UNILEVER N V
Form 20-F
March 11, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark one)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from __________ to __________

Commission file number 001-04547

UNILEVER N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

Weena 455, 3013 AL, Rotterdam, The Netherlands

(Address of principal executive offices)

R. Sotamaa, Chief Legal Officer and Group Secretary

Tel: +44(0)2078225252, Fax: +44(0)2078225464

100 Victoria Embankment, London EC4Y 0DY UK

(Name, telephone number, facsimile number and address of Company Contact)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
N.V. New York registry shares each representing one ordinary share of nominal amount of 0.16 each	New York Stock Exchange
4.8% Notes due 2019	New York Stock Exchange
2.2% Notes due 2019	New York Stock Exchange
2.1% Notes due 2020	New York Stock Exchange
1.8% Notes due 2020	New York Stock Exchange
4.25% Notes due 2021	New York Stock Exchange
2.75% Notes due 2021	New York Stock Exchange
1.375% Notes due 2021	New York Stock Exchange
3.0% Notes due 2022	New York Stock Exchange
2.2% Notes due 2022	New York Stock Exchange
3.125% Notes due 2023	New York Stock Exchange
3.25% Notes due 2024	New York Stock Exchange
2.6% Notes due 2024	New York Stock Exchange
3.375% Notes due 2025	New York Stock Exchange

3.1% Notes due 2025	New York Stock Exchange
2.0% Notes due 2026	New York Stock Exchange
2.9% Notes due 2027	New York Stock Exchange
3.5% Notes due 2028	New York Stock Exchange
5.9% Notes due 2032	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

The total number of outstanding shares of the issuer s capital stock at the close of the period covered by the annual report was: 1,714,727,700 ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer, large accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards* provided pursuant to Section 13(a) of the Exchange Act.

*The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

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CAUTIONARY STATEMENT

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as will , aim , expects , anticipates , intends , looks , believes , vision , or the negative of these terms and other similar expressions of future performance o results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Unilever Group (the Group). They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever s global brands not meeting consumer preferences; Unilever s ability to innovate and remain competitive; Unilever s investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth including to plastic packaging; the effect of climate change on Unilever s business; significant changes or deterioration in customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain and distribution; increases or volatility in the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; execution of acquisitions, divestitures and business transformation projects; economic, social and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters.

These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Unilever Annual Report and Accounts 2018.

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MAKING

SUSTAINABLE LIVING

COMMONPLACE

ANNUAL REPORT ON

FORM 20-F 2018

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ANNUAL REPORT ON

FORM 20-F 2018

This document is made up of the Strategic Report, the Governance Report, the Financial Statements and Notes, and Additional Information for US Listing Purposes.

The Unilever Group consists of Unilever N.V. (NV) and Unilever PLC (PLC) together with the companies they control. The terms Unilever , the Group , we , our and us refer to the Unilever Group.

Our Strategic Report, pages 1 to 35, contains information about us, how we create value and how we run our business. It includes our strategy, business model, market outlook and key performance indicators, as well as our approach to sustainability and risk. The Strategic Report is only part of the Annual Report and Accounts 2018. The Strategic Report has been approved by the Boards and signed on their behalf by Ritva Sotamaa Group Secretary.

Our Governance Report, pages 36 to 65 contains detailed corporate governance information, our Committee reports and how we remunerate our Directors.

Our Financial Statements and Notes are on pages 66 to 127.

Pages 1 to 147 constitute the Unilever Annual Report and Accounts 2018 for UK and Dutch purposes, which we may also refer to as this Annual Report and Accounts throughout this document.

The Directors Report of PLC on pages 36 to 49, 66 (Statement of Directors responsibilities), 97 (Dividends on ordinary capital), 110 to 115 (Treasury Risk Management), 133 and 137 (Post balance sheet event) and 145 (branch disclosure) has been approved by the PLC Board and signed on its behalf by Ritva Sotamaa Group Secretary.

The Strategic Report, together with the Governance Report, constitutes the report of the Directors within the meaning of Article 2:391 of the Dutch Civil Code and has been approved by the NV Board and signed on its behalf by Ritva Sotamaa Group Secretary.

Pages 148 to 167 are included as Additional Information for US Listing Purposes.

ONLINE

You can find more information about Unilever online at

www.unilever.com

For further information on the Unilever Sustainable Living Plan (USLP) visit

www.unilever.com/sustainable-living

The Annual Report on Form 20-F 2018 along with other relevant documents can be downloaded at

www.unilever.com/ara2018/downloads

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ABOUT US

AT A GLANCE

OUR BRANDS ARE AVAILABLE IN OVER 190 COUNTRIES. THIS GIVES US A UNIQUE OPPORTUNITY TO POSITIVELY IMPACT THE LIVES OF PEOPLE ALL OVER THE WORLD.

Every day, 2.5 billion people use our products to feel good, look good and get more out of life. Our range of around 400 household brands includes Lipton, Knorr, Dove, Rexona, Hellmann s and Omo. We are one of the largest fast moving consumer goods (FMCG) companies globally. In 2018 we had 12 brands with turnover of over a billion euros or more. The strength of our global brands is reflected in Kantar s Brand Footprint report published in May 2018. It found that 13 of the world s top 50 FMCG brands based on market penetration and consumer interactions are owned by Unilever with these brands chosen 36 billion times each year. This is significantly more than any other FMCG company in the study.

Our portfolio also includes iconic local brands designed to meet the specific needs of consumers in their home market such as Brooke Bond in India and Brilhante in Brazil. We are increasingly seeing our local brands and innovations being rolled out to more markets such as Lakme and Breyers Delights. Our geographic reach gives us an unparalleled global presence, including a unique position in emerging markets which generate 58% of our turnover.

From the beginning of 2018, Unilever began operating across three new Divisions created as part of our efforts to accelerate shareholder value creation. The largest by turnover is Beauty & Personal Care followed by Foods & Refreshment then Home Care. Details of each can be found on pages 11 to 12. The sale of our spreads business was also completed in mid-2018. These changes create a strong platform to accelerate our strategy of long-term, sustainable shareholder value creation. Our strategy is explained in detail on page 10.

Our business activities span a complex global value chain which is described on page 9. At the heart of our business is a workforce of 155,000 people (as at 31 December 2018) who are driven by our purpose and empowered to excel in our fast-changing markets. The combination of global scale and local agility has become yet more effective through the continued implementation of our Connected 4 Growth (C4G) change programme to meet consumer trends which are detailed on page 8. Our employees are supported by leadership teams with representatives from over 70 countries. Of our business leaders, 80% are local to their markets reflecting the deep local expertise at the heart of our business. This rises to more than 90% when we include managers who support those teams.

In this volatile and uncertain world, protecting Unilever through the fostering of business integrity is a non-negotiable for all employees. Our Code of Business Principles (the Code), and the 24 policies that support it (Code Policies), set out the behaviour standards required from all our people. The Code Policies cover a number of areas, including anti-bribery and corruption, respect, dignity and fair treatment of people and personal data and privacy. Together, the Code and Code Policies help us put our values of Integrity, Respect, Responsibility and Pioneering into practice. See page 16 for more on our Code and Code Policies.

During the year the Boards withdrew proposals to simplify Unilever s dual-headed legal structure after extensive engagement with shareholders. We remain firmly committed to our 2020 financial programme and are confident of meeting its key targets and objectives as our faster, simpler organisation delivers more efficiency, lower costs and significant operational and financial benefits.

This Annual Report and Accounts provides further detail on our performance during the year and how our business model is delivering strong returns for shareholders and a more sustainable way of doing business for the benefit of all our stakeholders. Find out more about our performance on pages 6 and 7.

OUR PURPOSE

UNILEVER S PURPOSE IS TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE BELIEVE THIS IS THE BEST WAY TO DELIVER LONG-TERM SUSTAINABLE GROWTH.

We believe long-term sustainable growth is best delivered through brands that offer great performance and have a genuine purpose. Washing shirts whiter or making hair healthier and shinier is still vitally important, but product performance by itself is no longer enough. Consumers are looking for more.

At Unilever, we encourage our brand managers to take a stance and make a positive difference to society. Purpose defines a brand in people s minds and is best delivered through action. It s only through action that consumers will see purpose as more than marketing.

Our company purpose To make sustainable living commonplace is unequivocal. We want to help create a world where everyone can live well within the natural limits of the planet. We put sustainable living at the heart of everything we do, including our brands and products, our standards of behaviour and our partnerships which drive transformational change across our value chain.

Purpose takes many forms amongst our brands. Some, like Lifebuoy, take on life-threatening diseases associated with poor hygiene with programmes to change handwashing behaviour. Domestos purpose is to improve sanitation for millions of people who do not have access to a toilet. Our brands can also be a catalyst to promote positive cultural norms. Brooke Bond s purpose Common ground is only a cup away is highly relevant in an increasingly divided world and can be applied well locally. In India, it addresses religious tensions. In the Gulf, divorce. In Canada, same-sex relationships.

Some of our brands take an activist stance, mobilising citizens to change policy or create social movements. For example, Ben & Jerry s builds movements around issues such as climate change and the refugee crisis. Seventh Generation with its plant-based products campaigns for renewable energy. Deodorant brand Rexona s purpose is to help reverse physical inactivity, a big issue for societies facing increasingly sedentary lifestyles. Rexona believes the more you move, the more you live supported by Motion Sense technology which works through movement. Radiant believes everyone deserves an opportunity to shine. It goes beyond bright clothes and helping consumers dress to progress , enhancing skills through its Career Academies. Each market focuses on the skills that matter locally. In Brazil that s entrepreneurial and business skills. In India, English language skills.

All of Unilever s brands are on a journey to becoming purposeful. Sustainable Living brands are those that are furthest ahead. In 2017, 26 of our brands qualified as Sustainable Living brands including our B-Corp certified brands such as Ben & Jerry s, Seventh Generation and Pukka Herbs, which means that they meet high standards of social and environmental performance, transparency and legal accountability. Our Sustainable Living brands grew 46% faster than the rest of the business and delivered more than 70% of Unilever s growth, driven by consumer demand for brands with purpose at their core.

However volatile and uncertain the world is, Unilever s purpose supported by the Unilever Sustainable Living Plan (USLP) and brands with purpose will remain steadfast because managing for the benefit of multiple stakeholders is the best way for us to grow.

We are now looking beyond the current USLP as many of our targets end in 2020. We carried out an extensive listening exercise on the future of sustainable business. We spoke to approximately 300 stakeholders, including more than 130 external experts, and heard from over 40,000 employees through a Have Your Say survey. They gave us their views on the priorities that they would like Unilever to focus on. The results will be used to co-create Unilever s future agenda.

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CHAIRMAN S STATEMENT

2018 PERFORMANCE

I am pleased to report that 2018 was another year of consistent top and bottom line performance for Unilever. Solid revenue growth was combined with good profitability and cash flow delivery. This despite a challenging year for the global economy, with subdued growth and high levels of volatility undermining consumer confidence in many parts of the world.

Unilever is also operating in a sector that is experiencing widespread change and disruption. Although challenging, these changes offer significant opportunities to companies able to move with speed and agility and who can tailor their offering to changing consumer preferences. To that end, the Boards are very confident that Unilever s strategy and the measures it has taken to strengthen its organisation, sharpen its portfolio and digitise its operations make it well placed to capture new and emerging growth opportunities.

The Boards also believe that the Unilever Sustainable Living Plan continues to set Unilever apart as a business highly attuned to the growing desire among consumers for companies and brands that serve a wider societal and environmental need.

In 2018 we also completed successfully the complex disposal of the spreads business. Our Share Buy-back programme delivered on its intention to buy back shares with an aggregate market value of 6 billion, in line with Unilever s objective to return the after-tax proceeds of the spreads disposal to shareholders.

SIMPLIFICATION

Following a thorough review and widespread consultation, the Boards put forward proposals in 2018 to simplify Unilever s dual-headed structure under a new single holding company.

In developing the proposal including a recommendation to incorporate in the Netherlands while maintaining listings in the Netherlands, the UK and the US the Boards were motivated by the opportunity to unlock value by simplifying Unilever and giving it added flexibility to compete effectively over the longer-term.

We recognised however that the proposal did not receive support from a significant group of shareholders and therefore considered it appropriate to withdraw. The Boards still believe that simplifying Unilever s dual-headed structure would, over time, provide opportunities to further accelerate value creation and would serve Unilever s best long-term interests.

Since withdrawing the proposal, I have met with a significant number of PLC and NV shareholders to discuss further ideas and possible next steps. It is clear from all these meetings that there is widespread support for the principles and strategic rationale behind Simplification. In these meetings, I also took the opportunity to reaffirm our commitment to further strengthen our corporate governance. Accordingly, in February 2019, we followed through on our commitment to cancel the NV Preference Shares, in itself a major step towards simplifying the company s share capital.

BOARD COMPOSITION AND SUCCESSION

The 2018 AGMs marked the retirement of Ann Fudge as a Non-Executive Director and Vice-Chairman of the Boards. On behalf of the Boards, I would like to thank Ann for her outstanding and valued contribution to Unilever.

I was also delighted that you elected Andrea Jung as a Non-Executive Director at the same AGMs. Andrea brings highly relevant experience and expertise to Unilever and is a very welcome addition to the Boards.

CEO SUCCESSION

A key focus for the Boards last year was to manage the CEO succession, with Paul Polman stepping down as CEO after 10 years with the Group.

After a rigorous and wide-ranging selection process, the Boards were unanimous in its decision to appoint Alan Jope to the role. Alan became CEO on 1 January 2019 and is being proposed as an Executive Director at the 2019 AGMs.

Alan has led Unilever s largest Division, Beauty & Personal Care, for the last four years and he has been a member of the Group s Leadership Executive since 2011. His previous roles include running Unilever s business in North Asia. Alan has deep understanding and wide experience of Unilever s business and markets. He is a strong, dynamic and values-driven leader with an impressive track record of delivering consistent high-quality performance across both developed and emerging markets. The Boards warmly welcome Alan to the role and look forward to working closely with him in the years ahead.

Unilever has been transformed under the leadership of Paul Polman. He has overseen ten years of consistent top and bottom line growth and very competitive returns to shareholders. He leaves with the company s geographic footprint and brand portfolio stronger and well positioned for future growth.

Paul s pioneering commitment to sustainable and equitable growth have marked him and the company out as leaders in the field. Thanks to his visionary leadership and tireless efforts, Unilever is not only one of the most admired and respected companies in the world today, but also one of the most desired employers.

Paul retired as CEO and as a Board member on 31 December 2018. He will support the transition process in the first half of 2019 and will leave the Group in early July. We thank him for his remarkable contribution to the company and wish him every success in the future.

REMUNERATION

During 2018 we also continued to consult with shareholders on our Remuneration Policy, particularly for the Executive Directors. At the 2017 AGMs you provided your strong support to the implementation of a reward framework that encourages and enhances a strong performance culture by enabling Unilever managers to have an even stronger personal commitment to Unilever share ownership.

At the 2018 AGMs, we asked shareholders to approve a new Remuneration Policy that would align the pay of our Executive Directors fully with the Reward Framework we introduced following the 2017 AGMs. Whilst shareholders approved the new Remuneration Policy, we recognised that a significant minority of NV and PLC shareholders voted against the proposal. On pages 50 and 51 of the 2018 Directors Remuneration Report, we describe in detail the principal concerns and how we responded to them and other changes to the implementation of the Remuneration Policy.

EVALUATION

Following the external Board evaluation in 2017, we used a simplified internal evaluation this year. While we concluded that the Boards continued to operate in an effective manner overall, the Boards decided that it will maintain a particular focus on portfolio and channel strategies and digitisation. Each Board Committee also performed its own self-evaluation, agreeing areas where it could enhance its effectiveness further. These are described within each Committee Report.

LOOKING AHEAD

Even though trading conditions are likely to remain challenging in 2019, the Boards remain confident both in the outlook and in the strategy for the Group, reflected by an 8% increase in the dividend for the 2018 financial year.

Over the year, Board members have visited Unilever operations in several parts of the world, including China and the United States. We have seen first-hand the depth of talent that exists within the company, as well as the commitment of Unilever people to go on improving the lives of consumers and the societies in which the company operates. On behalf of the Boards, I want to thank all of the 155,000 employees of Unilever for their remarkable efforts.

Equally we have been pleased to engage with many of the company s other stakeholders, without whom Unilever could not be successful. That includes our shareholders, who I also want to thank for their continued support of the company.

MARIJN DEKKERS

CHAIRMAN

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BOARD OF DIRECTORS

OVERVIEW OF EXECUTIVE & NON-EXECUTIVE DIRECTORS

MARIJN DEKKERS Chairman

Previous experience: Bayer AG (CEO); Thermo Fisher Scientific Inc. (CEO).

Current external appointments: Novalis LifeSciences LLC (Founder and Chairman); Quanterix Corporation (Director); Georgetown University (member Board of Directors); Foundation for the National Institutes of Health (Director).

YOUNGME MOON Vice-Chairman/Senior Independent Director

Previous experience: Harvard Business School (Chairman and Senior Associate Dean for the MBA Program); Massachusetts Institute of Technology (Professor); Avid Technology (NED).

Current external appointments: Sweetgreen Inc (Board Member); Jand Inc (Board Member); Harvard Business School (Professor).

ALAN JOPE CEO

Nationality British **Age** 54, Male. Appointed CEO: January 2019. Appointed Director: Alan Jope will be proposed for election as an Executive Director at the 2019 AGMs.

Previous experience: Beauty and Personal Care Division (President); Unilever Russia, Africa and Middle East (President); Unilever North Asia (President); SCC and

GRAEME PITKETHLY CFO

Nationality British **Age** 52, Male. Appointed CFO: October 2015. Appointed Director: April 2016. Attended 6/6 planned Board Meetings and 4/4 ad hoc Board Meetings.

Previous experience: Unilever UK and Ireland (EVP and General Manager); Finance Global Markets (EVP); Group Treasurer; Head

NILS SMEDEGAARD ANDERSEN

Previous experience: A.P. Moller Maersk A/S (Group CEO); Carlsberg A/S and Carlsberg Breweries A/S (CEO); European Round Table of Industrialists (Vice-Chairman); Unifeeder S/A (Chairman).

Current external appointments: AKZO Nobel N.V. (Chairman);

Dressings (Global Category Leader); Home and Personal Care North America (President).

of M&A; FLAG Telecom (VP Corporate Development); PwC.

Current external appointments: Financial Stability Board Task Force on Climate Related Financial Disclosure (Vice Chair).

BP Plc (NED); Dansk Supermarked A/S (Chairman); Faerch Plast (Chairman).

LAURA CHA

Previous experience: Securities and Futures Commission, Hong Kong (Deputy Chairman); China Securities Regulatory Commission (Vice Chairman); China Telecom Corporation Limited (NED); 12th National People s Congress of China (Hong Kong Delegate).

Current external appointments: HSBC Holdings plc (NED); Hong Kong Exchanges and Clearing Ltd (Non-Executive Chairman); Foundation Asset Management Sweden AB (Senior international adviser); Executive Council of the Hong Kong Special Administrative Region (Non-official member).

VITTORIO COLAO

Previous experience: Vodafone Group plc (CEO); RCS MediaGroup SpA (CEO); McKinsey & Company (Partner); Finmeccanica Group Services SpA (renamed to Leonardo SpA) (NED); RAS Insurance SpA (merged with Allianz AG) (NED).

Current external appointments: Bocconi University (NED and Executive Committee member); Oxford Martin School (Advisor).

JUDITH HARTMANN

Previous experience: General Electric (various roles); Bertelsmann SE & Co. KGaA (CFO); RTL Group SA (NED); Penguin Random House LLC (NED).

Current external appointments: ENGIE Group (CFO and EVP North America and UK/Ireland); Suez (NED).

ANDREA JUNG

Previous experience: Avon Products Inc (CEO); General Electric (Board Member); Daimler AG (Board Member).

Current external appointments: Grameen America Inc (President and CEO); Apple Inc (NED); Wayfair Inc (NED).

MARY MA

STRIVE MASIYIWA

JOHN RISHTON

FEIKE SIJBESMA

Previous experience: TPG Capital, LP (Partner); TPG China Partners (Co-Chairman).

Current external appointments: Lenovo Group Ltd. (NED); Boyu Capital Consultancy Co. Ltd (Managing Partner); MXZ Investment Limited (Director); Securities and Futures Commission, Hong Kong (NED).

Previous experience: Africa Against Ebola Solidarity Trust (Co-Founder and Chairman); Grow Africa (Co-Chairman); Nutrition International (formerly known as Micronutrient Initiative) (Chairman).

Current external appointments: Econet Group (Founder and Group Executive Chairman); Econet Wireless Zimbabwe Ltd (Director); The Alliance for a Green Revolution in Africa (AGRA) Not-for-Profit Corporation (Chairman); Rockefeller Foundation (Trustee).

Previous experience: Rolls-Royce Holdings plc (CEO); Koninklijke Ahold NV (merged to Koninklijke Ahold Delhaize NV) (CEO, President and CFO); ICA (now ICA Gruppen AB) (NED).

Current external appointments: Informa plc (NED); Serco Group plc (NED); Associated British Ports Holdings Ltd. (NED).

Previous experience: Supervisory Board of DSM Nederland B.V. (Chairman); Utrecht University (Supervisory Director); Stichting Dutch Cancer Institute/ Antoni van Leeuwenhoek Hospital NKI/AVL) (Supervisory Director).

Current external appointments: Koninklijke DSM NV (CEO and Chairman of the Managing Board); De Nederlandsche Bank NV (Member of the Supervisory Board); Carbon Pricing Leadership Coalition (High Level Assembly Co-Chairman), Climate Leader for the World Bank Group.

NON-EXECUTIVE DIRECTORS

MARIJN DEKKERS	NILS ANDERSEN	LAURA CHA	VITTORIO COLAO	JUDITH HARTMANN	ANDREA JUNG	MARY MA	STRIVE MASIYIWA	YOUNGME MOON	JOHN RISHTON
61	60	69	57	49	59	66	58	54	61
Male	Male	Female	Male	Female	Female	Female	Male	Female	Male
Dutch / American	Danish	Chinese	Italian	Austrian	American / Canadian	Chinese	Zimbabwean	American	British
April 2016	April 2015	May 2013	July 2015	April 2015	May 2018	May 2013	April 2016	April 2016	May 2013

CC, NCGC (Chairman)	AC	NCGC	CC (Chairman)	AC	CC	CC	CRC (Chairman)	CRC	AC (Chairman)

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* AC refers to the Audit Committee; CC refers to the Compensation Committee; CRC refers to the Corporate Responsibility Committee; and NCGC refers to the Nominating and Corporate Governance Committee.

CHIEF EXECUTIVE OFFICER S REVIEW

Widespread economic and geopolitical uncertainty meant that the global business environment remained challenging in 2018. Currency depreciation in a number of key markets fuelled inflationary pressures and dampened consumer demand, while input costs rose steadily on the back of escalating commodity prices.

A SOLID PERFORMANCE

Against this backdrop, Unilever delivered a solid performance. Underlying sales grew by 3.1%, excluding the recently-divested spreads business (2.9% including spreads). Growth was profitable, bringing our underlying operating margin to 18.4%, up 90 basis points, which also drove a healthy free cash flow of 5 billion for the year.

Importantly, the overall shape and quality of the performance was encouraging. We achieved a good balance of price and volume growth. Growth was broad-based, across each of our three global Divisions Beauty & Personal Care, Home Care and Foods & Refreshment. Our continuing margin progression was underpinned by well-embedded savings and efficiency programmes, and an improving mix from underlying sales growth in Beauty & Personal Care.

Inspired by the Unilever Sustainable Living Plan, we also saw our brands with the most distinct and well-articulated social and environmental purpose grow significantly faster than our other brands.

The performance last year demonstrates I believe that our strategy is working. By empowering our three global Divisions, we are allowing for more strategic allocation of resource and for greater differentiation in meeting changing consumer needs. Beauty & Personal Care, for example, made good progress in moving to more premium positions and expanding in the high growth segments. Home Care built on its already strong emerging market footprint with a strategy of market development and benefit-led innovation for emerging needs. Whilst Foods & Refreshment was combined into a single division bringing more scale and focus to allow faster transformation of our portfolio.

