However, the remuneration arrangements applicable to our Executive Directors require our Executive Directors to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay.

Directors – Indemnification

Directors' indemnification, including the terms thereof, is provided for in article 19 of NV's Articles of Association.

The power to indemnify directors is provided for in PLC's Articles of Association. Deeds of indemnity were issued to all PLC Directors during 2005.

Appropriate Directors' and Officers' liability insurance is in place for all Unilever Directors.

Directors – Conflicts of interest

We attach special importance to avoiding conflicts of interest between NV and PLC and their Directors. In the case of a conflict of interest between NV and PLC and any of our Directors, all applicable laws, regulations and corporate governance codes are complied with. Conflicts of interest are not understood to include transactions and other activities involving companies in the Unilever Group.

Directors are not permitted to take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the company. All transactions in which there are conflicts of interest with Directors must be agreed on terms that are customary in the sector concerned.

As a formal matter, under Dutch law Directors are able to vote on transactions in which they are materially interested so long as they are acting in good faith. In general, PLC Directors cannot vote in respect of contracts in which they know they are materially interested, unless, for example, their interest is shared with other shareholders and employees. In 2005 no conflict of interests transactions took place between the Directors and NV and PLC.

Shareholder matters

Relations with shareholders and other investors

We believe it is important both to explain our business developments and financial results to investors and to understand their objectives.

The Chief Financial Officer has lead responsibility for investor relations, with the active involvement of the Group Chief Executive. They are supported by our Investor Relations department which organises presentations for analysts and investors. Such presentations are generally made available on our website. Briefings on quarterly results are given via teleconference and are accessible by telephone or via our website. For further information visit our website at www.unilever.com/investorcentre.

The Boards are regularly briefed on reactions to the quarterly results announcements. They, or the relevant Board Committee, are briefed on any issues raised by shareholders that are relevant to their responsibilities.

Our shareholders can, and do, raise issues directly with the relevant Executive Director or the Chairman and, if appropriate, a relevant Non-Executive Director or the Senior Independent Director.

Both NV and PLC communicate with their respective shareholders through the AGMs as well as responding to their questions and enquiries during the course of the year. We take the views of our shareholders into account and, in accordance with all applicable legislation and regulations, may consult them in an appropriate way before putting major new proposals at our AGMs.

General Meetings of shareholders

The business to be conducted at the AGMs of NV and PLC is set out in the separate Notices of AGM for NV and PLC. It includes appointment of Directors, declaration/approval of final dividend, appointment of external auditors, approval of changes to the Articles of Association, and authorisation for the Boards to allot and repurchase shares, and to restrict pre-emptive rights of shareholders.

General Meetings of shareholders of NV and PLC are held at times and places decided by our Boards. NV meetings are held in Rotterdam and PLC meetings are held in London on consecutive days. The notices calling the meeting normally go out more than thirty days prior to the meetings and include further information on how to gain access to the AGMs and how to vote by proxy.

At the AGMs, a full account is given of the progress of the business over the last year and there is a review of current issues. Shareholders are encouraged to attend the meetings and ask questions, and the question-and-answer sessions form an important part of the meetings in both Rotterdam and London. We welcome our external auditors to the AGMs and they are entitled to address the meetings.

Corporate governance (continued)

We are committed to efforts to establish more effective ways of communication with our shareholders around the AGMs. Electronic communication is becoming an important medium for shareholders, providing ready access to shareholder information and reports, and for voting purposes.

NV was one of the founders of the Dutch Shareholders' Communication Channel. NV shareholders participating in the Dutch Shareholders' Communication Channel are able to appoint electronically a proxy to vote on their behalf at the NV AGM and NV shareholders who wish to participate should contact their bank or broker. Shareholders of PLC in the United Kingdom can choose to receive electronic notification that the Annual Review, Annual Report and Accounts and Notice of AGMs have been published on our website, instead of receiving printed copies, and can also electronically appoint a proxy to vote on their behalf at the AGM. Registration for electronic communication by shareholders of PLC can be made at www.unilever.com/shareholderservices.

Voting rights

To be entitled to attend and vote at NV General Meetings shareholders must hold their NV shares on the record date, which is set by the Directors and is not more than seven days before the meeting. Shareholders do not need to block their shares.

Shareholders can vote in person or by proxy, and can cast one vote for each €0.51 (Fl. 1.12) nominal amount of NV ordinary shares, NV preference shares or NV New York shares. Similar arrangements apply to holders of depositary receipts issued for NV shares (see pages 43 and 44).

PLC shareholders can cast one vote for each PLC ordinary 1.4p share they hold. Shareholders can vote in person at the meeting or by proxy. Proxies should be submitted to the Registrars, Computershare Investor Services PLC, whose details can be found on page 190, at least 48 hours before the AGM.

More information on the exercise of voting rights can be found in NV's and PLC's Articles of Association and in the respective notices of meetings.

Holders of NV New York shares or PLC American Depositary Receipts of shares will receive a proxy form enabling them to authorise and instruct ABN AMRO N.V. or Citibank N.A. respectively to vote on their behalf at the shareholders' meeting of NV or PLC.

N.V. Elma and United Holdings Limited (the holders of NV's special shares), other group companies of NV which hold ordinary or preference shares, and United Holdings Limited, which owns half of PLC's deferred stock, are not permitted to vote at General Meetings.