The results in 2018 re-affirm the enduring strength of Unilever s brands and the growing resilience of our organisational model, as well as underlining Unilever s ability to deliver consistent top and bottom line performance even in very challenging conditions. Nevertheless, we are determined to step up the proportion of our business that is winning market share as part of moving our sales growth more consistently into the middle of our multi-year 3-5% targeted range.

A YEAR OF PROGRESS

As well as delivering a solid set of results, we also made good progress in 2018 in strengthening the overall business to be ready for future opportunities:

By empowering those closest to the marketplace, and by linking our global brand teams across the world, our Connected for Growth (C4G) organisational model is helping to increase speed and agility, as well as giving rise to a greater entrepreneurial spirit inside the company. As an illustration of this, time to market with new innovations to meet local trends is now 40%-50% faster compared to 2016. We also launched 19 new brands, including Love Home and Planet, a range of plant-based, home-cleaning products and a follow-up to our successful launch of the natural and sustainable hair and skincare product range, Love Beauty and Planet.

In line with our strategy, we continued to move the portfolio in the direction of the faster-growing segments of the market, especially those that speak to consumers growing desire for more natural products and purpose-driven brands. The vast majority of businesses we have acquired over recent years are now growing by double digits on a yearly basis and we were delighted at the end of last year to announce the acquisition of GlaxoSmithKline s Health Food Drinks portfolio, including its iconic Horlicks brand in India and the rest of Asia, further increasing our presence in the highly attractive health-food category. We also completed successfully the complex disposal of the spreads business, returning the after-tax proceeds to shareholders.

The way people shop and access brands is changing rapidly and we made good progress in 2018 in positioning ourselves effectively in
new and faster-growing channels. Our e-commerce sales were up by 47%, ahead of global e-commerce market growth and putting us well on the road to building a scale e-commerce business. We also accelerated the growth of our business with Discounters, in the Health and Beauty channel and in the out-of-home eating market.

The digital transformation of the company also continues apace. We are working successfully with leading global technology companies to build world-class technology and data analytics infrastructure. Through the sophisticated and responsible leveraging of our data insights, we are close to reaching our goal of being able to connect directly with a billion of our consumers. In our operations, we have already automated over 700 processes saving time and reducing cost and our in-house training programmes are increasingly focussed on the digital up-skilling of our own people.

Our attractiveness as an employer of choice grew still further in 2018. Unilever is now the number one FMCG graduate employer of choice in almost 50 countries. That is a remarkable achievement, and testament to Unilever s values and commitment to be a force for good in the world.

Strengthened by these measures, we are good in shape for the future. We ended 2018 with 58% of our turnover in the emerging markets and enjoying number 1 or 2 positions in 85% of the key markets and categories in which we compete. Our Beauty & Personal Care business where some of the biggest growth opportunities exist now represents 40% of our turnover. All of this makes us well placed to capture the many opportunities that exist across our markets.

LOOKING AHEAD

Building on these strong foundations, I have already made clear that my first priority as CEO will be to accelerate quality growth. For us, that means an investment-led approach based on delivering our 4G growth model consistent growth, competitive growth, profitable growth and responsible growth, with an equal focus on each.

In particular, I want to leave no doubt that I intend to build further on Unilever s century-old commitment to responsible business. Making Sustainable Living Commonplace will remain our purpose as a company and we will use this to keep Unilever at the forefront of ensuring business is a force for good. More and more of our brands will become explicit about the positive social and environmental impact they have. This is entirely aligned to the instincts of our people and to the expectations of our consumers. It is not about putting purpose ahead of profits, it is purpose that drives profits.

Despite the progress we have made in recent years, I am also clear that in a world where the speed of change is relentless we need to quicken the pace of everything we do still further. I want to make speed and skills for a digital age a hallmark of Unilever under my leadership.

If we can do all this then I am confident we can achieve our strategic aims and deliver many years of solid cash flow, further underlying operating margin improvement and good quality growth.

AND FINALLY

I want to thank my colleagues throughout the whole company for their hard work in delivering these results. Unilever is fortunate to have such talented and dedicated people and I am deeply aware of my responsibilities to them and to our many other stakeholders in being asked to lead this wonderful company.

I especially want to thank my predecessor, Paul Polman. Unilever has been transformed under his inspiring leadership. He has worked tirelessly to make the company stronger and the world a better place. It has been a privilege to serve with him and an honour now to succeed him.

I also want to thank the Unilever Board of Directors for their confidence and invaluable guidance as I take on the role. And, finally, to our shareholders, thank you for your ongoing support and belief in the company, which we will always work hard to retain.

ALAN JOPE

CHIEF EXECUTIVE OFFICER

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UNILEVER LEADERSHIP EXECUTIVE (ULE) OVERVIEW

FOR ALAN JOPE AND GRAEME PITKETHLY SEE PAGE 3

DAVID BLANCHARD

Chief R&D Officer

Nationality British **Age** 54, Male

Appointed to ULE January 2013 (will retire in April 2019)

Joined Unilever 1986

Previous Unilever posts include: Unilever Research & Development (SVP); Unilever Canada Inc. (Chairman); Foods America (SVP Marketing Operations); Global Dressings (VP R&D); Margarine and Spreads (Director of Product Development).

Current external appointments:

Ingleby Farms and Forests (NED).

MARC ENGEL

Chief Supply Chain Officer

Nationality Dutch **Age** 52, Male

Appointed to ULE January 2016

Joined Unilever 1990

Previous Unilever posts include:

Unilever East Africa and Emerging Markets (EVP); Chief Procurement Officer; Supply Chain, Spreads, Dressings and Olive Oil Europe (VP); Ice Cream Brazil (Managing Director); Ice Cream Brazil (VP); Corporate Strategy Group; Birds Eye Wall s, Unilever UK (Operations Manager).

Current external appointments: PostNL (Supervisory Board member).

HANNEKE FABER

President, Europe

Nationality Dutch **Age** 49, Female **Appointed to ULE** January 2018

Joined Unilever 2018

Previous posts include:

Royal Ahold Delhaize (CEIO & EC);

Royal Ahold (CCO); P&G (VP & GM).

Current external appointments:

Bayer AG (Supervisory Board member), Leading Executives Advancing Diversity (LEAD) (advisory board member).

KEES KRUYTHOFF

President, Home Care

Nationality Dutch **Age** 50, Male

Appointed to ULE November 2011

Joined Unilever 1993

Previous Unilever posts include: President, North America and Global Head of Customer Development; Brazil (EVP); Unilever Foods South Africa (CEO); Unilever Bestfoods Asia (SVP and Board member).

Current external appointments: Enactus (Chairman).

LEENA NAIR

Chief Human Resources Officer

Nationality Indian **Age** 49, Female

Appointed to ULE March 2016

Joined Unilever 1992

Previous Unilever posts include: HR Leadership and Organisational Development and Global Head of Diversity (SVP); Hindustan Unilever Limited (Executive Director HR); Hindustan Lever (various roles).

NITIN PARANJPE

President, Foods and Refreshment

Nationality Indian **Age** 55, Male

Appointed to ULE October 2013

Joined Unilever 1987

Previous Unilever posts include: President Home Care; EVP South Asia and Hindustan Unilever Limited (CEO); Home and Personal Care, India (Executive Director); Home Care (VP); Fabric Wash (Category Head); Laundry and Household Cleaning, Asia (Regional Brand Director).

RITVA SOTAMAA

Chief Legal Officer and Group Secretary

Nationality Finnish **Age** 55, Female

Appointed to ULE February 2013

Joined Unilever 2013

Previous posts include: Siemens AG Siemens Healthcare (GC); General Electric Company GE Healthcare (various positions including GE Healthcare Systems (GC)); Instrumentarium Corporation (GC).

Current external appointments:

Fiskars Corporation (NED).

AMANDA SOURRY

President, North America & Global Head of Customer Development

Nationality British **Age** 55, Female

Appointed to ULE October 2015

Joined Unilever 1985

Previous Unilever posts include: President Foods; Global Hair (EVP); Unilever UK and Ireland (EVP and Chairman); Global Spreads and Dressings (EVP); Unilever US Foods (SVP).

Current external appointments:
PVH Corporation. (NED).

KEITH WEED

Chief Marketing & Communications Officer

Nationality British **Age** 57, Male

Appointed to ULE April 2010 (will retire in May 2019).

Joined Unilever 1983

Previous Unilever posts include:

Global Home Care and Hygiene (EVP); Lever Fabergé (Chairman); Hair and Oral Care (SVP).

Current external appointments:

Business in the Community (Board member); Effie (Board member); Historical Advertising Trust (President); Advertising Association (President); Grange Park Opera (Trustee).

OUR PERFORMANCE

FINANCIAL PERFORMANCE

GROWING THE BUSINESS	2018	2017	2016
GROUP			
TURNOVER GROWTH			
Turnover growth averaged 0.6% over five years	(5.1%)	1.9%	(1.0%)
UNDERLYING SALES GROWTH*			
Underlying sales growth averaged 3.3% over five years	2.9%^	3.1%^	3.7%
UNDERLYING VOLUME GROWTH*			
Underlying volume growth averaged 1.3% over five years	1.9%	0.8%	0.9%
OPERATING MARGIN			
Operating margin averaged 17.3% over five years	24.6%	16.5%	14.8%
UNDERLYING OPERATING MARGIN*			
Underlying operating margin has steadily increased over five years from 15.5% to 18.4%	18.4%	17.5%	16.4%
FREE CASH FLOW*			
Unilever has generated free cash flow of 23.0 billion over five years	5.0 billion	5.4 billion	4.8 billion
DIVISIONS			
BEAUTY & PERSONAL CARE			
Turnover	20.6 billion	20.7 billion	20.2 billion
Turnover growth	(0.3%)	2.6%	0.5%
Underlying sales growth	3.1%^	2.9%^	4.2%
Operating margin	20.0%	19.8%	18.4%
Underlying operating margin	21.9%	21.1%	20.0%
FOODS & REFRESHMENT			
Turnover	20.2 billion	22.4 billion	22.5 billion
Turnover growth	(9.9%)	(0.4%)	(2.2%)
Underlying sales growth	2.0%^	2.7%^	2.7%
Operating margin	35.8%	16.1%	14.0%
Underlying operating margin	17.5%	16.7%	15.6%
HOME CARE			
Turnover	10.1 billion	10.6 billion	10.0 billion
Turnover growth	(4.2%)	5.6%	(1.5%)
Underlying sales growth	4.2%^	4.4%^	4.9%
Operating margin	11.5%	10.8%	9.5%
Underlying operating margin	13.0%	12.2%	10.9%

* Key Financial Indicators.

^ Wherever referenced in this document, 2018 underlying sales growth does not include price growth in Venezuela for the whole of 2018 and in Argentina from July 2018. 2017 underlying sales growth does not include Q4 price growth in Venezuela. See pages 23 and 24 on non-GAAP measures for more details.

The Group has revised its operating segments to align with the new structure under which the business is managed. Beginning 2018, operating segment information is provided based on three product areas: Beauty & Personal Care, Foods & Refreshment and Home Care.

Underlying sales growth, underlying volume growth, underlying operating margin and free cash flow are non-GAAP measures. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to our commentary on non-GAAP measures on page 23.

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UNILEVER SUSTAINABLE LIVING PLAN

	TARGET	2018	2017	2016
IMPROVING HEALTH & WELL-BEING				
BIG GOAL: By 2020 we will help more than a billion people take action to improve their health and well-being. See page 13.				
HEALTH & HYGIENE				
Target: By 2020 we will help more than a billion people to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.	1 billion	653 million	601 million	538 million f
NUTRITION				
Target: By 2020 we will double (ie up to 60%) the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.	60%	48%	39%¥	35%
REDUCING ENVIRONMENTAL IMPACT				
BIG GOAL: By 2030 our goal is to halve the environmental footprint of the making and use of our products as we grow our business. See pages 13 to 14.				
GREENHOUSE GASES				
Target: Halve the greenhouse gas impact of our products across the lifecycle (from the sourcing of the raw materials to the greenhouse gas emissions linked to people using our products) by 2030 (greenhouse gas impact per consumer use).+	(50%)	6%q	9%¥	8%
Target: By 2020 CO_2 emissions from energy from our factories will be at or below 2008 levels despite significantly higher volumes (reduction in CO_2 from energy per tonne of production since 2008).**	£145.92	70.46	76.77¥	83.52f
WATER				
Target: Halve the water associated with the consumer use of our products by 2020 (water impact per consumer use).	(50%)	(2%)q	(2%)¥	(7%)
Target: By 2020 water abstraction by our global factory network will be at or below	£2.97	1.67	1.80¥	1.85f

2008 levels despite significantly higher volumes (reduction in water abstraction per tonne of production since 2008).**				
WASTE				
Target: Halve the waste associated with the disposal of our products by 2020 (waste impact per consumer use).	(50%)	(31%)[q]	(29%)	(28%)[f]
Target: By 2020 total waste sent for disposal will be at or below 2008 levels despite significantly higher volumes (reduction in total waste per tonne of production since 2008).**	£7.91	0.20	0.18[¥]	0.35[f]
SUSTAINABLE SOURCING				
Target: By 2020 we will source 100% of our agricultural raw materials sustainably (% of tonnes purchased).	100%	56%	56%	51%
ENHANCING LIVELIHOODS				
BIG GOAL: By 2020 we will enhance the livelihoods of millions of people as we grow our business. See page 14.				
FAIRNESS IN THE WORKPLACE				
Target: By 2020 we will advance human rights across our operations and extended supply chain, by:				
Sourcing 100% of procurement spend from suppliers meeting the mandatory requirements of the Responsible Sourcing Policy (% of spend of suppliers meeting the Policy).	100%	61%	55%[¥]	
Reducing workplace injuries and accidents (Total Recordable Frequency Rate of workplace accidents per million hours worked)**.		0.69	0.89[¥]	1.01[f]
OPPORTUNITIES FOR WOMEN				
Target: By 2020 we will empower 5 million women, by:				
Promoting safety for women in communities where we operate.				
Enhancing access to training and skills (number of women).	5 million	1.85 million	1.26 million[¥]	0.92 million
Expanding opportunities in our value chain (number of women).				
Building a gender-balanced organisation with a focus on management (% of managers that are women)**.	50%	49%	47%[¥]	46%
INCLUSIVE BUSINESS				
Target: By 2020 we will have a positive impact on the lives of 5.5 million people by:				
Enabling small-scale retailers to access initiatives aiming to improve their income (number of small-scale retailers).	5 million	1.73 million	1.60 million	1.53 million
Enabling smallholder farmers to access initiatives aiming to improve their agricultural practices.	0.5 million	0.75 million	0.72 million[¥]	0.65 million

Baseline 2010 unless otherwise stated

** Key Non-Financial Indicators.
PricewaterhouseCoopers assured in 2018. For details and 2018 basis of preparation see www.unilever.com/investor-relations/annual-report-and-accounts/
¥ PricewaterhouseCoopers assured in 2017. For details and 2017 basis of preparation see www.unilever.com/sustainable-living/our-approach-to-reporting/reports-and-publications-archive
f PricewaterhouseCoopers assured in 2016. For details and 2016 basis of preparation see www.unilever.com/sustainable-living/our-approach-to-reporting/reports-and-publications-archive
During 2017 and 2018 we amended how we assessed compliance with the Responsible Sourcing Policy, hence year-on-year data is not comparable.
Around 490,000 women have accessed initiatives under both the Inclusive Business and the Opportunities for Women pillars in 2018.
( ) In the table above, brackets around numbers indicate a negative trend which, for environmental metrics, represents a reduction in impact.
+ Target approved by the Science Based Targets Initiative.
q The spreads business was sold in mid-2018 and is excluded from the performance measure (including the baseline) to ensure alignment with the existing business structure.

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A CHANGING WORLD

UNILEVER OPERATES IN THE FAST-MOVING CONSUMER GOODS (FMCG) INDUSTRY, ONE OF THE WORLD S LARGEST, MOST COMPETITIVE AND DYNAMIC.

MARKET OVERVIEW

The top 25 global FMCG players generate sales of over 700 billion in markets characterised by their dynamic nature. A global, digital economy is fuelling rapid change characterised by fragmentation throughout the value chain. This requires fast, innovative, profitable global and local responses in areas such as supply chain, customer development, marketing and brand innovation.

In response, Unilever has reorganised into three Divisions: Beauty

& Personal Care, Foods & Refreshment and Home Care. Each has implemented our C4G change programme which was introduced in 2016 to create a simpler organisation capable of innovating more quickly to evolve our brand portfolios and meet changing trends more effectively harnessing our global scale and local expertise. Acquisitions of new brands have further supplemented our core portfolios.

The use and threat of tariffs for political leverage continues to drive uncertainty in our markets. Currency volatility in Argentina, Turkey and Pakistan as well as major political disruption in markets such as Brazil, continues to demand rapid local responses from our brands.

Our business is shaped by systemic macro forces. We periodically review these to ensure our strategy remains relevant. We believe there are four distinct but overlapping macro trends that will shape the world over the next ten years.

DIGITAL AND TECHNOLOGY REVOLUTION

Business is evolving at a faster pace than ever. Traditional understanding and engagement with consumers is being redefined. Digital technology is transforming relationships with consumers from connectivity and the Internet of Things, to robotics, artificial intelligence and augmented reality. All are linked by more targeted and data-driven marketing.

Fragmentation remains a principal driver of change, impacting consumer journeys, route-to-market channels and media, and brand spend. Consumers are taking different paths to purchase, often combining offline and online channels where influencers are a growing force. Younger consumers continue to prioritise meaning over materialism and are demanding more authenticity, transparency and natural ingredients. The talkability of brands is vital in a fragmented digital media landscape, favouring those with a strong point of view, or purpose, relevant to consumers. The growth of the global workforce and middle class consumers, especially in emerging markets, has resulted in long-term shifts favouring greater convenience and time-saving attributes.

Channels to reach consumers are equally fragmented. There is less reliance on big box retailers with e-commerce growing 13% globally, driven by direct-to-consumer models and platforms such as Amazon and Alibaba. The market is also polarising between specialist channels and discounters and convenience stores, creating both risks and opportunities for FMCG companies.

The proliferation of digital and social media channels has resulted in media fragmentation, with digital advertising now about 40% of the market. However, improving standards and tackling fraud to protect the integrity of digital marketing are major challenges.

POLARISED WORLD

Slow and uneven economic growth, rising inequality, political polarisation and the rise of nationalism within countries is impacting consumer confidence. At the same time, consumers continue to have low confidence in government, business, media and NGOs, according to the Edelman Trust Barometer. However, according to the same study, three out of four people agree a company can take action to both increase profits while improving economic and social conditions in the community it operates in.

ENVIRONMENT UNDER PRESSURE

According to a 2018 Intergovernmental Panel on Climate Change report, the world is on course for warming of 1.5 degrees Celsius by as early as 2030. Drought, floods, extreme heat and poverty for hundreds of millions are threatened if no action is taken to curb emissions. The cost of inaction will be profound, estimated to be about $44 trillion in lost GDP. But the rewards for positive action are substantial and thanks to the Paris Agreement, nearly 200 countries are pursuing carbon reforms. This is helping to open about $23 trillion in opportunities for climate-smart investments in 21 emerging markets alone by 2030.

Climate change also threatens our food system which must produce 50% more food to feed over 9 billion people by 2050. However, changing weather patterns and growing seasons threaten suitable cultivation areas around the world. Business can spur positive change and achieving food security could create 80 million jobs and business opportunities worth $2.3 trillion annually by 2030. Linked to climate change is water scarcity, a threat to 3.2 billion people. If current usage continues the world will have only 60% of its required water by 2030. See pages 30 and 33 to 35 for more on climate change risks.

Other environmental concerns are growing in significance, such as plastic packaging. The Ellen MacArthur Foundation found that 95% of the value of plastic packaging is lost to the economy after one short use, equivalent of $80-120 billion lost to the global economy each year. See pages 14 to 15 and 30 for more on plastic packaging risks and opportunities.

PEOPLE LIVING DIFFERENTLY

Concerns about the planet and society are matched by concerns about our own health and what we eat. Growing urbanisation is shaping new health priorities while the cost of care is also rising, placing health services under increased pressure. Obesity kills more people than hunger, while many populations struggle to find sufficient nourishment in their diets. Sugar is seen as a major threat which has resulted in a number of countries choosing to implement a tax on it. For food companies, this presents a mix of challenges and opportunities. Meanwhile, public awareness around mental health issues continues to grow, particularly with digital connectivity.

Consumers are now living in communities that are becoming more diverse with fragmented identities. Younger generations, especially Millennials and Generation Z, continue to have a powerful influence on cultural norms on issues such as diversity and discrimination. Meanwhile, older generations are exerting a strong economic influence. The number of people aged 80 or over is expected to triple by 2050.

Migration is having a profound effect on national identity. One in 30 people are international migrants living abroad, a 40% rise since 2000. People are encouraged to move, in part, by the rise of global megacities with more than ten million inhabitants. The number of these will rise from 31 to 41 by 2030. Such urbanisation is expected to create an additional 500 million one-person households between 2016 and 2030. Climate change looks set to increase migration even further as populations are displaced due to rising sea levels and changing climates.

The #MeToo movement has encapsulated a major shift in women s rights. The global gender gap in primary school completion and enrolment in secondary school has closed, however barriers and opportunities remain, particularly on equal pay. According to the World Bank, gender equality would enrich the global economy by an estimated $160 trillion if women were earning as much as men in the workplace. Men themselves face changing roles. Time spent with children has almost quadrupled for men since 1965 and in some countries the burden of care is changing in response to improved paternity leave entitlements and shared parental leave. Changing demographics and societal expectations present significant risks and opportunities for FMCG companies.

Find out more about how we are responding to the trends outlined in this section in delivering value for our stakeholders (pages 11 to 18).

OUR VALUE CREATION MODEL

UNILEVER HAS A PROVEN BUSINESS MODEL THAT SUPPORTS LONG-TERM, SUSTAINABLE VALUE CREATION.

Our business activities span a complex, global and cyclical value chain. The start of our value chain is consumer insight. We track changing consumer sentiment through our 27 People Data Centres around the world. Through close collaboration between marketing and R&D, we use our insights to inform product development, leveraging our 900 million annual R&D spend. Our research aims to bring together the best thinking and ideas from wherever they exist within Unilever and beyond, including universities and specialist companies.

We work with tens of thousands of suppliers and spend around 34 billion on goods and services. Our supply chain sources the materials and ingredients that make up our products. Our global manufacturing operations across more than 300 factories in 69 countries turn these raw materials into products with a total volume of nearly 19 million tonnes.

Our products are then distributed via a network of around 400 globally coordinated distribution centres to 26 million retail stores, from large supermarkets, hypermarkets, wholesalers and cash and carry, to small convenience stores, as well as other fast-growing channels such as e-commerce, out-of-home and direct-to-consumer.

We are the second largest advertiser in the world, based on media spend. We create an increasing amount of tailored content ourselves to market our brands, using digital channels.

Underpinning our value chain is a set of defining strengths which set us apart from our competitors: our portfolio of global, purpose-led brands and local jewels; a geographic presence in more than 190 countries with 58% of our turnover in emerging markets; deep distribution capability through ever more complex channels; and a talent pool of local leaders over 80% of our business leaders are local to their markets.

Our strategy (see page 10) and our Divisional strategies (see pages 11 to 12) harness these strengths to deliver competitive top and

bottom-line growth, and capital efficiency which in turn drives underlying operating margin, free cash flow and return on invested capital and ultimately attractive returns for shareholders.

To respond further to the increasing pace of change and accelerate value creation, we have embedded our C4G programme across all Divisions so we are a faster, simpler organisation. We are also rapidly embracing new digital technologies such as the Internet of Things, AI and robotics to get even closer to our value chain partners and consumers.

Our strategy and business model continue to deliver solid growth. From 2014 to 2018 we have delivered average underlying sales growth of 3.3% a year while underlying operating margin increased by an average 70 basis points per year to 18.4%. Longer term, Unilever has grown dividends by an average of 8% per year over the last 38 years, with no reductions.

We are on track to meet a number of targets to accelerate shareholder value since 2017. These include underlying sales growth ahead of our markets, which we expect to translate into underlying sales growth of 3-5% each year up to 2020, projected cumulative savings of 6 billion by 2019 and an expansion of underlying operating margin from 18.4% in 2018 to 20% by 2020. Return on Invested Capital is expected to be sustained in the high teens and dividends will continue to rise, reflecting confidence in the outlook for profit growth and cash generation.

Sustainable value creation also means creating value for the many stakeholders Unilever relies on. The Unilever Sustainable Living Plan (USLP) is at the heart of our multi-stakeholder business model and vision to grow our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact in turn contributing to the United Nations Sustainable Development Goals (see page 15). The USLP helps us to deliver more growth through our brands with purpose, less risk by future proofing our supply chain, lower costs through eco-efficiency practices and more trust from the stakeholders who we rely on.

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OUR STRATEGY

GROWING THE CORE, EVOLVING THE PORTFOLIO AND DEVELOPING CHANNELS ARE AT THE HEART OF OUR STRATEGY.

Our strategy helps us deliver top and bottom line growth in a fast-changing world. It is underpinned by C4G which aims to create a faster, simpler organisation.

WINNING WITH BRANDS AND INNOVATION

Rapid innovation is critical to respond effectively to the fragmentation we are experiencing in consumer segments, routes to market and media channels. Innovation varies by Division based on market requirements and brand strategies but we split projects into three separate groups. Firstly, we have global roll-outs, such as the Sunsilk Natural Recharge launched in 5 markets in 2018. Secondly, we have local innovations marketed through global brands, such as our partnership with Kinder (owned by Ferrero) which was launched in several European countries following success in France. Finally, we have local brands with local innovation, such as Vim bars with mint extract launched in India.

Our faster response to consumer trends is due to different ways of working to meet the needs of local consumers and customers, and quick decision-making. Global marketing networks called Brand Communities work hand in hand with more than 230 Country Category Business Teams (CCBTs) that operate as multifunctional entrepreneurial units. This allows for more experimentation, responsiveness and scaling up of innovation across markets. We are already seeing an improvement in time to market across our portfolio as a result of a range of initiatives to speed up the innovation process. For example, time to market with new innovations to meet local trends is now 40-50% faster compared to 2016.

Our portfolios are evolving to meet consumer demand for brands that take a stand on issues they care about. Unilever s purpose and our Sustainable Living brands are key to driving purchase preference. Consumer trust in brands is also driven by their experiences of marketing. In 2018 we took a key role in the industry ensuring digital responsibility covering content, platforms and measurement while also campaigning to improve influencer marketing and combat fraud in the digital ecosystem.

Related principal risks (pages 29 to 32): **Brand preference, Economic and political instability, Portfolio management, Safe and high-quality products, Sustainability, Climate change, Plastic packaging**

WINNING THROUGH CONTINUOUS IMPROVEMENT

C4G plays a significant role in driving growth, but is also responsible for margin expansion for profitable growth. Through sharper financial discipline governing overhead spending, and our zero-based budgeting (ZBB) approach, we are reducing costs and uncovering innovative ways of working.

We are applying the 5S smart programme across the Group which cuts costs and examines the business case for improvements more broadly driving savings through smart buying, smart sourcing and a smart product portfolio, as well as leveraging our supplier Partner to Win programme. 5S also drives revenue and margin through smart mix and smart pricing delivered through our Net Revenue Management programme. 5S is delivering over 1 billion of savings per year, with the aim to reinvest two-thirds of these savings.

Brand and Marketing Investment is focused on maximising return on spend. We are increasing spend in the areas driving growth, such as digital media and in-store, whilst reducing production and promotional spend. In 2018 we generated savings in BMI of over 500 million. We are creating more content in-house while making existing assets go further. Our 16 U-Studios in 13 countries create brand content faster and more efficiently than external agencies. Improvements to measurement and verification of digital audiences ensure we maximise value in digital advertising alongside improvements in the measurement of influencer follower data.

Related principal risks (pages 29 and 31): **Brand preference, Supply chain**

WINNING IN THE MARKETPLACE

Every day, 2.5 billion people use our products. We evolve our portfolio to reach consumers in all income brackets from our prestige range in Beauty & Personal Care, built from carefully selected acquisitions, to the roll-out of affordable products, such as Domex Toilet Cleaning Powder in India, for low income consumers. We reach wide into new geographies, with brands expanding into new pockets of growth such as launching Ben & Jerry s Moo-phoria low calorie ice cream in the US and Premium Cif sprays in 15 European markets in 2018.

Data is key and our ambition is to build one billion one-to-one consumer relationships through our People Data Centres which connect us with consumers in a responsible way through real-time analytics. Our 27 People Data Centres identify trends from social listening alongside engaging with consumers on ideas for new launches. Our contact with consumers is governed by our Code Policy on Personal Data & Privacy which sets out the steps we take to protect personal data.

Alongside innovation, customer development is key to growth, ensuring products are available when and where consumers want them, in the format they prefer, at the right price. E-commerce remains a crucial channel. Online is now around 5% of Unilever turnover. In China e-commerce accounts for over 20% of turnover. We are building our business through online channels such as Amazon, Taobao in China, online grocery websites, and direct-to-consumer models deployed by Dollar Shave Club, T2 and our prestige brands.

Related principal risks (pages 29, 30 and 32): **Customer relationships, Economic and political instability, Portfolio management, Sustainability, Climate change**

WINNING WITH PEOPLE

With unprecedented change happening externally, we are taking action in a number of areas to ensure we are more agile, digitally focused and networked. Our C4G programme is empowering our people with an owner s mindset and gives them the licence to take greater responsibility. Through C4G we are already seeing higher levels of empowerment, collaboration, experimentation and increased speed in decision-making.

To develop the capabilities, skills and leadership which support new ways of working, we are investing in continuous, always-on learning programmes. We are particularly focused on digital capabilities. To develop purpose-led and future-fit leaders, in 2018 we launched new Standards of Leadership. Developed in collaboration with thought leaders and groups of young and senior leaders, the new Standards recognise the need for leaders to embrace both the inner and outer aspects of leadership. The outer game is what leaders need to do to succeed; the inner game is about their inner purpose which guides their behaviours and actions.

Attracting and retaining talent is vital to support our growth ambitions. Purpose and our Unilever Sustainable Living Plan (USLP) remain key talent attractors with 75% of employees in our 2018 UniVoice survey believing their role contributes to the USLP and 70% believing they can fulfil their purpose at work. To reinforce this link and give more people a stake in the business we are developing our approach to reward by including more long-term share-based incentives for business performance and progress on our USLP targets.

Related principal risks (pages 29, 31 and 32): **Talent, Business transformation, Sustainability**

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DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS

OUR CONSUMERS

Our three Divisions meet the constantly changing needs of consumers by harnessing our global scale and local expertise. Innovation is the fuel, creating great products that consumers love, from nutritionally balanced foods and refreshments, to affordable soaps that combat disease, luxurious shampoos and everyday household care products. Whatever the brand, wherever it is bought, we re working to ensure that it plays a part in helping fulfil our purpose as a business making sustainable living commonplace.

BEAUTY & PERSONAL CARE

BEAUTY & PERSONAL CARE (BPC) GENERATED TURNOVER OF 20.6 BILLION, ACCOUNTING FOR 40% OF UNILEVER S TURNOVER AND 33% OF OPERATING PROFIT IN 2018.

The Division is our largest and includes five global brands with turnover of 1 billion or above, namely Axe, Dove, Lux, Rexona and Sunsilk, as well as other household names such as TRESemmé, Signal, Lifebuoy and Vaseline. BPC has leading global positions in hair care, skin cleansing and deodorants, and strong local positions in skin care and oral care. The prestige business leads in premiumising our portfolio with turnover of 490 million from brands including Dermalogica and Hourglass.

BPC s strategic ambition is to become the most valuable and admired BPC company, led by its purpose Beauty that cares for people, society and our planet . Its priorities are to continue to grow its core brands, build a future-fit portfolio, lead in high-growth spaces and adopt a new model of marketing. The priorities reflect and respond to key trends shaping the Division. 2018 saw increasing fragmentation across route to market, retail channels and media, alongside growing data, analytic and automation capabilities. Together these trends are creating a more dynamic, complex and sophisticated landscape with greater segmentation, differentiation and personalisation.

BPC s core brands are introducing new innovations and formats quickly and at scale, such as the new shower mousses from Axe, Dove and Radox as well as a growing range of products which respond to the trend for natural and wellbeing products. During 2018 we launched Vaseline Clinical Care and Dove Derma Series in the fast-growing therapeutics segment and Dove Facial Cleansing Series infused with 100% plant-derived botanical oils in Japan. Hair care has created and launched multiple naturals products, creating a business with over 300 million in turnover in 2018.

Succeeding in the hyper-fragmented world demands greater consumer responsiveness and we are proud to have launched nine new brands over the past two years: ApotheCARE Essentials, Hijab Fresh, K-Bright, K-JU, Korea Glow, Love Beauty and Planet, Pure Derm, Purifi and Skinsei. Love Beauty and Planet has expanded from North America into four markets in Europe and is now active across several categories including skin cleansing, deodorants, skin care and hair care.

Our acquisitions play a key role in building the future-fit portfolio. In the last four years, BPC has acquired 13 companies including wellbeing focused Equilibra in 2018. AHC (Carver Korea), acquired in 2017, showed strong e-commerce performance and in 2018, we rolled it out to Taiwan, Hong Kong, Singapore, Malaysia and Russia. Schmidt s Naturals, also acquired in 2017, has extended beyond deodorants into more categories. The acquisition of

Quala S.A completed in February 2018. Within two months of acquisition, its Savile and Ego extensions had brought to market multiple new products in five categories. Strong progress has been made building a highly attractive prestige portfolio which is on track to becoming a 1 billion business. Our most recent acquisition in prestige, Hourglass, is growing fast, expanding into new geographies and with a commitment to become entirely vegan by 2020.

Future growth will depend on accelerating the adoption of a new model of marketing focused on brands with purpose, generating great content, delivered via digital channels using advanced data and analytics. The model is creating many new consumer touchpoints. For instance, Axe collaborated with DJ Martin Garrix to launch his Burn Out video with over 40 million YouTube views to date, celebrating the brand s message of individuality. In Latin America, Sunsilk partnered with an online influencer to co-create products for curly hair.

Our purpose-led brands are well positioned to meet growing concerns about the fragility of the planet and consumer preference for more

sustainable products. In October we joined calls from consumers, NGOs and politicians for a worldwide ban on animal testing of cosmetics and Dove, the Division s biggest brand, achieved PETA accreditation as cruelty free . The PETA cruelty-free logo will start appearing on many packs in 2019 and more brands are set to follow. We are also developing new packaging solutions with less plastic, better plastic and no plastic. REN launched a sea kelp and magnesium body wash in a bottle made from 100% recycled plastic, with 20% from recovered ocean plastic. Simple launched biodegradable face wipes made from renewable plant fibres and sustainable wood pulp. More packaging innovations will be launched in 2019.

Overall, underlying sales growth was 3.1%, driven by skin care and skin cleansing, but partly offset by slower growth in deodorants and oral care due to market and competitive pressures. Profitability progressed with underlying operating margin improving 80 basis points to 21.9%. Geographically, a number of countries grew above the market including US, Canada and the UK while emerging markets such as Pakistan and Bangladesh also had high growth. Brazil underperformed as did Japan and parts of Western Europe, where markets were flat to declining. In our channels, e-commerce remains a key driver of growth alongside the Health & Beauty channel where we would like to see faster growth following a slow year, especially in North America.

Looking ahead, we will continue to build our future-fit portfolio while adopting the new model of marketing, to deliver strong growth, making an accretive contribution to Unilever s top and bottom line.

FOODS & REFRESHMENT

FOODS & REFRESHMENT (F&R) GENERATED TURNOVER OF 20.2 BILLION, ACCOUNTING FOR 40% OF UNILEVER S TURNOVER AND 58% OF OPERATING PROFIT IN 2018.

The Division launched in January 2018 after the previous Foods and Refreshment Categories merged. The integration and relocation of the global teams to Rotterdam is complete. The disposal of the spreads business was also completed in July. F&R now includes the foods, ice cream and beverages categories, as well as Unilever Food Solutions, our dedicated foodservice business. F&R is home to five global brands with turnover of 1 billion or above, namely Knorr, Hellmann s, Magnum, Lipton and Heart brand (eg Wall s) as well as other famous global brands including Brooke Bond and Ben & Jerry s. It also includes local jewels such as Bango and Robertson s plus recent B Corp acquisitions such as Pukka Herbs, Sir Kensington s and Mãe Terra. F&R s ambition is to accelerate growth while improving underlying operating margin. F&R s purpose Taste good, Feel good, Force for good underpins our strategic priorities which are to: transform the portfolio; organise for agility and lower costs; and transform capabilities.

Our efforts to transform the F&R portfolio are driven by consumer insights. For example, we are seeing stronger preference for healthier products with more natural and organic ingredients. F&R has launched a number of products addressing this trend, including Magnum and Hellmann s vegan variants in Europe, meat-free Knorr launches in the Nordics and Ben & Jerry s non-dairy alternatives. Knorr also expanded its organic and 100% natural ranges in Europe. In our beverages category, we continue to grow our good for me tea ranges. Lipton s range, which includes variants such as detox and stress-less, continued its global roll-out with strong performance. Recently acquired brands such as Pukka Herbs are being rolled out at pace. However, given continuous acceleration of the external landscape, we have to step up portfolio transformation further and increase the speed of our response to trends.

Our market-focused organisation and agility supports our portfolio transformation and delivered several new brands in 2018 such as RED RED (UK), Culture Republick (US), and Jawara (Indonesia). We announced an agreement to acquire Horlicks and other consumer healthcare nutrition products in India and other Asian markets from GlaxoSmithKline (GSK), and also acquired the Vegetarian Butcher (Netherlands) and three ice cream brands Adityaa (India), Betty (Romania) and Denny (Bulgaria). After success in the US, Breyers Delights was launched in Europe. In addition, we introduced innovative licensed ice cream brands including Kinder in Europe and Cornetto Oreo in India.

DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS CONTINUED

Consumers shopping habits continue to change. We launched the IceCreamNow platform in partnership with restaurant delivery services, building a new home-delivery channel. We have also launched a global front-of-house programme to showcase our teas and condiments in restaurants, hotels and bars, and to capitalise on the growth of eating out and out-of-home consumption. These represent significant business opportunities.

The second F&R strategic priority is to organise for agility and lower costs. In 2018, our 5S and ZBB programmes stepped up fuelling our gross margin and marketing support. We will continue our savings programme to reduce structural costs, while providing funding for portfolio transformation and margin expansion. Our speed to market has improved by almost a third, reflecting how C4G is helping to unlock speed and agility. We are also piloting new ways of working across our teams.

Our final strategic priority is to transform our capabilities with a focus on R&D, lean innovation and precision marketing. The creation of our state-of-the art global Foods Innovation Centre in Wageningen (Netherlands) will further strengthen our innovation capability. It is scheduled to open in 2019. We are also enhancing our capabilities in digital-driven marketing through extra resourcing across key markets, upskilling our current teams and hiring digital savvy marketeers.

These strategic priorities are underpinned by the development of more purpose-led brands. Knorr, Hellmann s, Lipton, Brooke Bond and Ben & Jerry s continued to grow, each fuelled by a unique purpose which is resonating with consumers. Brooke Bond for example continued its work tackling cultural taboos through its campaigns, addressing same-sex relationships in Canada and divorce in the Gulf markets. Meanwhile, Hellmann s launched a major focus on food waste with an activation in Brazil to inspire people to use Hellmann s to transform leftovers into tasty meals. Action on plastic packaging is another priority for F&R. We have partnered with Ioniqa and Indorama Ventures to pioneer a technology which converts PET waste into virgin grade material for use in food packaging. In the UK, PG tips started to introduce 100% biodegradable plant-based pyramid bags. More innovations and new technologies are in the pipeline.

During 2018 F&R turnover declined 9.9% to 20.2 billion, due to the sale of spreads and currency devaluation. Underlying sales growth was 2.0% while our underlying operating margin improved by 80 basis points to reach 17.5%. Europe returned good results in ice cream, underpinned by good weather and innovations such as Magnum pints and Kinder ice cream. However, developed markets overall remain difficult and are seeing slower volume growth due to increasing segmentation of consumer preferences, especially in foods, where our efforts on portfolio transformation were not enough to offset the headwinds. Traditional channels in Europe such as supermarkets and hypermarkets continue to discount, creating deflationary pressure. Latin America had a challenging year due to tough economic conditions, a truckers strike in Brazil and currency headwinds in Argentina which affected growth in these two markets. Excluding Latin America, emerging markets generally delivered a strong performance. Several key markets including India, China and Turkey saw double-digit growth reflecting the strong potential in emerging markets.

F&R will continue to drive growth and margin by focusing on its strategic priorities. Our portfolio transformation, step-up in capabilities and shift in culture are of paramount importance to meet these objectives.

HOME CARE

HOME CARE GENERATED TURNOVER OF 10.1 BILLION, ACCOUNTING FOR 20% OF UNILEVER S TURNOVER AND

9% OF OPERATING PROFIT IN 2018.

Home Care is home to two global brands with turnover of 1 billion or above, namely Dirt is Good (eg Omo and Persil) and Surf. Other leading brands include Comfort, Domestos, Sunlight, Cif, Seventh Generation as well as our air and water purification brands Blueair, Pureit and Truliva/Qinyuan. 79.5% of our turnover is in developing and emerging countries. Home Care s ambition is to deliver sustained underlying sales growth and step up underlying operating margin.

The rapid change of consumer habits, media, competitors and channels, as well as heightened environmental stress, has redefined Home Care s

growth opportunities. The Division responded to these changes by creating four consumer-centric categories: Fabric solutions which focuses on ready to wear clothes (eg Omo, Surf, Radiant); Fabric sensations which focuses on fabrics, fashion and lifestyle (eg Comfort, Snuggle); Home & hygiene (eg Sunlight, Sun) which focuses on delivering care for a cleaner world; and life essentials which unites our air and water purification brands (eg Pureit, Truliva, Blueair). Home Care s purpose Making your home a better world. Making our world a better home underpins the Division s strategic priorities: strengthening further the foundation of the business; making Home Care fit for the future; and investing in capabilities.

Home Care strengthened the foundations of the business by delivering superior products and benefits. We launched Cif Specialist sprays across 15 countries in Europe whilst continuing to roll-out our toilet blocks to 11 more markets. We expanded our product portfolio into high potential geographies, building on our most established brands such as Omo-branded floor cleaners in Brazil. Our Comfort Intense ultra-concentrated fabric conditioners are now in 20 markets and continue to enjoy strong growth.

Our brands made progress in embracing purpose to connect more meaningfully with consumers in particular millennials. In India, Domex enrolled renowned movie stars in its Pick up the brush campaign to help overcome the social stigma associated with cleaning toilets, a key barrier to improve sanitation. Seventh Generation, acquired in 2016, stepped up its advocacy for Climate Justice together with the Sierra Club to move cities to commit to 100% renewable energy. Home Care s biggest brand, Omo/Persil, joined forces with National Geographic, IKEA and Lego to promote the developmental benefits of play in children.

The second pillar of our strategy is to future-proof our business to lead new trends. We intensified our efforts and increased our footprint in the fast-growing natural segment through the launch of Omo naturals in New Zealand, France and Brazil among others, the roll-out of Seventh Generation in more markets and the launch of Sunlight Naturals across South-East Asia and South Africa. Our brands such as Cif, Omo/Persil and Seventh Generation responded to growing concerns about plastic by including recycled plastic in their packaging. Home Care launched Day2, a dry wash spray that revives clothes between washes saving time and water. Our ultra-concentrated laundry gems, a new format launched in the UK in 2017, performed below expectations. In South Africa we reacted quickly to the drought in Cape Town with Domestos Flush Less, a toilet spray that disinfects and eliminates odours without the need to flush. We increased our presence in e-commerce, crossing 500 million of sales and continued to experiment with new business models such as peer-to-peer laundry services.

The third strategic pillar is investing in our capabilities. This includes partnering to tap into the opportunities that data brings to make Home Care more efficient and better able to seize growth opportunities. In China, our water purification brand, Truliva, partnered with Alibaba to develop an online leasing market for water purifiers. We also joined forces with Ms Paris, the Chinese dress rental platform, that allows consumers to hire designer dresses and return without laundering. To support our R&D efforts, we have inaugurated the Materials Innovation Factory at the

University of Liverpool, a world-class centre of excellence in advanced material chemistry and an ecosystem that brings together innovation partners and leading academics to develop more sustainable and superior formula and packaging for our brands.

Home Care delivered underlying sales growth of 4.2% while our underlying operating margin improved by 80 basis points to reach 13.0%. Key drivers of growth were North and South Asia with South East Asia, Middle-East, Turkey and the US also performing strongly. By contrast, our performance in Latin America was challenged by a trucker s strike and extreme inflationary pressures. Our home & hygiene and fabric sensations categories delivered strong, broad-based profitable growth whereas life essentials performed below expectations largely driven by a significant decline in category growth in air purification in China and intense competitive pressures. Margin expansion in fabric solutions was hampered by inflationary headwinds and competitive pressures on pricing.

Home Care will continue to drive growth and margin by shifting our portfolio and footprint towards the higher growth, more profitable market segments, formats, channels and geographies while continuing to address with agility changing consumer preferences.

SOCIETY AND ENVIRONMENT

OUR MULTI-STAKEHOLDER MODEL AIMS TO REWARD OUR SHAREHOLDERS WHILE POSITIVELY IMPACTING SOCIETY.

Our impact on society starts with our 155,000 employees who received 5.3 billion in pay in 2018, and extends across our value chain including the millions of retailers and distributors who sell our products in more than 190 countries, generating income and employment for many more. Our suppliers also benefit from the 34 billion we spent on goods and services in 2018. The taxes we pay are another important contribution to society. Total tax borne by Unilever in 2018 was 3.7 billion, of which 2.3 billion was corporation tax. Unilever fully complies with the tax laws in the countries where we operate. Where tax law is unclear, or has not kept pace with modern business practice, we interpret our obligations in a responsible way, guided by our Tax Principles.

UNILEVER SUSTAINABLE LIVING PLAN

Our impact on society is significant but we want our impact to go beyond business as usual, delivering value for multiple stakeholders at the same time as growing our business. This idea is encapsulated in the Unilever Sustainable Living Plan (USLP) which represents a simple idea that business growth and sustainability are not mutually exclusive. By focusing on sustainable growth, we believe we will generate consistent and profitable long-term shareholder returns. The USLP has three big goals: improving the health and well-being of more than one billion people by 2020; halving our environmental footprint by 2030; and enhancing livelihoods for millions by 2020. These goals are supported by over 50 time-bound stretching targets and a transformational change agenda which aims to create change on a systemic scale. We are making good progress overall against our targets although some remain a challenge to achieve by the end of 2020. Our Sustainable Living Report includes extensive disclosure on progress against our USLP targets including challenges we have faced, some of which are summarised in this section of the Annual Report & Accounts.

Our actions on sustainability are creating value in numerous ways, generating more growth, lower costs, less risk and more trust in the business. Our Sustainable Living brands, which combine a powerful purpose with products contributing to the USLP, are a key driver of growth. In 2017, 26 of our top 40 brands were Sustainable Living brands including Ben & Jerry s, Dove and Lifebuoy. Our Sustainable Living brands grew 46% faster than our other brands and accounted for 70% of total growth. Product innovations which respond to water scarcity and climate change at the same time as helping consumers, continue to create growth opportunities for us. Recent sustainability innovations which deliver consumer benefits include our new Love Beauty and Planet range in the US which uses fast-rinse technology in its conditioners thereby requiring less water. Domestos Flush Less, available in water-scarce South Africa, keeps toilets clean while saving nine litres of water per flush.

The USLP strengthens our business by helping us to save costs. Since our baseline year of 2008 we have saved over 600 million on energy costs in our factories; and by using fewer materials and producing less waste we have avoided costs of approximately 234 million.

Through the USLP, we are also responding directly to a number of macro forces (see page 8) that are both risks and opportunities in our markets such as a lack of access to water and sanitation, strains on the food system, climate, the environment, and rising inequality. We have identified the broad issue of sustainability, related to the achievement of our goals in the USLP, as a principal risk (page 29) as well as a number of specific risks including climate change (page 30) and plastic packaging (page 30). Mitigating the physical impacts of climate change is critical because we depend on raw materials sourced from countries that are particularly vulnerable to rising sea temperatures and changing weather patterns. See pages 33 to 35 for our response to the risks and opportunities from a low-carbon economy.