The proxy vote is published at the meetings and the outcome of the votes, including the proxy votes, is put on Unilever's website.

Shareholder proposed resolutions

Shareholders of NV may propose resolutions if they individually or together hold 1% of NV's issued capital in the form of shares or depositary receipts for shares, or if they individually or together hold shares or depositary receipts worth at least €50 million. They must submit these requests at least 60 days before the date of the General Meeting, and the request will be honoured unless, in the opinion of the Board, it is against a substantive interest of the Company. Shareholders who together represent at least 10% of the issued capital of NV can also requisition Extraordinary General Meetings to deal with specific resolutions.

Shareholders who together hold shares representing at least 5% of the total voting rights of PLC, or 100 shareholders who hold on average £100 each in nominal value of PLC capital, can require PLC to propose a resolution at a General Meeting. PLC shareholders holding in aggregate one tenth of the issued ordinary shares of PLC are able to convene a general meeting of PLC.

Required majorities

Resolutions are usually adopted at NV and PLC shareholder meetings by an absolute majority of votes cast, unless there are other requirements under the applicable laws or NV's or PLC's Articles of Association. For example, there are special requirements for resolutions relating to the alteration of the Articles of Association, the liquidation of NV or PLC and the alteration of the Equalisation Agreement (see below).

Right to hold shares

There are no limitations on the right to hold NV and PLC shares.

Equalisation Agreement

The Equalisation Agreement makes the position of the shareholders of NV and PLC, as far as possible, the same as if they held shares in a single company. The Agreement regulates the mutual rights of the shareholders of NV and PLC. Under the Equalisation Agreement, NV and PLC must adopt the same financial periods and accounting policies. Dividends are paid in accordance with a formula relating to the nominal values of NV's and PLC's issued share capital.

The Equalisation Agreement sets out the rights and benefits accruing to each unit of ownership in NV in relation to each unit of ownership in PLC. Under the Equalisation Agreement we compare the ordinary share capital of the two companies in units: a unit made up of €5.445 nominal of NV's ordinary capital carries the same weight as a unit made up of £1 nominal of PLC's ordinary capital. For every unit (€5.445) you have of NV you have the same rights and benefits as the owner of a unit (£1) of PLC. NV's ordinary shares currently each have a nominal value of €0.51, and PLC's share capital is divided into ordinary shares of 1.4p each. This means that a €5.445 unit of NV is made up of approximately 10.7 NV ordinary shares of €0.51 each and a £1 unit of PLC is made up of approximately 71.4 PLC ordinary shares of 1.4p each. Consequently, one NV ordinary share equates to about 6.67 ordinary shares of PLC.

Corporate governance (continued)

When we pay ordinary dividends we use this formula. On the same day, NV and PLC allocate funds for the dividend from their parts of our current profits and free reserves. We pay the same amount on each NV share as on 6.67 PLC shares calculated at the relevant exchange rate. For interim dividends this exchange rate is the average rate for the quarter before we declare the dividend. For final dividends it is the average rate for the year. In arriving at the equalised amount we include any tax payable by the Company in respect of the dividend, but calculate it before any tax deductible by the Company from the dividend.

The Equalisation Agreement provides that if one company had losses, or was unable to pay its preference dividends, the loss or shortfall would be made up out of:

- the current profits of the other company (after it has paid its own preference shareholders);
- then its own free reserves; and
- then the free reserves of the other company.

If either company could not pay its ordinary dividends, we would follow the same procedure, except that the current profits of the other company would only be used after it had paid its own ordinary shareholders and if the Directors thought this more appropriate than, for example, using its own free reserves.

So far, NV and PLC have always been able to pay their own dividends, so we have never had to follow this procedure. If we did, the payment from one company to the other would be subject to any United Kingdom and Netherlands tax and exchange control laws applicable at that time.

Under the Equalisation Agreement, the two companies are permitted to pay different dividends in the following exceptional circumstances:

- If the average annual sterling/euro exchange rate changed so substantially from one year to the next that to pay equal dividends at the current exchange rates, either NV or PLC would have to pay a dividend that was unreasonable (ie. substantially larger or smaller in its own currency than the dividend it paid in the previous year); or
- The governments of the Netherlands or the United Kingdom could in some circumstances place restrictions on the proportion of a company's profits which can be paid out as dividends. This could mean that in order to pay equal dividends one company would have to pay out an amount which would breach the limitations in place at the time, or that the other company would have to pay a smaller dividend.

In either of these rare cases, NV and PLC could pay different amounts of dividend if the Boards thought it appropriate. The company paying less than the equalised dividend would put the difference between the dividends into a reserve: an equalisation reserve in the case of exchange rate fluctuations, or a dividend reserve in the case of a government restriction. The reserves would be paid out to its shareholders when it became possible or reasonable to do so, which would ensure that the shareholders of both companies would ultimately be treated the same.

If both companies were to go into liquidation, NV and PLC would each use any funds available for shareholders to pay the prior claims of their own preference shareholders. Then they would use any surplus to pay each other's preference shareholders, if necessary. After these claims had been met, they would pay out any equalisation or dividend reserve to their own shareholders before pooling the remaining surplus. This would be distributed to the ordinary shareholders of both companies, once again on the basis that the owner of €5.445 nominal NV ordinary share capital would get the same as the owner of £1 nominal PLC ordinary share capital. If one company were to go into liquidation, we would apply the same principles as if both had gone into liquidation simultaneously.