Trust is essential for any business, but it must be earned. The USLP is a key driver of trust among our employees and potential recruits. We are the number one FMCG graduate employer of choice in around 50 countries where we recruit. We have been ranked first in the annual GlobeScan survey of sustainability leaders for eight years and also came top of the Dow Jones Sustainability Index Personal Products sector in 2018.

IMPROVING HEALTH & WELL-BEING

Our activities impact the health and well-being of millions of people through brand-led health and hygiene, and nutrition interventions. Significant progress has been made against our first USLP goal of helping more than one billion people improve their health and well-being by 2020. By the end of 2018, we had reached 653 million people, making a significant contribution to the Sustainable Development Goal on Clean Water and Sanitation (SDG6).

In order to increase the reach and social impact of some of our biggest health & hygiene programmes we continue to explore the potential of using mass media and digital to drive behaviour change at greater scale, as well as scaling up partnerships to increase the reach of more conventional on-ground programmes. Dove, one of Unilever s biggest brands which grew at 7.8% in 2018, has reached around 35 million young people since 2004 through its Self-Esteem Project. To expand its reach, Dove has partnered with the Cartoon Network to create Steven Universe mini episodes which bring to life the proven themes from our on-ground programmes to boost self-esteem for young people. Our aim is that this will reach 20 million young people over the next two years. This series is supported by a music video which has so far received over 1.8 million views on YouTube. As well as reaching more young people with body confidence messaging, this activity is helping to raise overall awareness of Dove s work to improve self-esteem which correlates with higher purchase intent.

Since 2010, Lifebuoy s programmes have reached 458 million people through schools, health clinics and community outreach. Lifebuoy has recently expanded its behaviour change programme on the importance of handwashing with soap using mobile technology. The new service aims to reach out to women in media dark areas, providing free advice to mothers on their child s health. Another recent Lifebuoy partnership with Gavi (the Vaccine Alliance) ties together the importance of handwashing with soap and immunisation, using a variety of channels including home visits and mobile communications. While our programmes have focused on reaching children and mothers on-ground, we have long believed that TV advertising can drive behaviour change. To test this, we ran a study in India to assess the effectiveness of specific Lifebuoy TV adverts. The study showed a significant increase in the frequency of handwashing with soap after people watched the adverts. We are progressing with peer review publication of our study.

For more than a decade, we have been working to make our products even healthier by increasing goodness and reducing nutrients of concern like sugar, salt and saturated fat. We aim to double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. So far 48% of our products have reached this standard and we are on track to meet our 2020 commitment. We are also using the power of our brands to empower people to make responsible choices. In support of our Code Policy on Responsible Marketing, in 2018 95% of our Foods and Refreshment portfolio had full nutrition labelling on pack that aligned with Unilever s product labelling criteria (based on 96% of global sales from 1 April 2018 to 30 June 2018). We continued our efforts to improve the goodness in our products and set out the ambition to provide 200 billion servings by 2022 containing at least one of the 5 key micronutrients: iron, iodine, zinc, vitamin A or D. We are developing plans to deliver against the ambition.

REDUCING ENVIRONMENTAL IMPACT

Our activities impact the environment, principally through the use of water, energy and land as well as the production of waste and greenhouse gas emissions, largely as a result of consumer use. These impacts are reflected in the USLP environmental pillar and are supported by our Environmental Policy which is available on our website. Our environmental big goal is by 2030 to halve the environmental footprint of the making and use of our products as we grow our business. This is a challenging target requiring action across our value chain on waste, water and greenhouse gas emissions in turn contributing to the Sustainable Development Goals.

As a consumer goods company, we are acutely aware of the causes and consequences of the linear take-make-dispose model of consumption. We are taking action across our value chain to reduce, reuse, recycle and recover post-consumer waste and move towards a more circular model. Our manufacturing operations have seen a reduction in total waste disposed to landfill, or incineration without energy recovery, of around 97% per tonne of production since 2008.

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Furthermore, we achieved zero non-hazardous waste to landfill across our global factory network in 2015 and have maintained this every year since. We are more than half way towards meeting our 2020 commitment to reduce waste associated with the disposal of our products. This has reduced by about 31% since 2010 due to increases in consumer recycling and changes in our portfolio.

In 2017, we made a further commitment on waste, ensuring that all our plastic packaging will be fully reusable, recyclable or compostable by 2025. We are moving in the right direction to make all of our packaging recyclable but there is more work to do. Find out more on page 15. Seventh Generation is eliminating virgin petroleum plastic (new plastic made from oil) and virgin fibre (virgin wood pulp) from its packs and has committed that all its packaging will be fully recyclable or compostable by 2020. In Brazil, Omo is launching its first plant-based detergent in a 100% recyclable pack containing recycled plastic.

We have reduced the water used in manufacturing by 44% per tonne of production since 2008. Our biggest water impact occurs when consumers shower, bathe and clean clothes with our products. In 2018, our water impact per consumer use reduced by around 2% compared to 2010. We recognise that we are a long way short of halving our water impact and we will not achieve this very challenging target by the end of 2020. This is due in part to our portfolio being made up of more products that have a higher than average water footprint than in 2010 and the significant consumer behaviour change needed to reduce water consumption when our products are used, where the vast majority of our water footprint resides. Going forward we want to broaden our water strategy by recognising the role of water in our consumers lives and its importance as a growth driver for our business. We are developing and launching innovative products which deliver the benefits people need with less water, or even no water at all, as well as products that improve the quality of water.

As with water, our biggest greenhouse gas impact comes through consumer use. The greenhouse gas impact of our products across their lifecycle has increased by about 6% since 2010. We are having more success in areas that are within our direct control such as manufacturing where we have cut CO_2 from energy by 52% per tonne of production compared to 2008. Similarly, we continue to make savings through the ongoing roll-out of freezer cabinets that use more climate-friendly natural (hydrocarbon) refrigerants. Our ability to meet our target partly depends on changes in the energy markets worldwide, such as the rate of installation of renewable electricity in many countries. We have a role to play as an industry leader to help shape those markets. We are committed to implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (see pages 33 to 35). Two of our carbon reduction targets have been officially approved by the Science-Based Targets Initiative.

Our sustainable sourcing strategy focuses on a set of key agricultural crops, which are not only crucial to our brands, but also where we can drive measurable impact for sustainable transformation of the industry. By the end of 2018, the total volume of our agricultural raw materials that were sustainably sourced was 56%. In line with our strategy, sustainably sourced volumes for our 12 key crops increased by over 4% including significant increases for palm oil and tea, whilst our sustainably sourced volumes for non-key crops reduced. As a result, our performance versus 2017 was flat. The sale of our spreads business during 2018 had a slight downward impact on overall sustainable sourcing performance given the substantial volume of sustainable palm oil used by our spreads business.

A number of key activities moved our sustainable sourcing agenda forward in 2018. We deepened our commitment to transparency with the publication of our palm oil mill list and the creation of a grievance tracker for our palm oil supply; and we, along with key NGOs including WWF, initiated a new jurisdictional approach to palm oil in Malaysia. The additional programmes were also supported by digital solutions like leveraging satellite data for deforestation detection and risk assessments, mapping of smallholder parcels in Indonesia, sending critical weather alerts to farmers mobiles in India, and using the Internet of Things to optimise tea production in Kenya. We are also piloting innovative approaches to achieving upstream traceability in several supply chains.

ENHANCING LIVELIHOODS

Our activities have the potential to positively impact the livelihoods of not only our employees, but the millions of people who are involved in our value chain notably smallholder farmers and small-scale

retailers. By 2020, we aim to enhance the livelihoods of millions of people as we grow our business. In 2018, we made steady progress across the three pillars of our Enhancing Livelihoods goal.

We believe that women s empowerment is the single greatest enabler of development and economic growth. We are building a gender-balanced organisation (page 16) while improving women s safety in the communities in which we operate, and developing employment opportunities through the Shakti programme which has provided work for around 113,000 women, equipping them to sell Unilever products in low income rural communities. Shakti continues to scale up in India, Sri Lanka, Pakistan and Nigeria and is now being rolled out to new countries, including Colombia. By 2018, we had also enabled about 1,724,000 women to access initiatives aiming to develop their skills.

As well as directly creating wealth and jobs, our business supports millions of people who source, make and sell our products we call this inclusive business. By 2018, we had enabled 746,000 smallholder farmers and over 1.7 million small-scale retailers to access initiatives to improve agricultural practices or increase incomes. The Philippines Kabisig programme, for example, has reached over 165,000 small retailers, training them in stock control, financial management, sales and customer service increasing the earning potential of small-scale retailers at the same time as growing turnover for Unilever.

Our Responsible Sourcing Policy (RSP) is at the heart of our ambition to source 100% of procurement spend responsibly and through suppliers that meet our RSP requirements. In 2018, we focused on completing the onboarding of high risk suppliers into our compliance database and programme. Over 20,000 suppliers have now completed their registration and are undergoing review processes allowing us to verify their compliance to the RSP and identify areas for remediation. In 2018, 61% of procurement spend was through suppliers who were assessed as meeting the mandatory requirements of the RSP.

We continued to embed human rights with a focus on our eight salient issues (ie those at risk of the most severe negative impact through Unilever s activities or business relationships). We also began a process to review these through a series of global and regional consultations. This year, one of our primary areas of focus has been on the eradication of forced labour in our supply chain through training, capacity building and driving a robust vetting process for temporary labour agencies. We launched and are rolling out our Land Rights Principles and Implementation Guidance. Human rights risks are included as part of our sustainability and ethical principal risks (see pages 29 and 33). See our website and our latest Human Rights report for more on our activities and due diligence processes.

Safety is a critically important part of our USLP. Our Vision Zero strategy continues to aim for: Zero Fatalities; Zero Injuries; Zero Motor Vehicle Accidents; Zero Process Incidents; and Zero Tolerance of Unsafe Behaviour and Practices. This is supported by our Code Policy on Occupational Health & Safety. Our Total Recordable Frequency Rate from 1 October 2017 to 30 September 2018 went from 0.89 accidents per 1 million hours worked in 2017 to 0.69, thanks to a continuous focus in high risk areas. See page 47 for more on safety.

DRIVING TRANSFORMATIONAL CHANGE

Our USLP is a bold ambition to achieve change within our company. However, we are just one company among many and the problems our society faces are urgent, large and complex. Our transformational change agenda combines direct action on the SDGs with partnerships and external advocacy to create change on a systemic scale while unlocking business opportunities at the same time.

We are working on a number of areas where we believe we can make the biggest difference: climate change and forests; sustainable agriculture, land use and food security; health and well-being including water, sanitation and hygiene; and improving livelihoods and creating more opportunities for women. Many of these issues relate directly to the SDGs. We are stepping up our engagement with governments, NGOs and others in our industry on these issues. We are also developing a range of partnerships that will accelerate and scale new solutions.

UNLOCKING GROWTH OPPORTUNITIES FROM THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are fundamental to future economic and business growth. The Business & Sustainable Development Commission, co-founded by Unilever, concluded that successful delivery of the SDGs will create market opportunities of at least $12 trillion a year. By using our resources as a business to address issues such as sanitation, hygiene, nutrition, gender equality and climate change among other interconnected growth opportunities covered by the SDGs we are delivering benefits for our business, shareholders and society. Partnerships (SDG17) play a key role in unlocking these opportunities. Business, governments and civil society must work together, through innovative partnerships, with new types of funding and new business models. We are working with a range of partners across many of the SDGs, often through our brands. Below we provide three examples where we have taken action in 2018. There are many more on our website.

SDG1 NO POVERTY: EMPOWERING SMALL-SCALE RETAILERS FOR GROWTH

Our products are sold in more than 190 countries, generating income and employment for millions of retailers and distributors who bring our brands to consumers. Inclusive distribution models such as Shakti and our retailer training programmes such as Kabisig in the Philippines help small-scale retailers to grow while strengthening our own sales and supply networks.

For any small retailer, selling out of a product line is a missed opportunity. But for retailers who are stuck in cash economies without access to credit, especially in the developing world, running out of stock can be a routine event.

In 2017, we began a strategic partnership with Mastercard in Kenya. Together, we ve launched the Jaza Duka (fill up your store) initiative, which uses a combination of innovative technology, targeted training and the strength of our relationships with our distribution network to free retailers from the constraints of cash, helping them fulfil their potential.

By digitising the processes of buying supplies and selling goods, small-scale retailers can build the credentials they need to access short-term working capital loans from Kenya Commercial Bank. This gives them better control of their inventory, so they can keep their shelves full and meet consumer demand. They are also able to access training and essential financial tools to help them grow their sales and incomes. Our research found that stores that fully moved to the new platform grew their sales of Unilever products by up to 20%. These are still early days. But if the partnership keeps succeeding, we believe it could help drive growth and improve incomes.

Our partnership with Mastercard is just one of a number of exciting new innovative last-mile distribution projects which harness the power of digital and e-commerce to create positive social impact at the same time as helping retailers grow.

SDG6 CLEAN WATER AND SANITATION: ADDRESSING BASIC NEEDS THROUGH OUR PRODUCTS

Nearly a billion people defecate in the open and around 2.3 billion people live without adequate sanitation. Addressing water, sanitation and hygiene needs is a significant opportunity for Unilever. A number of our health and hygiene brands directly address these needs through products and innovative partnerships which drive growth and deliver positive impact at scale, including Lifebuoy, Domestos, Vaseline, Signal and Pureit.

Domestos, which is one of our fastest growing brands, has committed to help 25 million people gain improved access to a toilet by 2020 in countries such as India. By partnering with UNICEF, over 16 million people between 2012 and 2017 gained access to a toilet through behaviour-change interventions and capacity-building initiatives. In 2018, Domestos went one step further and refocused its brand and marketing investment around its purpose. The new Unstoppable campaign, now live in the UK and Poland, is showcasing how Domestos is helping to fight germs while improving sanitation conditions for millions around the world.

Pureit, our water purification business, is another brand that is well positioned to address clean water needs in South Asia. It has provided 106 billion litres of safe drinking water since 2005 through the sale of water purifiers. Pureit is looking at different models to serve communities with accessible and affordable clean drinking water where it is most needed. One model is community water plants, which provide 20 litres of clean drinking water from a central point for just 8 to 10 rupees. In 2017, we began partnering with Water Health International (WHI) who are global experts in community water systems. So far, we have set up four pilot plants in the city of Tumkur in India, managed by WHI.

These examples show that everyday products can help prevent disease and improve people s wellbeing, while helping us grow our business.

SDG12 RESPONSIBLE CONSUMPTION AND PRODUCTION: RETHINKING PLASTIC PACKAGING

Plastic has become an integral part of our lives. It protects products and makes them easy to dispense or reseal after use. But with that has emerged the enormous and growing problem of plastic waste. It is littering our environment, polluting our seas and killing aquatic life. The challenge is that so little plastic packaging is currently recycled, recyclable or reusable. The result is a significant economic loss for society and business. It is for these reasons that we have singled out plastic packaging as a principal risk for our business in 2018 (see page 30 for more).

In 2017, we were one of the first multinational companies to make a public commitment to address plastic packaging waste. By 2025, all our plastic packaging will be reusable, recyclable or compostable and at least 25% of it will come from recycled plastic content. To help deliver these commitments we have an internal framework: Less plastic. Better plastic. No plastic. Less plastic is about cutting down how much we use in the first place. Since 2010 we ve reduced the weight of our packaging by 18% through lightweighting and design improvements. For example, several years ago we launched MuCell technology which uses gas-injection to create gas bubbles in the middle layer of a bottle wall. This cuts the amount of plastic by at least 15%.

Better plastics is about making our products recyclable and eliminating problematic materials. Specifically, how we get recycled content in our packaging a number of our brands are working to incorporate post-consumer recycled (PCR) plastic in their products including Love Beauty and Planet, TRESemmé, Sunlight and Omo. Better plastics is also about how we work with governments and partners to build infrastructure so we can help keep plastic in the economy and out of the natural environment. Our Community Waste Banks and CreaSolv® Sachet recycling technology pilot plant in Indonesia are at the heart of these efforts. The plant is currently processing around three tonnes of discarded sachets per day with an aim to scale up this process.

No plastics is about thinking differently using alternative materials such as aluminium, glass, paper and board where possible and removing plastic where it is not necessary, such as plastic stiffeners from soap bars. We re also looking at reuse, encouraging shoppers to refill or reuse through vending machines. It s early days but we are committed to finding non-plastic packaging solutions.

We re putting significant resource into tackling the issues associated with plastic packaging. It makes business sense to keep plastic in the economy and is imperative for the planet.

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DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS CONTINUED

OUR PEOPLE

UNILEVER EMPLOYEES ARE EMPOWERED TO ACT LIKE BUSINESS OWNERS IN A PURPOSEFUL CULTURE.

The world of work is rapidly changing. Automation, flexible resourcing and new business models continue to impact our business and workforce. The workforce expects more flexibility and is increasingly freelance. A job for life is no longer the norm. Once employed, people must regularly reinvent themselves with new skills. The digital transformation of work and growth of automation is bringing both great benefits, but also great disruption. The composition of the workforce is changing too. By 2020, Millennials will make up around 35% of the global workforce. Just over half of Unilever s own workforce in 2018 were Millennials.

CREATING A FUTURE-FIT WORKFORCE

In response to the trends outlined above, we are taking action across our business, including simplifying processes and ways of working to free people from non-value adding tasks so they can focus on key priorities. 2018 saw the continued implementation of Connected 4 Growth (C4G), our organisational change programme, and the creation of three new Divisions to bring further focus and simplicity. Our regular surveys show that 74% of our people now feel more empowered to make decisions. Our time to bring innovations to market is now 40-50% faster than in 2016.

With the advance of AI and robotics, it is more important than ever that we strike the right balance between the use of technology and more human-centred approaches. We have invested in Una Hub, an AI-based platform, which automates responses to all general employee enquiries so People Experience Leads and HR Business Partners can focus on more complex queries, and provide face-to-face support where relevant.

Our research shows that a focus on purpose helps attract talent and binds us together for growth. Through our People with Purpose programme, more than 30,000 employees have joined workshops to help them define their purpose, with 50,000 targeted by 2019. Our global Univoice survey results reinforce the importance of these workshops 92% of employees who believe they can live their purpose at Unilever, also say that their job inspires them to go the extra mile.

As the workplace changes it is important that we continue to prioritise mental wellbeing. In 2018, we officially recognised World Mental Health Day in October and continue to invest in the mental wellbeing of our people, alongside their physical wellbeing. This builds on the roll-out of a mental wellbeing framework globally several years ago which guides us in tackling the health risks across our business.

Another area of focus is on personalising training and capability building to develop the right leaders and teams who are fit for the future. We are responding to demands for new skills through continuous learning. Since the launch of Degreed, our online learning platform in 2017, 76,000 people have access to 2.3 million pieces of learning content, with 55,000 pieces being consumed on a monthly basis, including PowerUp, our digital upskilling programme. We are also accelerating impact through new agile ways of working. In the UK and US we are piloting more agile team structures to ensure we have the right people, doing the right job at the right time, while breaking down silos.

RECRUITMENT AND RETENTION

Our attractiveness as an employer is improving amongst Millennial and Generation Z recruits. We are the number one FMCG graduate employer of choice in around 50 countries and the most followed FMCG employer on LinkedIn with over 4 million followers as at the end of 2018.

In 2018 we introduced more ways to give our employees a voice, through monthly pulse surveys and global and local surveys on a range of topics, reaching around 70,000 people. Our largest listening exercise is the annual engagement survey called UniVoice which covered a representative sample of almost 25,000 office-based employees in 2018. We maintained high levels of employee engagement 90% of employees said they were proud to work for Unilever and our Engagement Index remained at 74%. The survey also reinforced the

importance of focusing on speed and responsiveness to the market. We use survey results to help us take action in areas where there is room for improvement. For example, last year we implemented the new Standards of Leadership in response to feedback we received. Alongside our UniVoice survey, we use Glassdoor to benchmark our employee experience. As at 31 December 2018, our rating of 3.9 out of 5 was above the site average of 3.2.

DIVERSITY AND INCLUSION

We want our culture to be inclusive, promoting gender balance and respecting the contribution of all employees regardless of gender, age, race, disability or sexual orientation as set out in our Code Policy on Respect, Dignity and Fair Treatment.

The USLP sets out clear targets for expanding opportunities and enhancing access to skills and training for women in our value chain. It also sets out our ambition to build a gender-balanced workforce within Unilever, with 50% of women in management positions by 2020. By the end of 2018, 49% of total management were women (47% in 2017). Among the top 92 executives, 23% were women (22% in 2017). If you include employees who are statutory directors of the corporate entities whose financial information is included in the Group s 2018 consolidated accounts in this Annual Report and Accounts, the number increases to 474 (71%) males and 190 (29%) females. 38% (5 out of 13) of the Board were female (38% in 2017). Of our total workforce of 154,848, 101,383 (65%) were male and 53,465 (35%) were female at the end of 2018.

We run programmes across Unilever aimed at attracting, retaining and developing female talent. This includes developing candidates for potential future roles, aiming for balanced slates so that we interview equal numbers of men and women for roles, and practical help such as a minimum 16 weeks paid maternity leave as a global standard more than the regulatory requirement in over 50% of countries where we operate. In 2018, we also committed to introduce by the end of 2019, three weeks of fully paid paternity leave as a benefit to all new fathers, adopting partners and parents in same-sex couples.

Unilever has a commitment to gender equality and fairness in the workplace based on equal pay for equal work and achieving greater gender balance. Pay and overall reward is intended to be gender neutral, with any differences between employees in similar jobs reflecting performance and skill. Gender pay gaps develop where there is a representational imbalance between genders. When we look at our worldwide business as a whole, in countries with more than 250 employees, the average female pay was 26% higher than male pay in 2018 (2017: 25%). This is largely due to the fact that 80% of our lower paying blue-collar roles are held by male employees. Equal pay for equal work is our primary ambition and is a crucial part of fair compensation. Our Framework for Fair Compensation reviews the average pay differences between genders at each work level and in each country. The most recent analysis highlights that there is more work to do to continue improving our gender balance, and related gender pay gaps, at various levels and in various countries throughout the business.

BUSINESS INTEGRITY

Our principles and values apply to all our employees through our Code and Code Policies. Our employees undertake mandatory annual training on these Policies via online training modules and an annual business integrity pledge. Our Business Integrity guidelines include clear processes for managing Code breaches. For more information on Business Integrity see our website.

In 2018 1,206 whistleblowing incidents were opened (defined as Code Policy cases raised). We closed 1,252 incidents across all areas of our Code and Code Policies, with 662 confirmed breaches. In 2018, we terminated the employment of 330 people. Business integrity risks are included as part of our ethical and legal and regulatory principal risks (see page 30). The Code and Code Policies reflect our desire to fight corruption in all its forms. We are committed to eradicating any practices or behaviours though our zero-tolerance policy.

Our Responsible Sourcing Policy and Responsible Business Partner Policy help to give us visibility of our third parties to ensure their business principles are consistent with our own.

OUR PARTNERS

WE WORK WITH MANY PARTNERS TO SUPPORT THE SUSTAINABLE GROWTH OF OUR BUSINESS.

ENGAGING STAKEHOLDERS

We have many interactions with our stakeholders on a daily basis. Our Code of Business Principles and Code Policies guide how we interact with suppliers, customers, governments, Non-Governmental Organisations (NGOs) and trade associations in particular. Only authorised and appropriately trained employees or representatives can engage with these groups and we require that a record should be kept of all interactions and that all engagement must be conducted: in a transparent manner with honesty, integrity and openness; in compliance with laws and in accordance with Unilever s values. Our website contains further disclosure on how we engage with our stakeholders.

SUPPLIERS

Our supply chain is very diverse and highly dynamic as we respond to changing consumer preferences, in line with our C4G programme. Our suppliers help us meet consumer needs by innovating, creating capacity and delivering quality materials and services for our products. We work with a large range of suppliers in over 160 countries from multinational companies through to SMEs and smallholder farmers.

We screen suppliers in relation to their supply chain capabilities and the level of associated environmental and social risk. Managing supplier risk is a key role of our Supply Chain function. All suppliers must complete our registration process to assess compliance with the mandatory requirements of our Responsible Sourcing Policy which includes anti-bribery and corruption. We conduct audits and follow up issues identified where necessary.

Partner to Win is our approach to building long-term relationships with selected key strategic supplier partners in order to achieve mutual growth. It focuses on five key areas: quality and service, innovation, value, sustainability and capacity and capability. Partner to Win helps us strengthen supplier and customer collaboration and improves operational efficiency. In 2018, we had 175 Partner to Win suppliers, representing 35% of total procurement spend.

We came first in the annual Gartner Supply Chain Top 25 for the third year running, emphasising our leading practices in the area of supply chain management, in particular on sustainability and digitalisation.

CUSTOMERS

In a fragmented channel landscape, those companies that best serve their shoppers and customers with bespoke solutions will benefit most. Unilever serves consumers through ten different channels: hyper and supermarkets, e-commerce, out of home, drug stores, small stores, discounters, Food Solutions, Unilever International, prestige channel and global retail.

We serve around 26 million retail stores globally of which we cover eight million directly and another 18 million indirectly through wholesale and cash & carry.

In 2018 we focused on developing our e-commerce channels, digitising our value chain to respond to the rapid fragmentation of traditional routes to market. We are actively driving B2C and B2B e-commerce in our top 30 markets. Our focus is to build a balanced e-commerce business model, growing across e-retailers, bricks and mortar online sales and direct-to-consumer businesses. In 2018 we signed a logistics partnership with JD.com, China s largest retailer. JD will help to bring our most popular products to the most hard-to-reach communities in China, securely and quickly.

Health & Beauty channels have been an area of focus for Beauty

& Personal Care. In Europe we have been increasing our presence and share with the discounter channel, which continues to see growth, contributing to top line growth for Unilever while delivering incremental gross profit.

We are collaborating with hyper and supermarkets to win with omni-channel shoppers and evolve new experiential concepts with these large-scale retailers to ensure Unilever brands enjoy the best positioning in store and online.

We continue to engage with small-scale retailers by professionalising their store operations through capability training. Our Rise Sales Academy is currently being piloted in Nigeria and Sri Lanka to deliver store operations retail training for micro retailers across the world. In turn, this will help contribute to our USLP target to improve the incomes of 5 million small-scale retailers in our distribution network.

GOVERNMENTS

We co-operate and engage with governments, regulators and legislators, both directly and through trade associations, in the development of proposed legislation and regulation which may affect our business interests. All employees involved in political engagement must comply with our Code of Business Principles and Code Policies. We do not support or fund political parties or candidates or any groups that promote party interests.

Our participation in policy discussions is varied, covering macro topics such as climate change, nutrition and plastic packaging. We engage with government stakeholders directly or through membership of representative organisations, including trade associations.

TRADE ASSOCIATIONS

We are members of and support a number of trade associations and similar organisations which help us to advance our public policy interests. We keep a record of our trade association memberships and membership fees, which is regularly updated. We also engage with peer companies, both individually and in coalitions, on issues of mutual interest. This includes working together to implement sustainable business strategies and drive change.

These associations reflect our global scale and presence across several product categories. We list our global memberships in the Engaging with stakeholders section on our website. We are registered in the Transparency Register of the European Union. Our US trade association memberships can be found on the FAQ section of the Unilever USA website.

NON-GOVERNMENTAL ORGANISATIONS

We are building transformational partnerships in collaboration with NGOs who share our vision for a more sustainable future. These partnerships are instrumental in improving the quality of people s lives, driving growth, achieving our USLP targets and contributing to the Sustainable Development Goals.

In collaboration with NGOs, we build programmes on the ground to implement our brands purpose in addition to advancing our efforts in areas such as sustainable sourcing and distribution often in partnership with governments and other businesses. We drive scale through new business models, digital technologies and external financing.

Our leadership engages with stakeholders through platforms such as the World Economic Forum, UN Global Compact, the World Business Council for Sustainable Development and the Consumer Goods Forum, championing a more inclusive model of capitalism and the pursuit of long-term value creation for the benefit of multiple stakeholders. Partnerships with NGOs are crucial to deliver the United Nations Sustainable Development Goals (see page 15).

DELIVERING LONG-TERM VALUE FOR OUR STAKEHOLDERS CONTINUED

OUR SHAREHOLDERS

WE DELIVERED SOLID PERFORMANCE IN 2018 AND REMAIN ON TRACK FOR OUR 2020 TARGETS.

We aim to build long-term relationships with our shareholders through positive engagement for the benefit of all our stakeholders. We engage directly with our shareholders on a broad range of financial and environmental, social and governance (ESG) matters. During 2018 we engaged with shareholders on a number of topics including our Remuneration Policy and on the simplification of Unilever. See page 39 and our website for more details. In addition to direct engagement we regularly engage indirectly via ESG ratings organisations such as MSCI, Sustainalytics and ISS, as well as investor-focused sustainability rankings such CDP and the Dow Jones Sustainability Index.

PERFORMANCE IN 2018

Underlying sales growth for 2018 was 2.9% and underlying operating margin was 18.4%, a rise of 90 basis points. Turnover declined by 5.1% due to the sale of spreads and currency devaluation; operating margin was 24.6% due to profit on the spreads disposals.

Emerging markets saw a good performance in underlying sales growth of 4.6% including improved price growth in response to commodity inflation. Notable improvements were in India, which was strong across all categories, and China where strong volume growth was seen particularly in e-commerce. Argentina was classified as hyper-inflationary and price growth was excluded from underlying figures from July; any volume growth or decline is included within underlying figures. North America saw an improvement in underlying sales growth and there was acceleration in the US, helped by our acquisition programme in recent years, particularly in BPC. Europe remains challenged by a deflationary environment generally. We delivered solid volume-driven growth across our business with good margin progression.

We generated 5.0 billion of free cash flow and 18.8% return on capital. Underlying earnings per share was 2.36, a rise of 5.2%, and dividends were increased 8%, reflecting Unilever s confidence in future profit growth and cash generation. Diluted earnings per share was 3.48. Our share price has fallen 0.42% for PLC shareholders and risen 0.98% for NV shareholders. For information on our non-GAAP measure, see pages 23 to 26.

PROGRESS AGAINST OUR 2020 FINANCIAL TARGETS

In April 2017, we set out financial targets for 2020 to further accelerate shareholder value. In 2018 we maintained a strong delivery of savings with over 2 billion of savings from the supply chain, ZBB and change programmes. As a result, we are on track to meet our cumulative savings target of 6 billion by 2019 and a 2020 underlying operating margin target of 20%, compared to 16.4% in 2016.

We continue to maintain our leverage by targeting a Net Debt to underlying EBITDA ratio of 2x, consistent with a credit rating of at least A/A2. During 2018, we returned 6 billion to shareholders through our share buyback programme following the sale of spreads.

During the year the Boards decided to withdraw proposals to revise Unilever s dual-headed legal structure after extensive engagement with shareholders. We remain firmly committed to our 2020 improvement programme and are confident of meeting its key goals. To simplify our capital structure, we cancelled the NV preference shares in February 2019 (see page 38).

BUSINESS TRANSFORMATION

Our brand portfolio continues to evolve to match our Divisions strategic priorities, resulting in the sale of assets that no longer fit our growth model or the acquisition of assets that take us into new market segments and build new market positions. This active portfolio management means that in the past nine years we have sold 6.8 billion of turnover, mainly in the lower growth foods businesses. During that same period, we have acquired approximately 5.3 billion of turnover. The spreads disposals in July allow Foods & Refreshment to focus on growth.

Actively managing our brand portfolio through acquisitions and disposals remains an important strategic growth driver. In December we announced an agreement to acquire the Health Food Drinks portfolio of GlaxoSmithKline (GSK) in India, Bangladesh and 20 other predominantly Asian markets. Further details of the transaction can be found on our website. The acquisition includes iconic brands such as Horlicks and Boost, and a product portfolio supported by strong nutritional claims. The transaction is aligned with our strategy to increase our presence in health-food categories and in high-growth emerging markets. The transaction is subject to customary regulatory and shareholder approvals, with expected completion around 12 months from the announcement.

In October we completed the acquisition of a 75% stake in the Italian personal care business Equilibra which has a growing presence in the natural skin and hair care segments. We also completed the acquisition of Quala s Beauty & Personal Care and Home Care brands. We acquired a number of exciting new businesses including the Vegetarian Butcher (Netherlands) which expands our portfolio into plant-based foods, and three ice cream brands Adityaa (India), Betty (Romania) and Denny (Bulgaria). With the exception of brands launched in countries where they were not previously sold, acquisitions and disposals only contribute to underlying sales growth from 12 months after completion.

A key part of our 2020 programme is faster portfolio evolution in order to focus Unilever on more rapidly growing segments. This process continued at pace during 2018 with the focus on new brand launches and evolving our core brands. Our C4G organisation means we can respond to consumer trends more quickly. We have launched nearly 30 brands in the last two years. Local brands are also being launched more quickly followed by rapid global roll-out, for instance Breyers Delights, Love Beauty and Planet and Lakme all responding to the trend for more natural and healthy products.

Evolving our core brands has also accelerated. Brands such as Dove, Lifebuoy and Sunsilk in Beauty & Personal Care all launched new variants responding to consumer trends. In Home Care there were new launches of Domestos, Cif and Comfort while Foods & Refreshment extended the Knorr, Hellmann s and Lipton brands with new on-trend variants (for more information on brand launches see pages 11 to 12).

Realising the opportunities from digital technology to help deliver further growth and margin improvement is another key part of our business transformation. We have launched a digital transformation programme across all aspects of our value chain. We have 30 platforms across Unilever which power our business using digital technologies. Our Enterprise & Technology Solutions team is set up to deliver a technologically enabled Unilever for the future while ensuring that processes and activities are shared and scaled across the business. This will allow us to use technology as a competitive advantage rather than a cost.

Digital technology changed our approach to marketing some time ago but the transformation of Unilever more broadly has begun at pace. AI, machine learning and voice related technologies are being used to deliver personalised and immersive experiences to our consumer platforms such as Recipedia and Cleanipedia websites. We are also driving digital through our R&D organisation, introducing new tools to increase the speed, efficiency and quality of our innovation processes.

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NON-FINANCIAL INFORMATION STATEMENT

In accordance with sections 414CA and 414CB of the Companies Act 2006 which outline new requirements for non-financial reporting, the table below is intended to provide our stakeholders with the content they need to understand our development, performance, position and the impact of our activities with regards to specified non-financial matters. Further information on these matters can be found in our online Sustainable Living Report, Human Rights Report as well as policy documents contained on our website.

Non-financial matter and relevant sections of Annual Report	**Annual Report page reference**
Environmental matters Relevant sections of Annual Report & Accounts:	
Reducing environmental impact In focus: climate change risks and opportunities	Policy: Pages 13 and 33 to 35 Position and performance: Pages 7 and 13 to 14 Risk: Pages 30 and 33 to 34 Impact: Pages 13 to 15 and 33 to 35
Social and community matters Relevant sections of Annual Report & Accounts:	
Improving health and well-being Enhancing livelihoods Safety Engaging stakeholders	Policy: Pages 13 and 15 Position and performance: Pages 7, 13 to 15 Risk: Page 31 Impact: Pages 13 to 15
Employee matters Relevant sections of Annual Report & Accounts:	
Developing a future-fit workforce Diversity and inclusion Recruitment and retention Enhancing livelihoods	Policy: Pages 14 and 16 Position and performance: Pages 10 and 16 Risk: Page 29 Impact: Page 14 and 16
Human rights matters Relevant sections of Annual Report & Accounts:	

Diversity and inclusion	Policy: Pages 14 and 17
Enhancing livelihoods	Position and performance: Pages 7 and 14 Risk: Page 29 Impact: Pages 14 and 17

Anti-corruption and bribery matters
Relevant section of Annual Report & Accounts:

Business integrity	Policy: Page 16 Position and performance: Page 16 Risk: Pages 29 and 31 Impact: Page 16

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FINANCIAL REVIEW

FINANCIAL OVERVIEW 2018

CONSOLIDATED INCOME STATEMENT

Turnover declined by 5.1% to 51.0 billion including an unfavourable currency impact of 6.7% (2017: 2.1% unfavourable currency impact) mainly due to weakening of currencies in key emerging markets such as Brazil, Argentina and India. Underlying sales growth^ was 2.9% (2017: 3.1%), with a positive contribution from all divisions. Underlying volume growth was 1.9% (2017: 0.8%) and underlying price growth was 0.9% (2017: 2.3%). The net impact of acquisitions and disposals was a reduction in turnover of 1.0% (2017: 0.9% increase) with the impact of recent acquisitions such as Carver Korea and Quala outweighed by the disposal of the spreads businesses. Emerging markets contributed 58% of total turnover (2017: 58%) with underlying sales growth of 4.6% (2017: 5.9%) coming from price growth of 1.7% and volume growth of 2.8%. Developed markets underlying sales growth was 0.5% coming from volume growth of 0.7% slightly offset by price decline of 0.2%.

Underlying operating margin improved by 0.9 percentage points to 18.4%. Gross margin improved by 0.5 percentage points driven by margin-accretive innovations and continued strong delivery from our 5-S savings programmes. As a percentage of turnover, overheads and brand and marketing investment were down by 0.3 percentage points and 0.1 percentage points respectively as a result of productivity gains from zero-based budgeting.

Operating profit was up 41.5% to 12.5 billion (2017: 8.9 billion) as a result of 3,176 million from non-underlying items. Non-underlying items within operating profit comprised a gain on spreads disposal of 4,331 million, a credit from the early settlement of contingent consideration related to the Blueair acquisition of 277 million, partially offset by restructuring costs of 914 million, acquisition and disposal related costs of 201 million and impairment and one-off items of 317 million.

Highlights for the year ended 31 December

	2018	2017	% change
Turnover (million)	**50,982**	53,715	(5.1)
Operating profit (million)	**12,535**	8,857	41.5
Underlying operating profit (million)*	**9,359**	9,400	(0.4)
Profit before tax (million)	**12,383**	8,153	51.9
Net profit (million)	**9,808**	6,486	51.2

Diluted earnings per share ( )	**3.48**	2.15	62.0
Underlying earnings per share ( )*	**2.36**	2.24	5.2

Net finance costs were 481 million in 2018 compared with 877 million in 2017, which included a one-off cost of 382 million for the buyback of the Unilever NV preference shares. The cost of financing net borrowings was 57 million higher than 2017. The increase was primarily driven by an increase in net debt which was partially offset by lower interest rates and a prior year one-off in Brazil relating to the interest element of an indirect tax amnesty programme. The average interest rate on net debt reduced to 2.2% from 2.7% in 2017. The pensions financing charge was 25 million, down from 96 million in 2017 reflecting a lower pension deficit at the beginning of 2018.

A monetary gain of 122 million was recorded following adoption of IAS 29 Financial Reporting in Hyperinflationary Economies in Argentina (see note 1) from 1 July 2018.

The effective tax rate was 21.1% compared with 20.8% in the prior year. In both years the rate was low relative to longer term norms, due to the significant impact on tax of the disposals of our spreads businesses in 2018 and US tax reform in 2017.

Net profit from joint ventures and associates was up 19% at 185 million, with the increase coming mainly from a gain on disposal of the spreads business of the Portuguese joint venture. Other income from non-current investments was 22 million versus 18 million in the prior year.

Diluted earnings per share were up 62.0% at 3.48. The increase was mainly driven by the 4,331 million gain on disposal for the spreads businesses, improvement in operating margin and the impact of the share buyback programmes.

The independent auditors reports issued by KPMG Accountants N.V. and KPMG LLP on the consolidated results of the Group, as set out in the financial statements, were unqualified and contained no exceptions or emphasis of matter. For more details see pages 67 to 74.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the International Accounting Standards Board. The critical accounting policies and those that are most significant in connection with our financial reporting are set out in note 1 on pages 79 to 82 and are consistent with those applied in 2017.

* Certain measures used in our reporting are not defined under IFRS. For further information about these measures, please refer to the commentary on non-GAAP measures on pages 23 to 26.

^

Wherever referenced in this report, underlying sales growth (USG) and underlying price growth (UPG) do not include price growth in Venezuela for the whole of 2018 and in Argentina from July 2018. USG and UPG for 2017 do not include Q4 2017 price growth in Venezuela. See pages 23 and 24 on non-GAAP measures for further details.

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The Group has revised its operating segments to align with the new structure under which the business is managed. Operating segment information is now provided based on three product areas: Beauty & Personal Care, Foods & Refreshment and Home Care.

BEAUTY & PERSONAL CARE

	2018	2017	% change
Turnover (million)	**20,624**	20,697	(0.3)
Operating profit (million)	**4,130**	4,103	0.7
Underlying operating profit (million)	**4,508**	4,375	3.0
Operating margin (%)	**20.0**	19.8	0.2
Underlying operating margin (%)	**21.9**	21.1	0.8
Underlying sales growth (%)	**3.1**	2.9	
Underlying volume growth (%)	**2.5**	1.4	
Underlying price growth (%)	**0.6**	1.5	

KEY DEVELOPMENTS

Turnover declined by 0.3% including a negative currency impact of 7.0%. Acquisitions contributed 3.9% and underlying sales growth was 3.1%. Dove delivered another year of broad-based growth. Skin care grew strongly helped by innovations such as the new Vaseline range with clinical strength moisturisation and other brands addressing the fast growing naturals trend including Love, Beauty & Planet. Growth in skin cleansing was helped by innovations such as the relaunch of Lifebuoy with active silver, new premium formats including Dove exfoliating body polishes and our new cleansing brands such as Korea Glow. Deodorants delivered good volume growth helped by strong performance on Dove but pricing was muted. The newly acquired Schmidt s grew strongly. Sales in oral care were flat due to ongoing competitive pressures. Prestige performed well with double digit growth on Hourglass, Ren, Living Proof and Kate Sommerville as well as improved momentum on Dermalogica and Murad. Dollar Shave Club grew double digits and continued to build scale in the US.

Underlying operating profit increased by   133 million. Underlying operating margin and underlying sales growth improvement added   302 million and   136 million respectively, offset by a   484 million adverse impact from exchange rate movements. Acquisition related activities contributed   179 million. Underlying operating margin improvement reflects brand and marketing efficiencies from zero based budgeting.

FOODS & REFRESHMENT

	2018	2017	% change
Turnover (million)	**20,227**	22,444	(9.9)
Operating profit (million)	**7,245**	3,616	100.4
Underlying operating profit (million)	**3,534**	3,737	(5.4)

Operating margin (%)	**35.8**	16.1	19.7
Underlying operating margin (%)	**17.5**	16.7	0.8
Underlying sales growth (%)	**2.0**	2.7	
Underlying volume growth (%)	**1.3**	(0.2)	
Underlying price growth (%)	**0.7**	3.0	

KEY DEVELOPMENTS

Turnover declined by 9.9% including a negative currency impact of 5.6%. Acquisitions and disposals had an unfavourable impact of 6.4% reflecting the disposal of the spreads business. Underlying sales growth was 2.0% coming from volume growth of 1.3% and price growth of 0.7%. Ice cream had another strong year helped by innovations on our premium brands which included a new Magnum praline variant and a non-dairy range of Ben & Jerrys. The launch of Kinder® ice cream and good weather helped to drive strong ice cream growth in Europe. Sales in tea grew modestly: emerging markets growth was driven by good performance on core brands like Brooke Bond in India whilst in developed markets challenges in black tea offset good growth from Pukka and the new organic Lipton
range. In savoury, Knorr was helped by good performance of cooking products in emerging markets and more organic and natural innovations such as a new soup in glass range. In dressings, campaigns centred around Hellmann s purpose to fight food waste helped to increase brand equity, but sales were held back by promotional intensity particularly in the US. Our actions to transform the portfolio are working: strong innovations including Knorr rice and pasta pots as well as our new brands Red Red, PrepCo and Mãe Terra helped us build scale in the fast growing snacking segment.

Underlying operating profit declined by 203 million including a 236 million adverse contribution from exchange rate movements. Underlying operating margin improvement added 247 million and underlying sales growth contributed 56 million. Acquisition and disposal related activities had an overall negative impact of 270 million mainly due to loss of profit of the spreads business from the date of its disposal on 2 July 2018. Underlying operating margin improvement reflects strong gross margin improvement and lower overheads despite an adverse impact from the spreads disposal.

HOME CARE

	2018	2017	% change
Turnover (million)	**10,131**	10,574	(4.2)
Operating profit (million)	**1,160**	1,138	1.9
Underlying operating profit (million)	**1,317**	1,288	2.3
Operating margin (%)	**11.5**	10.8	0.7
Underlying operating margin (%)	**13.0**	12.2	0.8
Underlying sales growth (%)	**4.2**	4.4	
Underlying volume growth (%)	**2.3**	2.1	
Underlying price growth (%)	**1.9**	2.3	

KEY DEVELOPMENTS

Turnover declined by 4.2% including an adverse currency impact of 8.3%. Underlying sales growth was 4.2%, coming from volume growth of 2.3% and price growth of 1.9%. Home and hygiene grew strongly led by Sunlight which was helped by a new communication focussed on building functional awareness, as well as the continued success of Domestos toilet blocks. In fabric sensations, Comfort was helped by market development in India and China as well as the launch into Germany. Fabric solutions grew strongly helped by our strategy to encourage consumers in emerging markets to uptrade to premium formulations like Surf Excel Matics in India, and innovations such as Omo eco active with recycled packaging, plant extracts and naturally derived fragrances. Seventh Generation also grew well.

Underlying operating profit increased by 29 million, including a 144 million adverse contribution from exchange rate movements. Underlying operating margin improvement contributed 113 million. Underlying sales growth and acquisition and disposal related activities added 55 million and 5 million respectively. Underlying operating margin improvement was mainly due to lower overheads and brand and marketing efficiencies.

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FINANCIAL REVIEW CONTINUED

CASH FLOW

Cash flow from operating activities was 9.0 billion, a decline of 0.5 billion compared to the prior year. Free cash flow was 5.0 billion, a reduction of 0.4 billion on the prior year. The reductions reflected the impact of currency devaluation and higher working capital, including a 0.4 billion increase arising from the disposal of spreads.

	million 2018	million 2017
Operating profit	**12,535**	8,857
Depreciation, amortisation and impairment	**1,747**	1,538
Changes in working capital	**(793)**	(68)
Pensions and similar obligations less payments	**(128)**	(904)
Provisions less payments	**55**	200
Elimination of (profits)/losses on disposals	**(4,299)**	(298)
Non-cash charge for share-based compensation	**196**	284
Other adjustments	**(266)**	(153)
Cash flow from operating activities	**9,047**	9,456
Income tax paid	**(2,294)**	(2,164)
Net capital expenditure	**(1,424)**	(1,621)
Net interest and preference dividends paid	**(367)**	(316)
Free cash flow*	**4,962**	5,355
Net cash flow (used in)/from investing activities	**4,644**	(5,879)
Net cash flow (used in)/from financing activities	**(11,548)**	(1,433)

* Certain measures used in our reporting are not defined under IFRS. For further information about these measures, please refer to the commentary on non-GAAP measures on pages 23 to 26.

Net inflow from investing activities was 4.6 billion, an increase of 10.5 billion compared to the prior year. The increase reflects proceeds of 7.2 billion from the disposal of spreads and higher spend on acquisitions during the prior year.

The net outflow from financing activities was 11.5 billion, compared with 1.4 billion in the prior year. In 2018 there were repayments of financial liabilities of 6.6 billion compared with 2.6 billion in 2017; and an outflow from changes in short-term borrowings of 4.0 billion, compared with an inflow of 2.7 billion in 2017. The cash outflow in respect of the repurchase of shares in 2018 was 6.0 billion, compared with 5.0 billion in the prior year.

BALANCE SHEET

At 31 December 2018, Unilever s combined market capitalisation was 121.8 billion compared with 127.9 billion at the end of 2017.