In principle, issues of bonus shares and rights offerings can only be made in ordinary shares. Again we would ensure that shareholders of NV and PLC received shares in equal proportions, using the ratio of €5.445 NV nominal share capital to £1 PLC nominal share capital. The subscription price for one new NV share would have to be the same, at the prevailing exchange rate, as the price for 6.67 new PLC shares.

Neither company can issue or reduce capital without the consent of the other.

The Articles of Association of NV establish that any payment under the Equalisation Agreement will be credited or debited to the income statement for the financial year in question.

Under Article 2 of the Articles of Association of NV and Clause 3 of the Memorandum of Association of PLC, each company is required to carry out the Equalisation Agreement with the other. Both documents state that the Agreement cannot be changed or terminated without the approval of shareholders. For NV, the General Meeting can decide to alter or terminate the Equalisation Agreement at the proposal of the Board. The necessary approval of the General Meeting is then that at least one half of the total issued ordinary capital must be represented at an ordinary shareholders' meeting, where the majority must vote in favour; and (if they would be disadvantaged or the agreement is to be terminated), at least two-thirds of the total issued preference share capital must be represented at a preference shareholders' meeting, where at least three-quarters of them must vote in favour. For PLC, the necessary approval must be given by the holders of a majority of all issued shares voting at a General Meeting and the holders of the ordinary shares, either by three-quarters in writing, or by three-quarters voting at a General Meeting where the majority of the ordinary shares in issue are represented.

In addition, Article 3 of the PLC Articles of Association states that PLC's Board must carry out the Equalisation Agreement and that the other provisions of the Articles of Association are subject to it. We are advised by counsel that these provisions oblige our Boards to carry out the Equalisation Agreement, unless it is amended or terminated with the approval of the shareholders of both companies. If the Boards fail to enforce the Agreement, shareholders can compel them to do so under Netherlands and United Kingdom law.

Corporate governance (continued)

As mentioned on page 35, a proposal to amend the Equalisation Agreement will be put to shareholders at the 2006 AGMs. More information on this proposal can be found in the notices to these AGMs which can be found at www.unilever.com/investorcentre/agms.

Combined earnings per share

Because of the Equalisation Agreement and the other arrangements between NV and PLC, we calculate earnings per share on a combined basis. The calculation is based on the average amount of NV's and PLC's ordinary share capital in issue during the year. In the calculation, we apply the formula contained in the Equalisation Agreement to arrive at the appropriate total number of shares in issue for the combined business, expressed separately in terms of NV shares of €0.51 shares and PLC shares of 1.4p. The net profit attributable to ordinary shares is divided by each of these combined share numbers to arrive at an earnings per share figure expressed in terms of each of the two share types.

Further information about these calculations, and about the calculation of earnings per share on a diluted basis, can be found in note 8 on page 97.

Despite the Equalisation Agreement, NV and PLC are separate companies, and are subject to different laws and regulations governing dividend payments in the Netherlands and the United Kingdom. In our combined earnings per share calculation, we assume that both companies will be able to pay their dividends out of their part of our profits. This has always been the case in the past, but if we did have to make a payment from one to the other it could result in additional taxes, and reduce our combined earnings per share.

Share capital

NV's issued share capital on 31 December 2005 was made up of:

- €291 503 709 split into 571 575 900 ordinary shares of €0.51 each;
- €1 089 072 split into 2 400 ordinary shares numbered 1 to 2 400, known as special shares; and
- €120 280 425 split into several classes of cumulative preference shares.

PLC's issued share capital on 31 December 2005 was made up of:

- £40 760 420 split into 2 911 458 580 ordinary shares of 1.4p each; and
- £100 000 of deferred stock.

For NV share capital, the euro amounts quoted in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in NV's Articles of Association or in the Equalisation Agreement. Until conversion formally takes place by amendment of the Articles of Association, the entitlements to dividends and voting rights are based on the euro equivalent of the underlying Dutch guilder according to the official euro exchange rate.

As mentioned on page 35, proposals to simplify the relationship between the NV and PLC shares by establishing a one-to-one equivalence in their underlying economic value will be put to shareholders at the 2006 AGMs. More information on this proposal can be found in the notices to these AGMs and these can be found at www.unilever.com/investorcentre/agms.

Stichting Administratiekantoor Unilever N.V. (Foundation NV Trust Office)

N.V. Nederlandsch Administratie- en Trustkantoor (Nedamtrust), an independent trust company under the Netherlands law, had an agreement with NV to issue depositary receipts against NV shares. As part of its corporate objects Nedamtrust was able to:

- issue depositary receipts;
- carry out administration for the shares which underlie the depositary receipts it has issued; and
- exercise voting rights for these underlying shares.

The depositary receipts issued by Nedamtrust against NV shares were known as Nedamtrust certificates. They were traded and quoted on Euronext Amsterdam and other European stock exchanges. Nedamtrust had issued certificates for NV's ordinary and NV 7% cumulative preference shares, and almost all the NV shares traded and quoted in Europe were in the form of these certificates. The exception is that there are no certificates for NV's 4% and 6% cumulative preference shares.