Goodwill and intangible assets increased by 1.1 billion mainly coming from the acquisition of Quala and restatement of goodwill in relation to adoption of IAS 29 Financial Reporting in Hyperinflationary Economies in Argentina (see note 1 and note 9). The increase was partially offset by impairment of Blueair. All material goodwill and indefinite-life intangible assets have been tested for impairment with no charge recognised during the year other than for Blueair. Other non-current assets decreased by 0.4 billion mainly due to a reduction in the value of pension assets.

	million 2018	million 2017
Goodwill and intangible assets	**29,493**	28,401
Other non-current assets	**14,482**	14,901
Current assets	**15,481**	16,983
Total assets	**59,456**	60,285
Current liabilities	**19,772**	23,177
Non-current liabilities	**27,392**	22,721
Total liabilities	**47,164**	45,898
Shareholders equity	**11,572**	13,629
Non-controlling interest	**720**	758
Total equity	**12,292**	14,387
Total liabilities and equity	**59,456**	60,285

Current assets decreased from 17.0 billion to 15.5 billion mainly reflecting the reduction in assets held for disposals as a result of the completion of the spreads transactions on 2 July 2018. Current liabilities were 19.8 billion, a decrease of 3.4 billion compared to the prior year. The decrease was due to repayment of short-term liabilities which were replaced by long term borrowings. Non-current liabilities were 27.4 billion, an increase of 4.7 billion on the prior year. During the year the Group issued bonds worth over 6.0 billion and repaid notes of about 1.0 billion. See note 15C for analysis of bonds and other loans.

The table below shows the movement in net pension liability during the year. The increase from 0.6 billion at the beginning of the year to 0.9 billion at the end of 2018 was primarily due to reduced pension assets, driven by adverse equity markets towards the end of 2018.

	million 2018
1 January	**(561)**
Current service cost	**(220)**
Employee contributions	**17**
Actual return on plan assets (excluding interest)	**(1,108)**
Net interest cost	**(25)**
Actuarial gain	**671**
Employer contributions	**383**
Currency retranslation	**26**
Other movements[(a)]	**(57)**
31 December	**(874)**

(a) Other movements relate to special termination benefits, past service costs including losses/(gains) on curtailment, settlements and other immaterial movements. For more details see note 4B on pages 87 to 92.

FINANCE AND LIQUIDITY

Approximately 0.8 billion (or 26%) of the Group s cash and cash equivalents are held in the parent and central finance companies, for maximum flexibility. These companies provide loans to our subsidiaries that are also funded through retained earnings and third party borrowings. We maintain access to global debt markets through an infrastructure of short and long-term debt programmes. We make use of plain vanilla derivatives, such as interest rate swaps and foreign exchange contracts, to help mitigate risks. More detail is provided in notes 16, 16A, 16B and 16C on pages 110 to 115.

The remaining 2.4 billion (74%) of the Group s cash and cash equivalents are held in foreign subsidiaries which repatriate distributable reserves on a regular basis. For most countries, this is done through dividends free of tax. This balance includes 154 million (2017: 206 million, 2016: 240 million) of cash that is held in a few countries where we face cross-border foreign exchange controls and/or other legal restrictions that inhibit our ability to make these balances available in any means for general use by the wider business. The cash will generally be invested or held in the relevant country and, given the other capital resources available to the Group, does not significantly affect the ability of the Group to meet its cash obligations.

We closely monitor all our exposures and counter-party limits.

Unilever has committed credit facilities in place for general corporate purposes. The undrawn bilateral committed credit facilities in place on 31 December 2018 were $7,865 million.

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CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2018

	million Total	million Due within 1 year	million Due in 1-3 years	million Due in 3-5 years	million Due in over 5 years
Long-term debt	**24,428**	2,950	4,533	4,683	12,262
Interest on financial liabilities	**3,723**	467	800	628	1,828
Operating lease obligations	**2,464**	481	758	501	724
Purchase obligations[a]	**520**	421	94	1	4
Finance leases	**187**	20	37	34	96
Other long-term commitments	**1,390**	678	590	95	27
Other financial liabilities	**150**	149	1		
Total	**32,862**	5,166	6,813	5,942	14,941

[a] For raw and packaging materials and finished goods.

Further details are set out in the following notes to the consolidated financial statements: note 10 on pages 100 and 101, note 15C on page 108 and 109, and note 20 on pages 120 to 122. Unilever is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future. In relation to the facilities available to the Group, borrowing requirements do not fluctuate materially during the year and are not seasonal.

AUDIT FEES

Included within operating profit is 21 million (2017: 20 million) paid to the external auditor, of which 16 million (2017: 14 million) related to statutory audit services.

NON-GAAP MEASURES

Certain discussions and analyses set out in this Annual Report and Accounts (and the Additional Information for US Listing Purposes) include measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. We believe this information, along with comparable GAAP measurements, is useful to investors because it provides a basis for measuring our operating performance, and our ability to retire debt and invest in new business opportunities. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures.

EXPLANATION AND RECONCILIATION

OF NON-GAAP MEASURES

Unilever uses constant rate and underlying measures primarily for internal performance analysis and targeting purposes. We present certain items, percentages and movements, using constant exchange rates, which exclude the impact of fluctuations in foreign currency exchange rates. We calculate constant currency values by translating both the current and the prior period local currency amounts using the prior period average exchange rates into euro, except for countries where the impact of consumer price inflation rates has escalated to extreme levels. In these countries, the local currency amounts before the application of IAS 29 are translated into euros using the period closing exchange rate.

The table below shows exchange rate movements in our key markets.

	Annual average rate in 2018	Annual average rate in 2017
Brazilian real (1 = BRL)	**4.282**	3.573
Chinese yuan (1 = CNY)	**7.807**	7.608
Indian rupee (1 = INR)	**80.730**	73.258
Indonesia rupiah (1 = IDR)	**16831**	15011
Philippine peso (1 = PHP)	**62.379**	56.596
UK pound sterling (1 = GBP)	**0.884**	0.876
US dollar (1 = US$)	**1.185**	1.123

In the following sections we set out our definitions of the following non-GAAP measures and provide reconciliations to relevant GAAP measures:

- underlying sales growth;
- underlying volume growth;
- underlying price growth;
- non-underlying items;

- underlying earnings per share;
- underlying operating profit and underlying operating margin;
- underlying effective tax rate;
- constant underlying earnings per share;
- free cash flow;
- return on assets;
- net debt; and
- return on invested capital.

UNDERLYING SALES GROWTH

Underlying Sales Growth (USG) refers to the increase in turnover for the period, excluding any change in turnover resulting from acquisitions, disposals and changes in currency. We believe this measure provides valuable additional information on the underlying sales performance of the business and is a key measure used internally. The impact of acquisitions and disposals is excluded from USG for a period of 12 calendar months from the applicable closing date. Turnover from acquired brands that are launched in countries where they were not previously sold is included in USG as such turnover is more attributable to our existing sales and distribution network than the acquisition itself. Also excluded is the impact of price growth from countries where the impact of consumer price inflation (CPI) rates has escalated to extreme levels.

There are two countries where we have determined extreme levels of CPI exist. The first is Venezuela where in Q4 2017 inflation rates exceeded 1,000% and management considered that the situation would persist for some time. Consequently, price growth in Venezuela has been excluded from USG since Q4 2017. The second is Argentina, which from Q3 2018 has been accounted for in accordance with IAS 29, and thus from Q3 2018 Argentina price growth is excluded from USG. The adjustment made at Group level as a result of these two exclusions was a reduction in price growth of 32.4% for the year. This treatment for both countries will be kept under regular review.

Prior to Q3 2018 USG only excluded the impact of price changes in countries where consumer price inflation has escalated to extreme levels of 1,000% or more. However, given the need to account for our Argentinian business in accordance with IAS 29, we have now also excluded price changes in countries that need to be accounted for in accordance with IAS 29. Prior to Q3 2018 there were no countries that were accounted for under IAS 29, so no restatements are necessary.

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FINANCIAL REVIEW CONTINUED

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

TOTAL GROUP	**2018 vs 2017**	2017 vs 2016
Turnover growth (%)[a]	**(5.1)**	1.9
Effect of acquisitions (%)	**2.0**	1.3
Effect of disposals (%)	**(3.0)**	(0.4)
Effect of exchange rates (%)[b]	**(6.7)**	(2.1)
Underlying sales growth (%)[b]	**2.9**	3.1

BEAUTY & PERSONAL CARE	**2018 vs 2017**	2017 vs 2016
Turnover growth (%)[a]	**(0.3)**	2.6
Effect of acquisitions (%)	**3.9**	1.8
Effect of disposals (%)		(0.1)
Effect of exchange rates (%)[b]	**(7.0)**	(1.9)
Underlying sales growth (%)[b]	**3.1**	2.9

FOODS & REFRESHMENT	**2018 vs 2017**	2017 vs 2016
Turnover growth (%)[a]	**(9.9)**	(0.4)
Effect of acquisitions (%)	**0.8**	0.2
Effect of disposals (%)	**(7.2)**	(0.8)
Effect of exchange rates (%)[b]	**(5.6)**	(2.4)
Underlying sales growth (%)[b]	**2.0**	2.7

HOME CARE	**2018 vs 2017**	2017 vs 2016
Turnover growth (%)[a]	**(4.2)**	5.6
Effect of acquisitions (%)	**0.5**	3.1
Effect of disposals (%)	**(0.2)**	(0.2)
Effect of exchange rates (%)[b]	**(8.3)**	(1.7)
Underlying sales growth (%)[b]	**4.2**	4.4

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

(b) For 2018 underlying price growth in Venezuela (from January 2018) and Argentina (from July 2018) has been excluded from underlying sales growth and an equal and opposite adjustment made in effect of exchange rate. For

2017 only Q4 price growth in Venezuela has been excluded.

UNDERLYING VOLUME GROWTH

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

UNDERLYING PRICE GROWTH

Underlying price growth (UPG) is part of USG and means, for the applicable period, the increase in turnover attributable to changes in prices during the period. UPG therefore excludes the impact to USG due to (i) the volume of products sold; and (ii) the composition of products sold during the period. In determining changes in price we exclude the impact of price growth in Argentina and Venezuela as explained in USG above.

The relationship between USG, UVG and UPG is set out below:

	2018 vs 2017	2017 vs 2016
Underlying volume growth (%)	**1.9**	0.8
Underlying price growth (%)[a]	**0.9**	2.3
Underlying sales growth (%)	**2.9**	3.1

[a] For 2018 underlying price growth in Venezuela (from January 2018) and Argentina (from July 2018) has been excluded from underlying price in the table above and an equal and opposite adjustment made in the effect of exchange rates. For 2017 only Q4 price growth in Venezuela has been excluded.

Refer to page 21 for the relationship between USG, UVG and UPG for each of the categories.

NON-UNDERLYING ITEMS

Several non-GAAP measures are adjusted to exclude items defined as non-underlying due to their nature and/or frequency of occurrence.

- **Non-underlying items within operating profit** are: gains or losses on business disposals, acquisition and disposal related costs, restructuring costs, impairments and other significant one-off items within operating profit
- **Non-underlying items not in operating profit but within net profit** are: significant and unusual items in net finance cost, monetary gain/(loss) arising from hyperinflationary economies, share of profit/(loss) of joint ventures and associates and taxation
- **Non-underlying items** are both non-underlying items within operating profit and those non-underlying items not in operating profit but within net profit

Refer to note 3 for details of non-underlying items.

UNDERLYING EARNINGS PER SHARE

Underlying earnings per share (underlying EPS) is calculated as underlying profit attributable to shareholders equity divided by the diluted combined average number of share units. In calculating underlying profit attributable to shareholders equity, net profit attributable to shareholders equity is adjusted to eliminate the post-tax impact of non-underlying items. This measure reflects the underlying earnings for each share unit of the Group.

Refer to note 7 on page 96 for reconciliation of net profit attributable to shareholders equity to underlying profit attributable to shareholders equity.

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UNDERLYING OPERATING PROFIT AND UNDERLYING OPERATING MARGIN

Underlying operating profit and underlying operating margin mean operating profit and operating margin before the impact of non-underlying items within operating profit. Underlying operating profit represents our measure of segment profit or loss as it is the primary measure used for making decisions about allocating resources and assessing performance of the segments.

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

	million 2018	million 2017
Operating profit	**12,535**	8,857
Non-underlying items within operating profit (see note 3)	**(3,176)**	543
Underlying operating profit	**9,359**	9,400
Turnover	**50,982**	53,715
Operating margin	**24.6%**	16.5%
Underlying operating margin	**18.4%**	17.5%

Further details of non-underlying items can be found in note 3 on page 85 of the consolidated financial statements.

UNDERLYING EFFECTIVE TAX RATE

The underlying effective tax rate is calculated by dividing taxation excluding the tax impact of non-underlying items by profit before tax excluding the impact of non-underlying items and share of net profit/(loss) of joint ventures and associates. This measure reflects the underlying tax rate in relation to profit before tax excluding non-underlying items before tax and share of net profit/(loss) of joint ventures and associates. Tax impact on non-underlying items within operating profit is the sum of the tax on each non-underlying item, based on the applicable country tax rates and tax treatment. This is shown in the following table:

	million 2018	million 2017
Taxation	**2,575**	1,667
Tax impact of:		
Non-underlying items within operating profit[(a)]	**(259)**	77
Non-underlying items not in operating profit but within net profit[(a)]	**(29)**	578
Taxation before tax impact of non-underlying	**2,287**	2,322
Profit before taxation	**12,383**	8,153
Non-underlying items within operating profit before tax[(a)]	**(3,176)**	543
Non-underlying items not in operating profit but within net profit before tax[(b)]	**(122)**	382
Share of net (profit)/loss of joint ventures and associates	**(185)**	(155)
Profit before tax excluding non-underlying items before tax and share of net profit/(loss) of joint ventures and associates	**8,900**	8,923
Underlying effective tax rate	**25.7%**	26.0%

(a) Refer to note 3 for further details on these items.

(b) 2018 amount excludes 32 million gain on disposal of spreads business by the joint venture in Portugal which is included in the share of net profit/(loss) of joint ventures and associates line. Including the 32 million, total non-underlying items not in operating profit but within net profit before tax is 154 million. See note 3.

CONSTANT UNDERLYING EARNINGS PER SHARE

Constant underlying earnings per share (constant underlying EPS) is calculated as underlying profit attributable to shareholders equity at constant exchange rates and excluding the impact of both translational hedges and price inflation in Venezuela (for the whole of 2018) and Argentina (from July 2018) divided by the diluted average number of ordinary shares. This measure reflects the underlying earnings for each ordinary share of the Group in constant exchange rates.

The reconciliation of underlying profit attributable to shareholders equity to constant underlying earnings attributable to shareholders equity and the calculation of constant underlying EPS is as follows:

	million 2018	million 2017
Underlying profit attributable to shareholders equity[a]	**6,365**	6,315
Impact of translation from current to constant exchange rates and translational hedges	**7,112**	95
Impact of Venezuela and Argentina price inflation[b]	**(6,551)**	
Constant underlying earnings attributable to shareholders equity	**6,926**	6,410
Diluted combined average number of share units (millions of units)	**2,694.8**	2,814.0
Constant underlying EPS ( )	**2.57**	2.28

[a] See note 7.
[b] See pages 23 and 24 for further details.

From 2018, in our reporting of growth in constant underlying EPS, we translate the prior period using an annual average exchange rate rather than monthly averages. This change has been made to align with the prior period constant exchange rate used for calculating USG. The impact of this is an increase of 0.01 per share in 2017 constant underlying EPS.

FREE CASH FLOW

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

The reconciliation of net profit to FCF is as follows:

	million 2018	million 2017
Net profit	**9,808**	6,486
Taxation	**2,575**	1,667
Share of net profit of joint ventures/associates and other income from non-current investments	**(207)**	(173)
Net monetary gain arising from hyperinflationary economies	**(122)**	
Net finance costs	**481**	877
Depreciation, amortisation and impairment	**1,747**	1,538
Changes in working capital	**(793)**	(68)
Pensions and similar obligations less payments	**(128)**	(904)
Provisions less payments	**55**	200
Elimination of (profits)/losses on disposals	**(4,299)**	(298)
Non-cash charge for share-based compensation	**196**	284
Other adjustments	**(266)**	(153)
Cash flow from operating activities	**9,047**	9,456
Income tax paid	**(2,294)**	(2,164)

Net capital expenditure	**(1,424)**	(1,621)
Net interest and preference dividends paid	**(367)**	(316)
Free cash flow	**4,962**	5,355
Net cash flow (used in)/from investing activities	**4,644**	(5,879)
Net cash flow (used in)/from financing activities	**(11,548)**	(1,433)

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FINANCIAL REVIEW CONTINUED

RETURN ON ASSETS

Return on assets is a measure of the return generated on assets for each division. This measure provides additional insight on the performance of the divisions and assists in formulating long-term strategies with respect to allocation of capital, across divisions. Division return on assets is calculated as underlying operating profit after tax for the division divided by the annual average of: property, plant and equipment, net assets held for sale (excluding goodwill and intangibles), inventories, trade and other current receivables, and trade payables and other current liabilities, for each division. The annual average is computed by adding the amounts at the beginning and the end of the calendar year and dividing by two.

2018	million Beauty & Personal Care	million Foods & Refreshment	million Home Care	million Total
Underlying operating profit before tax	**4,508**	**3,534**	**1,317**	**9,359**
Tax on underlying operating profit	**(1,159)**	**(908)**	**(338)**	**(2,405)**
Underlying operating profit after tax	**3,349**	**2,626**	**979**	**6,954**
Property plant and equipment	**3,631**	**4,783**	**1,933**	**10,347**
Net assets held for sale	**1**	**25**		**26**
Inventories	**1,737**	**1,761**	**803**	**4,301**
Trade and other receivables	**2,319**	**3,027**	**1,139**	**6,485**
Trade payables and other current liabilities	**(5,478)**	**(5,984)**	**(2,995)**	**(14,457)**
Period end assets (net)	**2,210**	**3,612**	**880**	**6,702**
Average assets for the period (net)	**2,178**	**3,830**	**799**	**6,807**
Division return on assets	**154%**	**69%**	**123%**	**102%**
2017				
Underlying Operating Profit before tax	4,375	3,737	1,288	**9,400**
Tax on underlying operating profit	(1,139)	(972)	(335)	**2,446**
Underlying Operating Profit after tax	3,236	2,765	953	**6,954**
Property plant and equipment	3,520	5,104	1,787	**10,411**
Net assets held for sale	1	742		**743**
Inventories	1,590	1,637	735	**3,962**
Trade and other receivables	2,018	2,172	1,032	**5,222**
Trade payables and other current liabilities	(4,984)	(5,606)	(2,836)	**(13,426)**
Period end assets (net)	2,145	4,049	718	**6,912**
Average assets for the period (net)	2,122	4,201	778	**7,101**
Division return on assets	152%	66%	122%	**98%**

NET DEBT

Net debt is defined as the excess of total financial liabilities, excluding trade payables and other current liabilities, over cash, cash equivalents and other current financial assets, excluding trade and other current receivables. It is a measure that provides valuable additional information on the summary presentation of the Group s net financial liabilities and is a measure in common use elsewhere.

The reconciliation of total financial liabilities to net debt is as follows:

	million 2018	million 2017
Total financial liabilities	**(24,885)**	(24,430)
Current financial liabilities	**(3,235)**	(7,968)
Non-current financial liabilities	**(21,650)**	(16,462)
Cash and cash equivalents as per balance sheet	**3,230**	3,317
Cash and cash equivalents as per cash flow statement	**3,090**	3,169
Add bank overdrafts deducted therein	**140**	167
Less cash and cash equivalents held for sale		(19)
Other current financial assets	**874**	770
Net debt	**(20,781)**	(20,343)

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) is a measure of the return generated on capital invested by the Group. The measure provides a guide rail for long-term value creation and encourages compounding reinvestment within the business and discipline around acquisitions with low returns and long payback. ROIC is calculated as underlying operating profit after tax divided by the annual average of: goodwill, intangible assets, property, plant and equipment, net assets held for sale, inventories, trade and other current receivables, and trade payables and other current liabilities.

	million 2018	million 2017
Underlying operating profit before tax[(a)]	**9,359**	9,400
Tax on underlying operating profit[(b)]	**(2,405)**	(2,446)
Underlying operating profit after tax	**6,954**	6,954
Goodwill	**17,341**	16,881
Intangible assets	**12,152**	11,520
Property, plant and equipment	**10,347**	10,411
Net assets held for sale	**108**	3,054
Inventories	**4,301**	3,962
Trade and other current receivables	**6,485**	5,222
Trade payables and other current liabilities	**(14,457)**	(13,426)
Period-end invested capital	**36,277**	37,624
Average invested capital for the period	**36,951**	36,222
Return on average invested capital	**18.8%**	19.2%

(a) See reconciliation of operating profit to underlying operating profit on page 25.
(b) Tax on underlying operating profit is calculated as underlying operating profit before tax multiplied by underlying effective tax rate of 25.7% (2017: 26.0%) which is shown on page 25.

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RISKS

OUR RISK APPETITE AND APPROACH

TO RISK MANAGEMENT

Risk management is integral to Unilever s strategy and to the achievement of Unilever s long-term goals. Our success as an organisation depends on our ability to identify and exploit the opportunities generated by our business and the markets we are in. In doing this we take an embedded approach to risk management which puts risk and opportunity assessment at the core of the Board agenda, which is where we believe it should be.

Unilever adopts a risk profile that is aligned to our vision to grow our business, while decoupling our environmental footprint from our growth and increasing our positive social impact. Our appetite for risk is driven by the following:

- Our growth should be consistent, competitive, profitable and responsible.
- Our behaviours must be in line with our Code of Business Principles and Code Policies.
- We strive to continuously improve our operational efficiency and effectiveness.
- We aim to maintain a single A credit rating on a long-term basis.

Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to Unilever s senior management including, where appropriate, the Chief Executive Officer and Chief Financial Officer.

ORGANISATION

The Boards assume overall accountability for the management of risk and for reviewing the effectiveness of Unilever s risk management and internal control systems.

The Boards have established a clear organisational structure with well defined accountabilities for the principal risks that Unilever faces in the short, medium and long term. This organisational structure and distribution of accountabilities and responsibilities ensure that every country in which we operate has specific resources and processes for risk reviews and risk mitigation. This is supported by the Unilever Leadership Executive, which takes active responsibility for focusing on the principal areas of risk to Unilever. The Boards regularly review these risk areas, including consideration of environmental, social and governance matters, and retain responsibility for determining the nature and extent of the significant risks that Unilever is prepared to take to achieve its strategic objectives.

FOUNDATION AND PRINCIPLES

Unilever s approach to doing business is framed by our Purpose and values (see page 1). Our Code of Business Principles sets out the standards of behaviour that we expect all employees to adhere to. Day-to-day responsibility for ensuring these principles are applied throughout Unilever rests with senior management across categories, geographies and functions. A network of Business Integrity Officers and Committees supports the activities necessary to communicate the Code, deliver training, maintain processes and procedures (including support lines) to report and respond to alleged breaches, and to capture and communicate learnings.

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

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

Unilever s functional standards define mandatory requirements across a range of specialist areas such as health and safety, accounting and reporting and financial risk management.

PROCESSES

Unilever operates a wide range of processes and activities across all its operations covering strategy, planning, execution and performance management. Risk management is integrated into every stage of this business cycle. These procedures are formalised and documented and are increasingly being centralised and automated into transactional and other information technology systems.

ASSURANCE AND RE-ASSURANCE

Assurance on compliance with the Code of Business Principles and all of our Code Policies is obtained annually from Unilever management via a formal Code declaration. In addition, there are specialist awareness and training programmes which are run throughout the year and vary depending on the business priorities. These specialist compliance programmes supplement the Code declaration. Our Corporate Audit function plays a vital role in providing to both management and the Boards an objective and independent review of the effectiveness of risk management and internal control systems throughout Unilever.

BOARDS ASSESSMENT OF COMPLIANCE WITH THE RISK MANAGEMENT FRAMEWORKS

The Boards, advised by the Committees where appropriate, regularly review the significant risks and decisions that could have a material impact on Unilever. These reviews consider the level of risk that Unilever is prepared to take in pursuit of the business strategy and the effectiveness of the management controls in place to mitigate the risk exposure.

The Boards, through the Audit Committee, have reviewed the assessment of risks, internal controls and disclosure controls and procedures in operation within Unilever. They have also considered the effectiveness of any remedial actions taken for the year covered by this Annual Report and Accounts and up to the date of its approval by the Boards.

Details of the activities of the Audit Committee in relation to this can be found in the Report of the Audit Committee on pages 43 to 45.