In October 2005, Nedamtrust held a meeting of the holders of Nedamtrust certificates to approve the transfer of the administration of the underlying shares to a new trust office, Stichting Administratiekantoor Unilever N.V. (Foundation NV Trust Office). These proposals were made in order for the trust office to be fully compliant with the Dutch Corporate Governance Code. The holders of the Nedamtrust certificates approved the transfer of the administration of the NV shares held by Nedamtrust to the new Foundation NV Trust Office with a majority of 99.6% of the votes cast; approximately 23% of all outstanding Nedamtrust certificates were represented. The meeting furthermore expressed its confidence in the board of the Foundation.

The Foundation NV Trust Office was incorporated on 31 October 2005. The transfer of the administration of the NV shares from Nedamtrust to the Foundation took place on 13 January 2006. The Foundation NV Trust Office and its arrangements are fully compliant with the Dutch Corporate Governance Code.

The text that follows describes the arrangements of the new Foundation NV Trust Office following acceptance by the certificate holders of the transfer of the administration of the underlying NV shares.

Depository receipts for shares

As at 28 February 2006, the majority (around 71%) of NV's ordinary shares and around 34% of NV's 7% cumulative preference shares are held by the Foundation NV Trust Office. As part of its corporate objects, the Foundation issues depository receipts in exchange for these shares. The depository receipts of NV ordinary shares are listed on Euronext Amsterdam, as are the NV ordinary shares themselves, and on the stock exchanges in Frankfurt and Zürich. The depository receipts for the NV 7% preference shares are listed on Euronext Amsterdam, as are the NV 7% preference shares.

Holders of depository receipts can under all circumstances exchange their depository receipts for the underlying shares (or vice versa).

Holders of depository receipts are entitled to dividends that are paid on the underlying shares held by the Foundation.

Voting by holders of depository receipts

Although the depository receipts themselves do not formally have voting rights, holders of depository receipts are in practice equated with shareholders. Holders of depository receipts can attend NV's General Meetings, either personally or by proxy, and will then automatically, without limitation and under all circumstances receive a voting proxy on behalf of the Foundation NV Trust Office to vote on the underlying shares.

Holders of depository receipts not attending a shareholders' meeting and who participate in the Dutch Shareholders' Communication Channel can also issue binding voting instructions to the Foundation. The Foundation is obliged to follow these instructions. The same applies to holders of depository receipts that instruct the Foundation NV Trust Office outside the Shareholders Communication Channel.

Voting by the Foundation NV Trust Office

Shares for which the Foundation NV Trust Office has not granted voting proxies or for which it has not received voting instructions, are voted on by the Foundation in such a way as it deems to be in the interests of the holders of the depository receipts. This voting policy is laid down in the Conditions of Administration that apply to the depository receipts. Both the Articles of Association and the Conditions of Administration can be found on www.unilever.com/ourcompany/investorcentre. Specific provisions apply in the event that a meeting of holders of NV preference shares is convened.

If a change to shareholders' rights is proposed, Foundation NV Trust Office will let shareholders know if it intends to vote, at least 14 days in advance if possible. It will do this by advertising in the press.

Hitherto the majority of votes cast by ordinary shareholders at NV meetings have been cast by the trust office. Unilever and the Foundation NV Trust Office have a policy of actively encouraging holders of depository receipts to exercise their voting rights in NV meetings.

Foundation NV Trust Office's Board

The Foundation NV Trust Office is an independent trust office with a board independent from Unilever. The members of the board are Mr J H Schraven (Chairman), Mr P P de Koning, Prof Dr L Koopmans and Mr A A Olijslager.

The trust office shall report periodically, but at least once a year, on its activities.

Foundation NV Trust Office's shareholding

Foundation NV Trust Office's shareholding fluctuates daily – its holdings on 28 February 2006 were:

- NV ordinary shares of €0.51: 408 312 848 (71.44%)
- NV 7% cumulative preference shares of €453.78: 9 821 (33.87%)
- NV 6% cumulative preference shares of €453.78: 5 (0.00%)
- NV 4% cumulative preference shares of €45.38: 23 (0.00%)

Further information on Foundation NV Trust Office, its arrangements and its activities can be found on www.unilever.com/ourcompany/investorcentre.

Leverhulme Trust

The first Viscount Leverhulme was the founder of the company which became PLC. When he died in 1925, he left in his will a large number of PLC shares in various trusts.

When the will trusts were varied in 1983, the interests of the beneficiaries of his will were also preserved. Four classes of special shares were created in Margarine Union (1930) Limited, a subsidiary of PLC. One of these classes can be converted at the end of the year 2038 into 157 500 000 PLC ordinary shares of 1.4p each. These convertible shares replicate the rights which the descendants of the first Viscount would have had under his will. This class of the special shares only has a right to dividends in specified circumstances, and no dividends have yet been paid. PLC guarantees the dividend and conversion rights of the special shares.

The first Viscount wanted the trustees of the trusts he established to be Directors of PLC. On 28 February 2006 the trustees of the charitable trusts were:

- Sir Michael Angus – former Chairman
- Sir Michael Perry – former Chairman
- Mr N W A FitzGerald – former Chairman
- Dr J I W Anderson – former Director
- Dr A S Ganguly – former Director

On 28 February 2006, in their capacity as trustees of the two charitable trusts, they held approximately 5% of PLC's issued ordinary capital.

Corporate governance (continued)

Requirements and compliance – general

Unilever is subject to corporate governance requirements in the Netherlands, the UK and the US as a Foreign private issuer. In the following section we set out areas of non-compliance with the corporate governance regulations and best practice codes applicable in the Netherlands, the UK and we also describe compliance with corporate governance regulations in the US.

The preceding description of our governance arrangements and the text on compliance that follows reflect Unilever's governance arrangements following the changes adopted at the Shareholder Meetings in May 2005. They also reflect our Boards' intentions for 2006 and 2007. The Boards reserve the right, in cases where they decide such to be conducive to the interests of the companies and the enterprise connected therewith, to depart from that which is set out in the present and previous sections in relation to our corporate governance. Further changes will be reported in future Annual Reports and Accounts and, when necessary, through changes to the relevant documents published on our website. As appropriate, proposals for change will be put to our shareholders for approval.

Further information can be found in The Governance of Unilever, the Boards' own constitutional document, on our website at www.unilever.com/investorcentre/corpgovernance. This describes the terms of reference of our Board Committees, including their full responsibilities. It will be kept up to date with changes in our internal constitutional arrangements that our Boards may make from time to time.

Requirements – the Netherlands

General

NV is required to state in its Annual Report and Accounts whether it complies or will comply with the Principles ('P') and best practice provisions ('bpp') of the Dutch Corporate Governance Code ('the Dutch Code') and, if it does not comply, to explain the reasons for this. As will be clear from the preceding description of our governance arrangements, NV complies with almost all of the principles and best practice provisions of the Dutch Code. The text that follows sets out areas of non-compliance and certain statements that the Dutch Code invites us to give our shareholders that are not included elsewhere in this Annual Report and Accounts.

Board and Committee structures

As already indicated, NV has a one-tier board, consisting of both Executive and, as a majority, Non-Executive Directors. We achieve compliance of our board arrangements with the Dutch Code, which is for the most part based on the customary two-tier structure in the Netherlands, by, as far as is possible and practicable, applying the provisions of the Dutch Code relating to members of a management board to our Executive Directors and the provisions relating to members of a supervisory board to our Non-Executive Directors. Management tasks not capable of delegation are performed collectively by the Board. Reference is made to Ps II and III and corresponding bpps. Our compliance with the Dutch Code in these respects should be seen in the light of our one-tier board structure. Reference is also made to the UK Combined Code on Corporate Governance, which is fully tailored to the one-tier board model (see page 35).

Board evaluation, and Chairman and individual Director appraisals

2005 was the first year of our new Boards' operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations (bpp III.1.7).

Role of the Chairman

The Dutch Code recommends that in a one-tier board the chairman should neither be, nor have been, responsible for the day-to-day conduct of the business (bpp III.8.1). Before his appointment as Chairman, Antony Burgmans was jointly responsible for the daily operations of NV and PLC. Thus he is not independent from Unilever. He was nominated as Non-Executive Chairman in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Board considered his knowledge of the business to be essential to see through the changes resulting from the structure review. The Nomination Committee has commenced the search for a new independent Chairman to succeed Antony Burgmans who is due to retire in 2007. A well-reputed search firm has been commissioned by the Nomination Committee to assist them in this process. In addition to the Chairman, the Boards of NV and PLC have a Senior Independent Director who is appointed by the Non-Executive Directors and acts as their spokesperson. Our Senior Independent Director was elected Vice-Chairman by the Boards in 2005.

Nomination of Directors

The Dutch Code recommends that shareholders may resolve by an absolute majority of votes to cancel the binding nature of a nomination for the appointment of a director (bpp IV.1.1). In 2004, NV's shareholders approved an alteration of the Articles of Association to align the arrangements for NV and PLC. This makes it possible for the meeting of shareholders to cancel binding nominations by a majority of two-thirds of the votes cast representing more than one-half of the issued capital. This arrangement is in place in order for NV and PLC to have a unified Board (see page 35). The interests of our shareholders are protected because all the Directors submit themselves for election every year and shareholders can remove any of them by a simple majority vote. Thus, as a practical matter, the Boards cannot perpetuate themselves contrary to the will of the shareholders.

Corporate governance (continued)

Following the review of our corporate structure in 2005, proposals will be put to the NV and PLC AGMs in May 2006 to substantially alter these arrangements and bring them fully in line with the Dutch Code (see page 35).

Risk management and control

Reference is made to page 74 where Unilever's control framework is described. This incorporates risk management, internal control procedures and disclosure controls and procedures. Our procedures cover financial, operational, social, and environmental risks and regulatory matters. They are in line with the recommendations of 'Internal Control – Guidance for Directors on the Combined Code' published by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales in September 1999 ('The Turnbull Guidance'). On pages 31 and 32 we have identified certain specific risks that are areas of focus in 2006. Our internal risk management and control systems cannot provide certainty as to the realisation of all business objectives and they can not always prevent misstatements, inaccuracies, errors, frauds and non compliances with rules and regulations.

The Board considers that the internal risk management and control systems are appropriate for our business and in compliance with bpp II.1.3.

In bpp II.1.4 the Dutch Code invites our Board to make a statement on our internal risk management and control systems. In its report, published on 20 December 2005, the Corporate Governance Code Monitoring Committee has made recommendations concerning the application of this best practice provision. In accordance with its recommendation and in light of the above, the Board believes that, as regards financial reporting risks:

- the risk management and control systems provide reasonable assurance that this Annual Report does not contain any material inaccuracies;
- the risk management and control systems have worked properly in 2005;
- there are no indications that the risk management and control systems will not work properly in 2006;
- no material weaknesses in the risk management and control systems were discovered in the year under review or the current year until the signing of these accounts;

and, as regards operational, strategic, legislative and regulatory risks:

- no important failings in the risk management and control systems were discovered in the year under review.