Further statements on compliance with the specific risk management and control requirements in the Dutch Corporate Governance Code, the UK Corporate Governance Code, the US Securities Exchange Act (1934) and the Sarbanes-Oxley (2002) Act can be found on pages 41 and 42.

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RISKS CONTINUED

VIABILITY STATEMENT

The Directors have reviewed the long-term prospects of the Group in order to assess its viability. This review incorporated the activities and key risks of the Group together with the factors likely to affect the Group s future development, performance, financial position, cash flows, liquidity position and borrowing facilities as described on pages 1 to 26. In addition, we describe in notes 15 to 18 on pages 104 to 120 the Group s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

ASSESSMENT

In order to report on the long-term viability of the Group, the Directors reviewed the overall funding capacity and headroom available to withstand severe events and carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The assessment assumes that any debt maturing in the next three years can be re-financed at commercially acceptable terms or via our current standby facility. This assessment also included reviewing and understanding the mitigation factors in respect of each of those risks. The risk factors are summarised on pages 29 to 33.

The viability assessment has two parts:

- First, the Directors considered the period over which they have a reasonable expectation that the Group will continue to operate and meet its liabilities, taking into account current debt facilities and debt headroom; and
- Second, they considered the potential impact of severe but plausible scenarios over this period, including:
  - assessing scenarios for each individual principal risk, for example the termination of our relationships with the three largest global customers; the loss of all material litigation cases; a major IT data breach and the lost cost and growth opportunities from not keeping up with technological changes; and
  - assessing scenarios that involve more than one principal risk including the following multi risk scenarios:

Multi risk scenarios modelled	Level of severity reviewed	Link to principal risk
Contamination issue with one of our products leading to lower sales of products of this brand and the temporary closure of our largest sourcing unit.	A fine equal to 1% of Group turnover was considered along with damage to our largest brand and disruption to supply chain.	Safe and high-quality products Brand preference Supply chain

Major global incident affecting one or more of the Group s key locations resulting in an outage for a year in a key sourcing unit and significant water shortages in our key developing markets.	The complete loss of all of our turnover in our largest geographic market was considered along with destruction of a key sourcing unit and reduced demand for our products that require water.	Economic and political instability Supply chain Climate change
Global economic downturn leading to an increase in funding costs and the loss of our three largest customers.	Significant business disruption in our largest emerging market was considered with the impact of losing our three key customers.	Economic and political instability Treasury and pensions Customer relationships

FINDINGS

Firstly, a three-year period is considered appropriate for this viability assessment because it is the period covered by the strategic plan; and it enables a high level of confidence in assessing viability, even in extreme adverse events, due to a number of factors such as:

- the Group has considerable financial resources together with established business relationships with many customers and suppliers in countries throughout the world;
- high cash generation by the Group s operations and access to the external debt markets;
- flexibility of cash outflow with respect to significant marketing programmes and capital expenditure projects which usually have a 2-3 year horizon; and
- the Group s diverse product and geographical activities which are impacted by continuously evolving technology and innovation.

Secondly, for each of our 14 principal risks, worst case plausible scenarios have been assessed together with multiple risk scenarios. None of the scenarios reviewed, either individually or in aggregate would cause Unilever to cease to be viable.

CONCLUSION

On the basis described above, the Directors have 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 their assessment.

PRINCIPAL RISK FACTORS

Our business is subject to risks and uncertainties. On the following pages we have identified the risks that we regard as the most relevant to our business. These are the risks that we see as most material to Unilever s business and performance at this time. There may be other risks that could emerge in the future.

All the principal risks could impact our business within the next two years (ie short-term risks), or could impact our business over the next three to five years (ie medium-term risks). Some principal risks, such as climate change, could also impact over the longer term (ie beyond five years).

Our principal risks have not fundamentally changed this year apart from the addition of a plastic packaging risk. Given the nature of our business, a reduction in the amount of plastic packaging and increase in the use of recyclable content in our packaging is critical to our future success.

As well as identifying the most relevant risks for our business we reflect on whether we think the level of risk associated with each of our principal risks is increasing or decreasing. In addition to our plastic packaging risk there are three areas where we believe there is an increased level of risk:

- Customer Relationships: technology is changing our channel landscape and hence changing the nature of the relationships with our traditional customers as well as requiring us to develop relationships with new customers who are driving e-commerce development;
- Systems and Information: the number of cybersecurity attacks is still increasing significantly, and incidents are becoming more sophisticated as technology further evolves; and
- Business Transformation: this risk has increased as a result of the speed of technological change which means the pressure to digitalise our business to take advantage of the opportunities it presents, both in terms of growth and cost efficiency, is increasing.

If the circumstances in these risks occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described, which may include forward-looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.

DESCRIPTION OF RISK

BRAND PREFERENCE

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

Consumer tastes, preferences and behaviours are changing more rapidly than ever before, and Unilever s ability to identify and respond to these changes is vital to our business success.

Technological change is disrupting our traditional brand communication models. Our ability to develop and deploy the right communication, both in terms of messaging content and medium is critical to the continued strength of our brands.

We are dependent on creating innovative products that continue to meet the needs of our consumers and getting these new products to market with speed. If we are unable to innovate effectively, Unilever s sales or margins could be materially adversely affected.

PORTFOLIO MANAGEMENT

Unilever s strategic investment choices will affect the long-term growth and profits of our business.

Unilever s growth and profitability are determined by our portfolio of categories, geographies and channels and how these evolve over time. If Unilever does not make optimal strategic investment decisions, then opportunities for growth and improved margin could be missed.

SUSTAINABILITY

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

Unilever s vision to grow our business, while decoupling our environmental footprint from our growth and increasing our positive social impact, will require more sustainable ways of doing business. In a world where resources are scarce and demand for them continues to increase, it is critical that we succeed in reducing our resource consumption and converting to sustainably sourced supplies. In doing this we are dependent on the efforts of partners and various certification bodies. We are also committed to improving health and well-being and enhancing livelihoods around the world so Unilever and our communities grow successfully together. There can be no assurance that sustainable business solutions will be developed and failure to do so could limit Unilever s growth and profit potential and damage our corporate reputation.

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RISKS CONTINUED

DESCRIPTION OF RISK

CLIMATE CHANGE

Climate changes and governmental actions to reduce such changes may disrupt our operations and/or reduce consumer demand for our products.

Climate changes are occurring around the globe which may impact our business in various ways. They could lead to water shortages which would reduce demand for those of our products that require a significant amount of water during consumer use. They could also lead to an increase in raw material and packaging prices or reduced availability. Governments may take action to reduce climate change such as the introduction of a carbon tax or zero net deforestation requirements which could impact our business through higher costs or reduced flexibility of operations.

Increased frequency of extreme weather (storms and floods) could cause increased incidence of disruption to our manufacturing and distribution network. Climate change could result therefore in making products less affordable or less available for our consumers resulting in reduced growth and profitability.

PLASTIC PACKAGING

A reduction in the amount of plastic and an increase in the use of recyclable content in our packaging is critical to our future success.

Both consumer and customer responses to the environmental impact of plastic waste and emerging regulation by governments to tax or ban the use of certain plastics requires us to find solutions to reduce the amount of plastic we use; increase recycling post-consumer use; and to source recycled plastic for use in our packaging. We are also dependent on the work of our industry partners to create and improve recycling infrastructures throughout the globe.

Not only is there a risk around finding appropriate replacement materials, due to high demand the cost of recycled plastic or other alternative packaging materials could significantly increase in the foreseeable future and this could impact our business performance. We could also be exposed to higher costs as a result of taxes or fines if we are unable to comply with plastic regulations which would again impact our profitability and reputation.

CUSTOMER RELATIONSHIPS

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

Maintaining strong relationships with our existing customers and building relationships with new customers who have built new technology-enabled business models to serve changing shopper habits are necessary to ensure our brands are well presented to our consumers and available for purchase at all times.

The strength of our customer relationships also affects our ability to obtain pricing and competitive trade terms. Failure to maintain strong relationships with customers could negatively impact our terms of business with affected customers and reduce the availability of our products to consumers.

DESCRIPTION OF RISK

TALENT

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

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

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

SUPPLY CHAIN

Our business depends on purchasing materials, efficient manufacturing and the timely distribution of products to our customers.

Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents, trade restrictions or disruptions at a key supplier, which could impact our ability to deliver orders to our customers.

The cost of our products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs cannot always be passed on to the consumer through pricing.

Changes in trade relationships between Europe and the UK as a result of Brexit could give rise to both a supply and cost issue.

SAFE AND HIGH QUALITY PRODUCTS

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

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

SYSTEMS AND INFORMATION

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

The cyber-attack threat of unauthorised access and misuse of sensitive information or disruption to operations continues to increase. Such an attack could inhibit our business operations in a number of ways, including disruption to sales, production and cash flows, ultimately impacting our results.

In addition, increasing digital interactions with customers, suppliers and consumers place ever greater emphasis on the need for secure and reliable IT systems and infrastructure and careful management of the information that is in our possession to ensure data privacy.

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RISKS CONTINUED

DESCRIPTION OF RISK

BUSINESS TRANSFORMATION

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

Unilever is continually engaged in major change projects, including acquisitions, disposals and organisational transformation, to drive continuous improvement in our business and to strengthen our portfolio and capabilities. A number of key projects were announced in 2017 to accelerate sustainable shareholder value creation. Failure to execute such initiatives successfully could result in under-delivery of the expected benefits and there could be a significant impact on the value of the business.

Continued digitalisation of our business models and processes together with enhancing data management capabilities is a critical part of our transformation. Failure to keep pace with such technological change would significantly impact our growth and profitability.

ECONOMIC AND POLITICAL INSTABILITY

Unilever operates around the globe and is exposed to economic and political instability that may reduce consumer demand for our products, disrupt sales operations and/or impact the profitability of our operations.

Adverse economic conditions may affect one or more countries within a region, or may extend globally.

Government actions such as foreign exchange or price controls can impact on the growth and profitability of our local operations.

Unilever has more than half its turnover in emerging markets which can offer greater growth opportunities but also expose Unilever to related economic and political volatility.

TREASURY AND PENSIONS

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

The relative values of currencies can fluctuate widely and could have a significant impact on business results. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets and earnings of its foreign subsidiaries.

We are also subject to the imposition of exchange controls by individual countries which could limit our ability to import materials paid in foreign currency or to remit dividends to the parent company.

Unilever may face liquidity risk, ie difficulty in meeting its obligations, associated with its financial liabilities. A material and sustained shortfall in our cash flow could undermine Unilever s credit rating, impair investor confidence and also restrict Unilever s ability to raise funds.

We are exposed to market interest rate fluctuations on our floating rate debt. Increases in benchmark interest rates could increase the interest cost of our floating rate debt and increase the cost of future borrowings.

In times of financial market volatility, we are also potentially exposed to counter-party risks with banks, suppliers and customers.

Certain businesses have defined benefit pension plans, most now closed to new employees, which are exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow.

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DESCRIPTION OF RISK

ETHICAL

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders, is essential for the protection of the reputation of Unilever and its brands.

Unilever s brands and reputation are valuable assets and the way in which we operate, contribute to society and engage with the world around us is always under scrutiny both internally and externally. Despite the commitment of Unilever to ethical business and the steps we take to adhere to this commitment, there remains a risk that activities or events cause us to fall short of our desired standard, resulting in damage to Unilever s corporate reputation and business results.

LEGAL AND REGULATORY

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

Unilever is subject to national and regional laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, data privacy, the environment, corporate governance, listing and disclosure, employment and taxes.

Failure to comply with laws and regulations could expose Unilever to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation.

Changes to laws and regulations could have a material impact on the cost of doing business. Tax, in particular, is a complex area where laws and their interpretation are changing regularly, leading to the risk of unexpected tax exposures. International tax reform remains a key focus of attention with the OECD s Base Erosion & Profit Shifting project and further potential tax reform in the EU and Switzerland.

IN FOCUS: CLIMATE CHANGE RISKS AND OPPORTUNITIES

UNILEVER HAS PUBLICLY COMMITTED TO IMPLEMENTING THE RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

Unilever recognises the importance of disclosing climate-related risks and opportunities. Adopting the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations is an important step forward in enabling market forces to drive efficient allocation of capital and support a smooth transition to a low-carbon economy.

In this Annual Report and Accounts, we continue to integrate climate-related disclosures throughout the Strategic Report narrative. However, in recognition of the growing significance of the impacts of climate change on our business, we have also summarised the risks and opportunities arising from climate change, and our response below.

The Boards take overall accountability for the management of climate change risks and opportunities with support from the ULE and the USLP Steering Team (see page 46). Chaired by Keith Weed in 2018, the USLP Steering Team includes nine members of the ULE and meets five times a year. During 2018, there were numerous agenda items on topics related to climate change including our overall climate strategy and our renewable electricity target.

For management employees (including the ULE), incentives include fixed pay, a bonus as a percentage of fixed pay and a long-term management co-investment plan (MCIP) linked to financial and USLP performance. The USLP component accounts for 25% of total MCIP award. The sustainability component of MCIP includes consideration of our progress against climate change, water and palm oil targets, which among others, underpin our climate strategy. See pages 52 to 54 for more on MCIP.

UNDERSTANDING IMPACT

Climate change has been identified as a principal risk to Unilever which has the potential to impact our business in the short, medium and long-term. Further details on the nature of climate risks and opportunities for Unilever can be found in our 2018 CDP Climate submission (see further climate change disclosures on pages 7 and 14).

To further understand the impact that climate change could have on Unilever s business we performed a high-level assessment of the impact of 2°C and 4°C global warming scenarios. The 2°C and 4°C scenarios are constructed on the basis that average global temperatures will have increased by 2°C and 4°C in the year 2100.

Between today and 2100 there will be gradual changes towards these endpoints and we have looked at the impact on our business in 2030 assuming we have the same business activities as we do today. We also made the following simplifying assumptions:

In the 2°C scenario, we assumed that in the period to 2030 society acts rapidly to limit greenhouse gas emissions and puts in place measures to restrain deforestation and discourage emissions (for example implementing carbon pricing at $75-$100 per tonne, taken from the International Energy Agency s 450 scenario). We have assumed that there will be no significant impact to our business from the physical ramifications of climate change by 2030 ie from greater scarcity of water or increased impact of severe weather events. The scenario assesses the impact on our business from regulatory changes.

In the 4°C scenario, we assumed climate policy is less ambitious and emissions remain high so the physical manifestations of climate change are increasingly apparent by 2030. Given this we have not included impacts from regulatory restrictions but focus on those resulting from the physical impacts.

We identified the material impacts on Unilever s business arising from each of these scenarios based on existing internal and external data. The impacts were assessed without considering any actions that Unilever might take to mitigate or adapt to the adverse impacts or to introduce new products which might offer new sources of revenue as consumers adjust to the new circumstances.

The main impacts of the 2°C scenario were as follows:

- Carbon pricing is introduced in key countries and hence there are increases in both manufacturing costs and the costs of raw materials such as dairy ingredients and the metals used in packaging.
- Zero net deforestation requirements are introduced and a shift to sustainable agriculture puts pressure on agricultural production, raising the price of certain raw materials.

The main impacts of the 4°C scenario were as follows:

- Chronic and acute water stress reduces agricultural productivity in some regions, raising prices of raw materials.
- Increased frequency of extreme weather (storms and floods) causes increased incidence of disruption to our manufacturing and distribution networks.
- Temperature increase and extreme weather events reduce economic activity, GDP growth and hence sales levels fall.

Our analysis shows that, without action, both scenarios present financial risks to Unilever by 2030, predominantly due to increased costs. However, while there are financial risks which would need to be managed, we would not have to materially change our business model. The most significant impacts of both scenarios are on our supply chain where costs of raw materials and packaging rise, due to carbon pricing and rapid shift to sustainable agriculture in a 2°C scenario and due to chronic water stress and extreme weather in a 4°C scenario. The impacts on sales and our own manufacturing operations are relatively small.

The results of this analysis confirm the importance of doing further work to ensure that we understand the critical dependencies of climate change on our business and to ensure we have action plans in place to help mitigate these risks and thus prepare the business for the future environment in which we will operate.

During 2018 we developed and piloted an approach to assess the impact of climate change on our key commodities. We selected soy for this pilot based on its importance to Unilever (large purchased volume), it being a high-profile crop in the countries where it is grown and the availability of good historical price data and suitable climate models.

We developed a methodology which combined forecasting future yields and quantifying the impact on commodity prices of soybean oil. Climate change was the only price factor accounted for in the model used to calculate the impact. Other factors which impact price, such as technology and acreage, were excluded. The model considered the direct risks from climate change to the price of soybean oil, such as change in yield and change in supply. Three modelling steps were performed:

- Yield estimation: We analysed multiple agriculture and climate models to provide a forecast range of expected yields in key growing regions.
- Price relationship: An econometric model was developed, based on an analysis of the soybean oil market and historical trends, to estimate the impact of climate-induced yield changes on future prices. This model considered the importance of co-products eg soybean meal, substitution potential eg with sunflower oil and industrial uses of

soybean oil, as well as the impact of yield on price.

Impact estimation: Future yields and price impacts were then translated into an estimated financial exposure from climate change for our business, using our forecast procurement volumes.

Our pilot analysis showed that soybean yields may increase over the 2030 and 2050-time horizon and that subsequent lower prices may then lead to small potential reductions in our procurement spend on soy. While the results may indicate a low financial risk to our business, we would need to consider a wider range of risk factors when determining our strategic response. Indirect risks from climate change, such as catastrophic events or external policy response and adaptation could also have an impact but were not included in our modelling. Furthermore, these pilot results are

specific to soy and can t be applied to other crops. We have therefore decided to get broader understanding on the climate change risks to our agricultural sourcing and extend our analysis to two other important crops to Unilever: Palm Oil and Tea, for which suitable climate change models for yield predictions will be available in 2019.

RESPONDING TO RISKS AND OPPORTUNITIES

Unilever s vision is to grow our business whilst decoupling our growth from our environmental footprint and increasing positive social impact. This vision explicitly recognises that sustainable growth including management of climate-related risks and opportunities is the only way to create long-term value for all our stakeholders.

The Unilever Sustainable Living Plan (USLP) was developed to deliver our vision. It is fully integrated with our business strategy. Climate-related issues are integral to the USLP. Two of our GHG reduction targets included in the USLP are recognised as science-based:

Halve the greenhouse gas impact of our products across the lifecycle by 2030 (this target covers all the phases across the lifecycle of our products: ingredients/raw materials, manufacturing, distribution, retail, packaging, consumer use and disposal)

Reduce scope 1 and 2 greenhouse gas emissions by 100% from our own operations by 2030 (this is part of our ambition to be become carbon positive in our manufacturing by 2030)

We are taking action across our value chain to reduce our emissions, creating growth opportunities and minimising risk. Our commitment to source 100% of our palm oil from sustainable sources is helping to avoid emissions from deforestation (see pages 14 and 47). Our efforts to reduce energy and GHG emissions in manufacturing are helping us to save costs. For example, by using less energy, we have already avoided energy costs in our factories of over 600 million since our baseline year of 2008.

Our divisions are taking action to reduce emissions. In Home Care we are focusing on concentrated liquid laundry detergents such as Persil, Omo and Surf Small & Mighty which help consumers to wash clothes at lower temperatures, reducing GHG by up to 50% per load. We have removed phosphates from all laundry powders worldwide, resulting in lower greenhouse gas emissions of up to 50% per consumer use. Our Foods & Refreshment division has prioritised reducing greenhouse gas emissions from ice cream freezers since 2008. As the world s largest producer of ice cream, we have committed to accelerating the roll-out of freezer cabinets that use more climate-friendly natural (hydrocarbon) refrigerants. By 2018 our total purchase of these cabinets had increased to around 2.9 million.

Detailed Lifecycle Analysis has shown that our GHG contribution from animal-based agriculture, including fats and proteins, is relatively low: 7.5% for Foods & Refreshment and 2.5% for total Unilever. While emissions are comparatively low, the business opportunity is significant for natural and plant-based foods and beverages. We have a range of vegan and vegetarian variants such as Hellmann s vegan mayonnaise, Ben & Jerry s non-dairy ice creams, Magnum vegan and other options (see pages 11 to 12). We continue to actively promote vegetarian and vegan recipes, notably via our Knorr brand websites.

A number of our targets directly address risks and opportunities related to water scarcity caused by climate change. We estimate that the sale of products which address water scarcity issues could increase in our Home Care and Beauty & Personal Care divisions where a number of products are available which address water scarcity and/ or have a lower GHG in use. For example, our Beauty & Personal Care division is investing in water smart product innovations such as dry shampoo and cleansing conditioner which help consumers use less water while also offering relevant benefits such as reduced colour loss and damage which can arise from frequent washing. Home Care is combining insights in consumer behaviour and water consumption with innovative technology to develop new market opportunities, launching products and formulations that address water scarcity and help our consumers save water. Day2, the world s first dry wash spray is made with only 0.02% of the water in a normal laundry load. Sunlight 2-in-1 Handwashing Laundry Powder and Rin (Radiant) detergent bar are also helping to reduce water consumption at point of use in water-stressed countries.

Home Care is home to three brands, Pureit, Truliva/Qinyuan and Blueair, which are responding directly to issues related to climate change. Pureit and Truliva, our water purification businesses, offer products which provide safe drinking water to millions of people with a lower carbon footprint than alternatives. Our detailed lifecycle analysis shows that Pureit s total carbon footprint is at least 80% lower than boiled or bottled water. Blueair, our indoor air purification business acquired in 2016, removes contaminants from the air, including hazardous sooty particles associated with the combustion of fossil fuels.

Several other targets in our USLP indirectly address climate risk and opportunities by aiming to support groups who are vulnerable to the effects of climate change and who are critical to our future growth, notably smallholder farmers and women in low income countries.

Unilever continues to support a number of policy measures to accelerate the transition to a low-carbon economy, including the pricing of carbon and removal of fossil fuel subsidies which act as negative carbon prices. We believe that carbon pricing is a fundamental part of the global response to climate change and without it, the world is unlikely to meet its greenhouse gas reduction targets. We have publicly supported calls for carbon pricing and are members of The Carbon Pricing Leadership Coalition, hosted by the World Bank. In 2016, we implemented an internal price on carbon as part of the business case appraisal for large capital expenditure projects. The carbon price is also applied to emissions from our manufacturing sites to raise a clean-tech fund. So far, 73 million has been allocated to this fund for energy and water saving projects. In January 2018 the price of carbon was 40 per tonne.

MEASURING AND REPORTING

We have been measuring and reporting on our energy and water consumption and carbon emissions since 1995. The USLP includes a number of stretching targets which relate to climate risks and opportunities across our value chain. Performance against key targets can be found on page 7 with commentary on page 13 and 14. Our website contains detailed commentary on our USLP targets as well as actions we are taking to achieve them.

Our ability to meet our climate-related targets partly depends on changes in the energy markets worldwide, such as the rate of installation of renewable electricity in many countries. We have a role to play as an industry leader to help shape those markets. We are working collaboratively with partners, suppliers and others to achieve our ambition.

We ve created a detailed plan to annually assess the feasibility for Unilever to reach our target to halve the greenhouse gas impact of our products across the lifecycle by 2030, taking both external transitions towards a low-carbon economy as well as the latest available data and assumptions about our GHG footprint into account. The basis of this plan is the set of around 2,800 products representative of our global portfolio across all divisions for which we have full value-chain lifecycle analysis results.

We recalculated the footprint of these products using the latest 2030 projections on external transitions to a low-carbon economy (eg International Energy Agency 2030 projection on grid changes to renewable energy), low-carbon transition plans in our operations (eg achieving zero net deforestation by 2020, using 100% renewable energy by 2020) and Innovation Roadmaps (eg redesign for lower embedded carbon emissions, transforming the temperature-controlled supply chain).

In line with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 our greenhouse gas (GHG) emissions are set out below. For Scope 1 and 2 we report our CO_2 emissions only but not other GHG emissions as these are considered to be not material. For Scope 3 we report our GHG emissions (eg CO_2, CH_4, N_2O) in terms of CO_2 equivalents.

We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol) to calculate emissions of carbon dioxide from the combustion of fuels and the operation of facilities (Scope 1) and from purchased electricity, heat, steam and cooling (Scope 2, market-based method). Each year PwC assure selected manufacturing environmental metrics including carbon emissions from energy use and energy use per tonne of production.