This statement is not a statement in accordance with the requirements of Section 404 of the US Sarbanes Oxley Act.

Share options

In line with bpp II.2.2, the awards and grants of shares and options to our Directors are in the material cases subject to performance criteria, as referred to on page 55 and 56 of the Report of the Remuneration Committee. The exception is the options over 50 NV shares granted each year to our Executive Directors under the all employee share option plan in the Netherlands, as described on pages 132 and 133. The Directors' participation in this plan is seen as a stimulus for all employees to participate. All other awards to our Directors under share based incentive schemes are subject to performance criteria.

Retention period of shares

The Dutch Code recommends that shares granted to executive directors without a financial consideration must be retained for a period of at least five years (bpp II.2.3). In 2001 we introduced a new remuneration policy with shareholder approval which requires our Executive Directors to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay. We believe that this is in line with the spirit of the Dutch Code.

Severance pay

It is our policy to set the level of severance payments for Directors to no more than one year's salary, unless the Board, at the proposal of the Remuneration Committee, finds this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law (bpp II.2.7).

During 2005, Clive Butler, Keki Dadiseth and André van Heemstra ceased to be Directors. For their severance arrangements see page 60.

Regulations for transactions in securities in other companies

The Dutch Code recommends in bpp II.2.6 and bpp III.7.3 that a director shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in other Dutch listed companies to the compliance officer. Our Share Dealing Code provides that Directors are required, upon request, to disclose to the compliance officer their holdings and transactions in securities in other listed companies. We believe this requirement constitutes an appropriate arrangement.

Conflicts of interest

In the event of a (potential) conflict of interest, the provisions of the Dutch Code (P II.3 and III.6) are applied. Conflicts of interest are not understood to include transactions and other activities involving other companies in the Unilever Group.

Financing preference shares

NV issued 4%, 6% and 7% cumulative preference shares between 1930 and 1970. Their voting rights are based on their nominal value, as prescribed by Dutch law. The Dutch Code recommends that the voting rights on financing preference shares should, in any event when they are newly issued, be based on their economic value rather than on their nominal value (bpp IV.1.2). NV cannot reduce these voting rights unilaterally.

Corporate governance (continued)

Anti-takeover constructions and control over the company

With reference to bpp IV.3.9, NV has no anti-takeover constructions, in the sense of constructions that are intended solely, or primarily, to block future hostile public offers for its shares. Nor does it have any constructions whose specific purpose is to prevent a bidder, after acquiring 75% of the capital, from appointing or dismissing members of the Board and subsequently altering the Articles of Association. The acquisition through a public offer of a majority of the shares in a company does not under Dutch law preclude in all circumstances the continued right of the board of the company to exercise its powers.

Meetings of analysts and presentations to investors

We have extensive procedures for handling relations with and communicating with shareholders, investors, analysts and the media (see description on page 40). Whilst the important presentations and meetings are conducted in accordance with bpp IV.3.1, due to the large number of such presentations and meetings and overlap in information, some of the less important ones are not announced in advance, made accessible to everyone or put on our website.

Provision of information

We consider it important to comply with all applicable statutory regulations on the equal treatment of shareholders and provision of information and communication with shareholders and other parties (P IV.2 and P IV.3). In the communications between us and our shareholders and other parties, we comply with all applicable legislation and regulations.

Requirements – the United Kingdom

PLC is required, as a company that is incorporated in the United Kingdom and listed on the London Stock Exchange, to state how it has applied the principles and how far it has complied with the provisions set out in Section 1 of the Combined Code issued in 1998, as revised in 2003 ('the Combined Code'), appended to the United Kingdom Listing Rules.

In the preceding pages we have complied with the requirement to report on how we apply the Principles and the provisions in the Combined Code.

2005 was the first year of our new Boards' operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations.

Antony Burgmans, who before May 2005 was an Executive Director, is not considered to be independent. The Nomination Committee and the Boards nominated him for election as a Non-Executive Director in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Board considered his knowledge of the business to be essential to see through the changes resulting from the structure review.

The Board considers that the Chairmanship of Bertrand Collomb and the Non-Executive Directorship of Oscar Fanjul, and Lynda Chalker's membership of the International Advisory Board, of Lafarge, do not affect their status as independent in relation to their Non-Executive Directorships of Unilever.

Due to the requirement for Unilever to hold two AGMs for its respective companies on consecutive days, it may not always be possible for all Directors and possibly the Chairmen of the Audit, Remuneration and Nomination Committees to be present at both meetings. The Chairman therefore ensures that a majority of Directors attend both meetings and that at least one member of each Committee attends each AGM.

Requirements – the United States

Both NV and PLC are listed on the New York Stock Exchange and must therefore comply with such of the requirements of US legislation, such as the Sarbanes-Oxley Act of 2002, regulations enacted under US securities laws and the Listing Standards of The New York Stock Exchange as are applicable to foreign private issuers. In some cases the requirements are mandatory and in other cases the obligation is to 'comply or explain'.

We have complied with the requirements concerning corporate governance that were in force during 2005. Attention is drawn in particular to the remit of the Audit Committee on page 39 and the Report of the Audit Committee on page 70.

Actions already taken to ensure compliance that are not specifically disclosed elsewhere or otherwise clear from reading this document include:

- the issuance of a Code of Ethics for senior financial officers;
- the issuance of instructions restricting the employment of former employees of the audit firm; and
- the establishment of a policy on reporting requirements under the SEC relating to the standards of professional conduct for US attorneys.

In each of these cases, existing practices were revised and/or documented in such a way as to conform to the new requirements.

Corporate governance

(continued)

The Code of Ethics applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the US Securities and Exchange Commission (SEC), and a copy has been posted on our website at

www.unilever.com/investorcentre/corpgovernance. The Code of Ethics comprises an extract of the relevant provisions of Unilever's Code of Business Principles and the more detailed rules of conduct that implement it. The only amendment to these pre-existing provisions and rules that was made in preparing the Code of Ethics was made at the request of the Audit Committee and consisted of a strengthening of the explicit requirement to keep proper accounting records. No waiver from any provision of the Code of Ethics was granted to any of the persons falling within the scope of the SEC requirement in 2005.

We are required by US securities laws and the Listing Standards of the New York Stock Exchange, with effect from 1 August 2005, to have an Audit Committee that satisfies Rule 10A-3 under the Exchange Act and the Listing Standards of the New York Stock Exchange. We are fully compliant with these requirements. We are also required to disclose any significant ways in which our corporate governance practices differ from those typically followed by US listed companies. In addition to the information we have given you in this document about our corporate governance arrangements, further details are provided in The Governance of Unilever, which is on our website at www.unilever.com/investorcentre/corpgovernance.

We are fully compliant with the Listing Standards of the New York Stock Exchange applicable to foreign issuers. Our corporate governance practices do not significantly differ from those followed by US companies listed on the New York Stock Exchange. However, the New York Stock Exchange listing standards for US issuers require that all members of the Nomination Committee must (but not foreign issuers such as Unilever) be independent. Our Chairman is not independent and he is a member of the Nomination Committee.

The changes we have made in 2005, in particular with the appointment of a Group Chief Executive on the Board and the creation of a Unilever Executive that is immediately below Board level, have brought our arrangements closer to those of a typical model for US issuers, where the most senior executives draw their authority primarily from their corporate office rather than their appointment, if any, as a director. However, the situation remains that the laws in the Netherlands and the UK only give limited recognition to the existence of any corporate officer other than that of a Director.

We would also confirm that it is our practice, in accordance with our home country laws and practices, to give our shareholders the opportunity to vote on equity compensation plans.

Corporate governance

Biographical details

Executive Directors

Patrick Cescau Group Chief Executive

Nationality: French. Aged 57. Group Chief Executive since April 2005. Joined Unilever 1973. Appointed Director 4 May 1999. Previous posts include: Chairman, Unilever PLC and Vice-Chairman, Unilever N.V. 2004-2005. Foods Director 2001. Financial Director 1999. Contoller and Deputy Financial Director 1998-1999. President, Lipton USA 1997-1998. President and CEO, Van den Bergh Foods USA 1995-1997. Chairman, Indonesia 1991-1995. External appointments include: Non-Executive Director, Pearson plc and Conseiller du Commerce Extérieur de la France in the Netherlands.

Kees van der Graaf President Europe

Nationality: Dutch. Aged 55. President Europe since April 2005. Joined Unilever 1976. Appointed Director 12 May 2004. Previous posts include: Foods Director 2004, Business Group President, Ice Cream and Frozen Foods 2001. Executive Vice-President, Foods and Beverages Europe 1998. Senior Vice-President, Global Ice Cream category 1995. External appointments include: Board member, ECR (Efficient Consumer Response) and Member, IAB (International Advisory Board of the City of Rotterdam).

Ralph Kugler President Home and personal care

Nationality: British. Aged 50. President Home and personal care since 1 April 2005. Joined Unilever 1979. Appointed Director 11 May 2005. Previous posts include: President Home and Personal Care Europe 2001. Business Group President, Latin America 1999. Chairman, Unilever Thai Holdings 1995. Chairman, Unilever Malaysia 1992. External appointments include: Non-Executive Director, InterContinental Hotels Group PLC.

Rudy Markham Chief Financial Officer

Nationality: British. Aged 59. Chief Financial Officer since April 2005. Joined Unilever 1968. Appointed Director 6 May 1998. Previous posts include: Financial Director 2000. Strategy & Technology Director 1998. Business Group President, North East Asia 1996-1998. Chairman, Nippon Lever Japan 1992-1996. Chairman, Unilever Australasia 1989-1992. Group Treasurer 1986-1989. External appointments include: Non-Executive Director, Standard Chartered PLC, Member, EAN International Management Board.

Non-Executive Directors

Antony Burgmans^{1,2} Chairman

Nationality: Dutch. Aged 59. Appointed 2005. Joined Unilever 1972. Appointed Director 8 May 1991. Previous posts include: Chairman, Unilever N.V. and Vice-Chairman, Unilever PLC 1999-2005. Vice-Chairman, Unilever N.V. 1998. Business Group President, Ice Cream and Frozen Foods – Europe and Chairman, Unilever Europe Committee 1996-1998. Responsible for South European Foods business 1994-1996. Personal Products Co-ordinator 1991-1994. External appointments include: Member, Supervisory Board of ABN AMRO Holding N.V., Non-Executive Director, BP p.l.c. and Member, International Advisory Board of Allianz AG.

Bertrand Collomb^{4,5,6} Vice-Chairman

Nationality: French. Aged 63. Appointed 1994. Chairman, Lafarge S.A. Director, Total S.A. and Atco. Member, Advisory Board of Banque de France.

The Rt Hon The Lord Brittan of Spennithorne QC, DL²

Nationality: British. Aged 66. Appointed 2000. Vice-Chairman, UBS Investment Bank and Chairman, UBS Limited. Member, International Advisory Committee of Total. Member, European Commission and Vice-President 1989-1999. Member, UK Government 1979-1986. Home Secretary 1983-1985 and Secretary of State for Trade and Industry 1985-1986.

The Rt Hon The Baroness Chalker of Wallasey³

Nationality: British. Aged 63. Appointed 1998. Non-Executive Director, Freeplay Energy Group, Group 5 (Pty) Ltd. and Equator Energy Limited. Member, International Advisory Board of Lafarge S.A. and Merchant Bridge & Co Ltd. UK Minister of State at the Foreign and Commonwealth Office 1986-1997.

Professor Wim Dik^{2,7}

Nationality: Dutch. Aged 67. Appointed 2001. Professor at Delft University of Technology. Chairman, Supervisory Boards of Tele Atlas N.V. and N.V. Casema. Non-Executive Director, Aviva plc and LogicaCMG plc. Chairman and CEO, Koninklijke PTT Nederland (KPN) 1988-1998 and Koninklijke KPN N.V. (Royal Dutch Telecom) 1998-2000. Minister for Foreign Trade, Netherlands 1981-1982.

Oscar Fanjul⁷

Nationality: Spanish. Aged 56. Appointed 1996. Vice-Chairman, Omega Capital. Director, Marsh & McLennan Companies, the London Stock Exchange and Acerinox S.A. Non-Executive Director, Lafarge. Member, Advisory Board of Sviluppo Italia S.p.A. and Senior Advisor of the Carlyle Group. International Advisor to Goldman Sachs and Trustee of the International Accounting Standards Committee Foundation. Chairman and CEO, Repsol 1986-1996.

Hilmar Kopper⁸

Nationality: German. Aged 70. Appointed 1998. Chairman, Supervisory Board of DaimlerChrysler AG. Non-Executive Director, Xerox Corp. Chairman, German Advisory Board of Spencer Stuart. Member, Advisory Board of Sviluppo Italia S.p.A. Former CEO and former Chairman, Supervisory Board of Deutsche Bank AG.

The Lord Simon of Highbury CBE^{1,9}

Nationality: British. Aged 66. Appointed 2000. Non-Executive Director, Suez Group. Senior Advisor, Morgan Stanley International. UK Government Minister 1997-1999. Group Chief Executive, BP p.l.c. 1992-1995 and Chairman 1995-1997.

Jeroen van der Veer^{1,9}

Nationality: Dutch. Aged 58. Appointed 2002. Chief Executive Royal Dutch Shell plc. Former Member, Supervisory Board of De Nederlandsche Bank 2000-2004.

¹ Member Nomination Committee

² Member External Affairs and Corporate Relations Committee

³ Chairman External Affairs and Corporate Relations Committee

⁴ Chairman Nomination Committee

⁵ Chairman Remuneration Committee

⁶ Senior Independent Director

⁷ Member Audit Committee

⁸ Chairman Audit Committee

⁹ Member Remuneration Committee

Corporate governance

Biographical details (continued)

Unilever Executive (UEX)*

Patrick Cescau

Group Chief Executive

(see previous details on page 49)

Vindi Banga

President Foods

Nationality: Indian. Aged 51. Appointed President Foods April 2005. Joined Unilever 1977. Previous posts include: Business Group President Home and personal care Asia 2004 in addition to Non-Executive Chairman, Hindustan Lever 2004-2005. Chairman and Managing Director Hindustan Lever 2000-2004.

Kees van der Graaf

President Europe

(see previous details on page 49)

Ralph Kugler

President Home and personal care

(see previous details on page 49)

Harish Manwani

President Asia Africa

Nationality: Indian. Aged 52. Appointed President Asia Africa April 2005. Joined Unilever 1976. He is also Non-Executive Chairman, Hindustan Lever. Previous posts include: Business Group President, Home and Personal Care, North America 2004. Business Group President, Home and Personal Care, Latin America 2001 and Senior Vice President, Hair Care and Oral Care 2000.

Rudy Markham

Chief Financial Officer

(see previous details on page 49)

Sandy Ogg

Chief Human Resources Officer

Nationality: American. Aged 52. Appointed Chief HR Officer April 2005. Joined Unilever 2003. Previous posts include: SVP Human Resources, Foods 2003. Prior to joining Unilever he worked for Motorola in Change Management/Organisation Effectiveness to assist in the transformation of all Communications businesses.

John Rice

President The Americas

Nationality: American. Aged 54. Appointed President The Americas April 2005. Joined Unilever 1981. Previous posts include: Business Group President, Unilever Foods, North America 2002 and Unilever Bestfoods Latin America 2000.

* UEx members are treated as executive officers and senior management for US purposes and key management personnel for IFRS purposes. Although Unilever intends to offer service agreements to members of UEx, the agreements are still under negotiation with these individuals. All members of the UEx have existing agreements with varying terms, some of which are from their prior roles. All agreements include a notice period of twelve months. Details of the remuneration paid and share awards are shown in aggregate in note 33 on page 142.