The GHG data below relates to emissions during the 12-month period from 1 October to 30 September. This period is different from the Strategic Report, Directors Report and Financial Statements which are calendar year.

UNILEVER GREENHOUSE GAS EMISSIONS BY ACTIVITY^

	2018	2017
Manufacturing (scope 1 and 2)		
Scope 1 (tonnes CO_2)	**711,875**	773,856
Scope 2* (tonnes CO_2)	**726,167**	793,472
Total Scope 1 & 2* (tonnes CO_2)	**1,438,042**	1,567,328
Intensity ratio (kg CO_2 per tonne of production)	**70.46**	76.77
Distribution centres, research laboratories, marketing and sales offices (scope 1 and 2)		
Scope 1 (tonnes CO_2)	**20,052**	20,039
Scope 2* (tonnes CO_2)	**100,924**	102,292
Total Scope 1 & 2* (tonnes CO_2)	**120,976**	122,331
Upstream and downstream of Unilever operations top 3 emissions sources (scope 3)		
Consumer use (downstream) (tonnes CO_2e)q	**39,895,946**	38,697,432
Ingredients and packaging (upstream) (tonnes CO_2e)	**14,985,897**	15,000,941
Distribution and retail (downstream) (tonnes CO_2e)	**4,368,626**	3,895,589

^ Carbon emission factors are used to convert energy used in our operations to emissions of CO_2. Carbon emission factors for fuels are provided by the Intergovernmental Panel on Climate Change (IPCC).

+ For manufacturing we have selected an intensity ratio based on production. This aligns with our long-standing reporting of manufacturing performance. Emissions from the combustion of biogenic fuels (biomass, fuel crops etc) within our operations are reported separately to other Scope 1 and 2 emissions, as recommended by the GHG Protocol, and excluded from our intensity ratio calculation. The data also excludes Scope 3 emissions (including consumer use of our products) which we report as part of our Unilever Sustainable Living Plan.

* Carbon emission factors for grid electricity calculated according to the market-based method are supplier-specific emissions factors reflecting contractual arrangements with electricity suppliers. Where supplier-specific emissions

factors are not available, carbon emissions factors reflect the country where each operation is located and are provided by the International Energy Agency (IEA).

q We measure the full GHG footprint of our product portfolio and annual sales using an LCA method compliant with the ISO 14040 standard. We measure the consumer use phase using a combination of primary habits data and on pack recommendations of use combined with lifecycle inventory data. We measure a representative sample of products across 14 countries which account for around 60-70% of our annual sales volume.

We use a combination of external lifecycle inventory databases (secondary data) and supplier specific data (primary data eg for surfactants, perfumes and some of food ingredients) to measure the GHG emissions of purchased ingredients and packaging materials used in the production of our products.

Downstream distribution is calculated using average distances and modes of transport derived from data collected from our distribution network and logistic providers.

FURTHER CLIMATE CHANGE DISCLOSURES

This Annual Report and Accounts contains additional disclosures on our climate change risks and opportunities:

Governance and remuneration: pages 46 to 47 and 52 to 54
Strategy for climate change: page 14
Risk management: page 30
Metrics and targets: pages 7 and 13 to 14

Our website contains disclosures on our greenhouse gas and water USLP targets.

www.unilever.com/sustainable-living/our-sustainable-living-report-hub

Our CDP Climate submission contains extensive disclosure on our climate risks, opportunities, impacts and mitigating actions (password required).

www.cdp.net

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GOVERNANCE REPORT

CORPORATE GOVERNANCE

UNILEVER S STRUCTURE

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

The Equalisation Agreement makes the economic position of the shareholders of NV and PLC, as far as possible, the same as if they held shares in a single company and also regulates the mutual rights of the shareholders of NV* and PLC. Under this agreement, NV and PLC must adopt the same financial periods and accounting policies.

The Deed of Mutual Covenants provides that NV and PLC and their respective subsidiary companies shall co-operate in every way for the purpose of maintaining a common operating policy. They shall exchange all relevant information about their respective businesses the intention being to create and maintain a common operating platform for the Unilever Group throughout the world. This Deed also contains provisions for the allocation of assets within the Unilever Group.

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

Each NV ordinary share represents the same underlying economic interest in the Unilever Group as each PLC ordinary share. However, NV and PLC remain separate legal entities with different shareholder constituencies and separate stock exchange listings. Shareholders cannot convert or exchange the shares of one for the shares of the other. More information on the exercise of voting rights can be found in NV s and PLC s Articles of Association and in the Notices of Meetings for our NV and PLC AGMs, all of which can be found on our website.

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

www.unilever.com/investor-relations/agm-and-corporate-

governance/legal-structure-and-foundation-agreements/

BOARDS

The Boards of NV and PLC have ultimate responsibility for the management, general affairs, direction, performance and long-term success of our business as a whole. The Boards are one-tier boards, the same people are on both Boards and the responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The majority of the Directors are Non-Executive Directors who essentially have a supervisory role. In the normal course Unilever has two Executive Directors, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). On 31 December 2018 the current CEO resigned and his successor, Alan Jope, was appointed on 1 January 2019. Alan will be proposed to be appointed as an Executive Director at the 2019 AGMs. Consequently, between 1 January 2019 and the 2019 AGMs in May we have one Executive Director.

A list of our current Directors, their roles on the Boards, their dates of appointment, tenure and their other major appointments is set out on page 3.

The Boards have delegated the operational running of the Unilever Group to the CEO with the exception of the following matters which are reserved for the Boards: structural and constitutional matters, corporate governance, approval of dividends, approval and monitoring of overall strategy for the Unilever Group, approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and pensions. The CEO is responsible to the Boards in relation to the operational running of the Group and other powers delegated to him by the Boards. The CEO can delegate any of his powers and discretions, and he does so delegate to members of the Unilever Leadership Executive (ULE) (with power to sub-delegate). The ULE is composed of the CEO, CFO and other senior executives who assist the CEO in the discharge of the powers delegated to the CEO by the Boards. Members of the ULE report to the CEO, and the CEO supervises and determines the roles, activities and responsibilities of the ULE. While ULE members (other than the CEO and the CFO) are not part of the Boards decision-making process, to provide the Boards with deeper insights, ULE members often attend those parts of the Board meetings which relate to the operational running of the Group. The ULE currently consists of the CEO, CFO, the Division Presidents, the Presidents for Europe and North America, and the Chief Research and Development Officer, Chief HR Officer, Chief Legal Officer and Group Secretary, Chief Marketing and Communications Officer and Chief Supply Chain Officer.

The biographies of ULE members are on page 5.

BOARD COMMITTEES

The Boards have established four Board Committees: the Audit Committee, the Compensation Committee, the Corporate Responsibility Committee and the Nominating and Corporate Governance Committee. The terms of reference of these Committees can be found on our website and the reports of each Committee, including attendance at meetings in 2018, can be found on pages 43 to 65.

www.unilever.com/investor-relations/agm-and-corporate-

governance/board-and-management-committees/

THE GOVERNANCE OF UNILEVER

Further details of the roles and responsibilities of the Chairman, Senior Independent Director/Vice-Chairman, CEO, CFO and other corporate officers and how our Boards effectively operate as one board, govern themselves and delegate their authorities are set out in the document entitled The Governance of Unilever, which can be found on our website.

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

www.unilever.com/investor-relations/agm-and-corporate-

governance/our-corporate-governance/

BOARD EFFECTIVENESS

BOARD MEETINGS

A minimum of five face-to-face meetings are planned throughout the calendar year to consider important corporate events and actions, for example, the half-year and full-year results announcements of the Unilever Group; the development of and approval of the overall strategy of the Unilever Group; oversight of the performance of the business; review of risks and internal risk management and control systems; authorisation of major transactions; declaration of dividends; convening of shareholders meetings; succession planning; review of the functioning of the Boards and their Committees; culture; and review of corporate responsibility and sustainability, in particular the Unilever Sustainable Living Plan. Other ad hoc Board meetings are convened to discuss strategic, transactional and governance matters that arise. In 2018 the Boards met physically in January, March, May, July, October and November. Meetings of the Boards may be held either in London or in Rotterdam or such other locations as the Boards think fit, with one or two off-site Board meetings a year. The Chairman sets the Boards agenda, ensures the Directors receive accurate, timely and clear information, and promotes effective relationships and open communication between the Executive and Non-Executive Directors.

ATTENDANCE

The table showing the attendance of current Directors at Board meetings in 2018 can be found on page 3. If Directors are unable to attend a Board meeting they have the opportunity beforehand to discuss any agenda items with the Chairman. Ann Fudge attended four of the Board meetings she was eligible to attend before retiring from the Boards on 3 May 2018.

NON-EXECUTIVE DIRECTOR MEETINGS

The Non-Executive Directors usually meet as a group, without the Executive Directors present, when there is a face-to-face Board meeting. In 2018 they met five times. The Chairman, or in his absence the Senior Independent Director/Vice-Chairman, chairs such meetings.

BOARD EVALUATION

Each year the Boards formally assess their own performance with the aim of helping to improve the effectiveness of both the Boards and the Committees. At least once every three years an independent third party facilitates the evaluation. The last external evaluation was performed in 2017. The evaluation consists of individual interviews with the Directors by the Chairman and, when relevant, by the external evaluator. These interviews are complemented by the completion by all Directors of three confidential online evaluation questionnaires on the efficiency and effectiveness of our Boards, CEO and Chairman. The Boards evaluation questionnaire this year focused on a number of key areas including Strategy, Risk/Financial Controls, Board Effectiveness and Information/Knowledge. The Chairman s statement on page 2 describes the key actions agreed by the Boards following the evaluation.

The evaluation of the performance of the Chairman and CEO is led by the Senior Independent Director/Vice-Chairman and Chairman respectively, and the bespoke questionnaires will be used to support these evaluations. Committees of the Boards evaluate themselves annually under supervision of their respective Chairs taking into account the views of respective Committee members and the Boards. The key actions agreed by each Committee in the 2018 evaluations can be found in each Committee Report.

APPOINTMENT

In seeking to ensure that NV and PLC have the same Directors, the Articles of Association of NV and PLC contain provisions which are designed to ensure that both NV and PLC shareholders are presented with the same candidates for election as Directors. Anyone being elected as a Director of NV must also be elected as a Director of PLC and vice versa. Therefore, if an individual fails to be elected to both companies he or she will be unable to take his or her place on either Board.

The report of the Nominating and Corporate Governance Committee (NCGC) on pages 48 and 49 describes the work of the NCGC in Board appointments and recommendations for re-election. In addition, shareholders are able to nominate Directors. The procedure for shareholders to nominate Directors is contained within the document entitled Appointment procedure for NV and PLC Directors which is available on our website. To do so they must put a resolution to both the NV and PLC AGMs in line with local requirements. Directors are appointed by shareholders by a simple majority vote at each AGM.

www.unilever.com/investor-relations/agm-and-corporate-

governance/board-and-management-committees/

DIRECTOR INDUCTION AND TRAINING

All new Directors participate in a comprehensive induction programme when they join the Boards. The Chairman ensures that ongoing training is provided for Directors by way of site visits, presentations and circulated updates at (and between) Board and Board Committee meetings on, among other things, Unilever s business, environmental, social, corporate governance, regulatory developments and investor relations matters. For example, in 2018 the Directors received presentations on Information Security, Digital, the Supply Chain and Simplification.

INDEPENDENCE AND CONFLICTS

As the Non-Executive Directors make up the Committees of the Boards, it is important that they can be considered to be independent. Each year the Boards conduct a thorough review of the Non-Executive Directors , and their related or connected persons , relevant relationships referencing the criteria set out in The Governance of Unilever which is derived from the relevant best practice guidelines in the Netherlands, UK and US. The Boards currently consider all our Non-Executive Directors to be independent of Unilever.

We attach special importance to avoiding conflicts of interest between NV and PLC and their respective Directors. The Boards ensure that there are effective procedures in place to avoid conflicts of interest by Board members. A Director must without delay report any conflict of interest or potential conflict of interest to the Chairman and to the other Directors, or, in case any conflict of interest or potential conflict of interest of the Chairman, to the Senior Independent Director/Vice-Chairman and to the other Directors. The Director in question must provide all relevant information to the Boards, so that the Boards can decide whether a reported (potential) conflict of interest of a Director qualifies as a conflict of interest within the meaning of the relevant laws. A Director may not vote on, or be counted in a quorum in relation to, any resolution of the Boards in respect of any situation in which he or she has a conflict of interest. The procedures that Unilever has put in place to deal with conflicts of interest operate effectively.

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

INDEMNIFICATION

The terms of NV Directors indemnification are provided for in NV s Articles of Association. The power to indemnify PLC Directors is provided for in PLC s Articles of Association and deeds of indemnity have been agreed with all PLC Directors. Third-party directors and officers liability insurance was in place for all Unilever Directors throughout 2018 and is currently in force.

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

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CORPORATE GOVERNANCE CONTINUED

OUR SHARES

NV SHARES

SHARE CAPITAL

NV s issued share capital on 31 December 2018* was made up of:

274,356,432 split into 1,714,727,700 ordinary shares of 0.16 each; and

1,028,568 split into 2,400 special ordinary shares numbered 1 2,400 known as special ordinary shares.

* When referred to the issued share capital on 31 December 2018 also 62,065,550 split into two classes (6% and 7%) of cumulative preference shares was outstanding. All 6% and 7% cumulative preference shares were held in treasury as a result of which these shares cannot be voted upon in the General Meeting of NV. The resolutions of the General Meeting of NV and the Board of NV to cancel these shares were filed on 29 November 2018 with the Dutch Trade Register and an announcement thereof in a daily and nationally distributed newspaper in the Netherlands was made on 5 December 2018. These shares were cancelled on 6 February 2019.

LISTINGS

NV has ordinary shares (UNIA) and depositary receipts for such ordinary shares (UNA) listed on Euronext Amsterdam and, as US New York Registry Shares* (UN) on the New York Stock Exchange.

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

VOTING RIGHTS

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

	Total number of votes	% of issued capital
1,714,727,700 ordinary shares	**1,714,727,700[(a)]**	**99.63**
2,400 special shares	**6,428,550**	**0.37**

As at 31 December 2018:

[a] 254,012,896 shares were held in treasury and 9,336,215 shares were held to satisfy obligations under share-based incentive schemes. These shares and the special shares are not voted on. All 6% and 7% cumulative preference shares were held in treasury as a result of which these shares cannot be voted upon, as described within the Share Capital section above.

SHARE ISSUES AND PURCHASE OF SHARES

At the NV AGM held on 3 May 2018 the Board of NV was designated as the corporate body authorised to resolve on the issue of, or on the granting of rights to subscribe for, shares not yet issued and to restrict or exclude the statutory pre-emption rights that accrue to shareholders upon issue of shares, on the understanding that this authority is limited to 33% of NV s issued ordinary share capital and to disapply pre-emption rights to 5% of NV s issued share capital for general corporate purposes and an additional 5% authority only in connection with an acquisition or specified capital investment.

In addition, at NV s 2018 AGM the NV Board was designated as the corporate body authorised to purchase (i) ordinary shares with a maximum of 10% of the issued share capital as well as (ii) any and all 6% and 7% cumulative preference shares.

These authorities expire on the earlier of the conclusion of the 2019 NV AGM or the close of business on 30 June 2019 (the last date by which NV must hold an AGM in 2019). Such authorities (other than with respect to the 6% and 7% cumulative preference shares) are renewed annually.

During 2018 companies within the Unilever Group purchased 4,000,000 NV ordinary shares, representing 0.23% of the issued ordinary share capital, for 183,380,649. These purchases were made to facilitate grants made in connection with Unilever s employee compensation programmes. Further information on these purchases can be found in note 4C to the consolidated accounts on page 93.

In addition, NV conducted a share buyback programme during 2018 with an aggregate market value of approximately 3 billion bought back in the form of 62,202,168 NV ordinary shares (or depositary receipts in respect of such ordinary shares).

Following a public offer and a subsequent squeeze out procedure, Unilever Corporate Holdings Nederland B.V. (UCHN), an indirect wholly owned subsidiary of PLC, acquired all 6% cumulative preference shares and 7% cumulative preference shares. Unilever N.V. purchased these 6% cumulative preference shares and 7% cumulative preference shares on 2 October 2018. The resolutions of the General Meeting of NV and the Board of NV to cancel these shares were filed on 29 November 2018, as described within the Share Capital section above.

Further information on these purchases can be found in note 4C to the consolidated accounts on page 93.

NV SPECIAL ORDINARY SHARES

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

TRUST OFFICE

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

Holders of depositary receipts can under all circumstances exchange their depositary receipts for the underlying shares (and vice versa) and are entitled to dividends and all economic benefits on the underlying shares held by the Trust Office. There are no limitations on the holders voting rights, they can attend all General Meetings of NV, either personally or by proxy, and have the right to speak. The Trust Office only votes shares that are not represented at a General Meeting. The Trust Office votes in such a way as it deems to be in the long-term interests of the holders of the depositary receipts. This voting policy is laid down in the Conditions of Administration that apply to the depositary receipts.

The Trust Office s shareholding fluctuates daily. Its holdings on

31 December 2018 were 1,268,051,254 NV ordinary shares (73.95%).

At the 2018 NV AGM, the Trust Office represented 36.95% of all votes present at the meeting.

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

www.administratiekantoor-unilever.nl/eng/home

PLC SHARES

SHARE CAPITAL

PLC s issued share capital on 31 December 2018 was made up of:

- £36,934,840 split into 1,187,191,284 ordinary shares of 3 1/9p each; and
- £100,000 of deferred stock of £1 each.

LISTINGS

PLC has ordinary shares (ULVR) listed on the London Stock Exchange and, as American Depositary Receipts* (UL), on the New York Stock Exchange.

* One American Depository Receipt represents one PLC ordinary share with a nominal value of 3 1/9p.

VOTING RIGHTS

PLC shareholders can cast one vote for each 3 1/9p nominal capital they hold and can vote in person or by proxy. The voting rights attached to PLC s outstanding shares are split as follows:

	Total number of votes	% of issued capital
1,187,191,284 ordinary shares	**1,187,191,284**	**99.73**
£100,000 deferred stock	**3,214,285**	**0.27**

As at 31 December 2018:

(a) 18,660,634 shares were held by PLC in treasury and 5,645,392 shares were held by NV group companies. These shares and the deferred stock are not voted on.

SHARE ISSUES AND PURCHASE OF SHARES

At the 2018 PLC AGM held on 2 May 2018 the PLC Directors were authorised to issue new shares, up to a maximum of £12,755,555 nominal value (which at the time represented approximately 33% of PLC s issued ordinary share capital) and to disapply pre-emption rights up to approximately 5% of PLC s issued ordinary share capital for general corporate purposes and an additional 5% authority only in connection with an acquisition or specified capital investment.

In addition, at PLC s 2018 AGM the PLC Board was authorised to make market purchases of its ordinary shares, up to a maximum of just under 10% of PLC s issued ordinary share capital and within the limits prescribed in the resolution until the earlier of the conclusion of PLC s 2019 AGM and 30 June 2019. These authorities are renewed annually and authority will be sought at PLC s 2019 AGM.

During 2018 companies within the Unilever Group purchased 2,222,000 PLC ordinary shares, representing 0.19% of the issued share capital, for £87,978,671. These purchases were made to facilitate grants made in connection with its employee compensation programmes. Further information on these purchases can be found in note 4C to the consolidated accounts on page 93.

In addition, PLC conducted a share buyback programme during 2018 with an aggregate market value of approximately £3 billion bought back in the form of 63,236,433 PLC ordinary shares.

On 31 July 2018, PLC cancelled 110,493,623 PLC ordinary shares of 3$\frac{1}{9}$p each held in treasury, representing 8.43% of the issued share capital. On 19 September 2018, PLC cancelled a further 12,471,454 PLC ordinary shares of 3$\frac{1}{9}$p each held in treasury, representing 1.04% of the issued share capital.

PLC DEFERRED STOCK

To support unity of management, the holders of PLC s deferred stock have rights within PLC s Articles of Association relating to any changes in the rules for appointing PLC Directors. The joint holders of the PLC deferred stock are N.V. Elma and United Holdings Limited, which are subsidiaries of NV and PLC respectively. The Boards of N.V. Elma and United Holdings Limited comprise three Directors of the Unilever Boards.

OUR SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS OF NV

As far as Unilever is aware, the only holder of more than 3% of, or 3% of voting rights attributable to, NV s share capital (Disclosable Interests) on 31 December 2018 (apart from the Foundation Unilever N.V. Trust Office, see page 38) is BlackRock, Inc. (BlackRock) as indicated in the table below.

Shareholder	Class of shares	**Total number of shares held**	**% of relevant class**
BlackRock	ordinary shares	**66,947,018**	**3.90**

BlackRock notified the AFM that its holding changed to 4.02% on

19 February 2019. Between 1 January 2016 and 21 February 2019, BlackRock, NN Group N.V. (NN), ASR Nederland N.V. (ASR) and UCHN, see page 38, have held more than 3% in the share capital of NV.

SIGNIFICANT SHAREHOLDERS OF PLC

As far as Unilever is aware, the only holders of more than 3% of, or 3% of voting rights attributable to, PLC s ordinary share capital on 31 December 2018 (apart from shares held in treasury by PLC, see page 39), are BlackRock and the Leverhulme Trust as indicated in the table below.

Shareholder	Class of shares	**Total number of shares held**	**% of relevant class**
BlackRock	ordinary shares	**77,176,319**	**6.60**

The Leverhulme Trust	ordinary shares	**46,931,182**	**4.02**

As far as Unilever is aware, no new Disclosable Interests have been notified to PLC between 1 January 2019 and 21 February 2019 (the latest practicable date for inclusion in this report). Between 1 January 2016 and 21 February 2019, (i) BlackRock, and (ii) the aggregated holdings of the trustees of the Leverhulme Trust and the Leverhulme Trade Charities Trust, have held more than 3% of, or 3% of voting rights attributable to, PLC s ordinary shares.

STAKEHOLDER ENGAGEMENT

We value open and effective communication with our stakeholders. The primary responsibility for stakeholder engagement, which is generally related to the operations of the business, rests with our Executive Directors. Non-Executive Directors also actively engage with stakeholders as part of their oversight duties and responsibilities that have not been delegated to the Executive Directors.

SHAREHOLDERS

The CFO has lead responsibility for shareholder engagement, with the active involvement of the CEO and supported by the Investor Relations department.

The Executive Directors investor relations programme continued in 2018 with meetings held with institutional shareholders in major cities globally. The Executive Directors and members of the Investor Relations team also meet a large number of investors at the industry conferences they attend. In 2018 industry conferences attended by Unilever representatives included events in London, Paris, Stockholm, Boston and New York.

Our annual investor seminar in December also allowed investors to meet the Chairman, CEO, CEO-designate, CFO and other members of senior management. The event was held at the offices of Hindustan Unilever in Mumbai and focused on Unilever s emerging markets expertise as well as the digital transformation of the business.

In 2018, as part of the strategic review of options to accelerate sustainable value creation and our proposal to simplify the Unilever corporate structure, the Chairman met and spoke with global investors during the year. The Chair of the Compensation Committee also extensively engaged with and sought feedback from investors in relation to our Remuneration Policy.

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CORPORATE GOVERNANCE CONTINUED

On an ongoing basis, the Boards are briefed on investor reactions to the Unilever Group s quarterly results announcements and on any issues raised by shareholders that are relevant to their responsibilities.

We maintain a frequent dialogue with our principal institutional shareholders and regularly collect feedback. Private shareholders are encouraged to give feedback via shareholder.services@unilever.com. Our shareholders are also welcome to raise any issues directly with the Chairman or the Senior Independent Director/Vice-Chairman, and the Chairman, Executive Directors and Chairs of the Committees are also generally available to answer questions from the shareholders at the AGMs each year.

OTHERS

Our Executive Directors and Non-Executive Directors also engage with a wide-ranging group of stakeholders during specific Unilever events. For example, we annually organise one or more Board Relationship meetings offering our Directors the opportunity to directly meet our key customers, suppliers, agencies, NGOs, trade associations and advisers. In 2018, such meetings were held in the Netherlands and the UK.

EMPLOYEES

In order to allow our Non-Executive Directors to gain first-hand experience of our operations and to engage in a broader context, we organise one or more site visits annually. During these site visits, Non-Executive Directors are informed about local market conditions and operations as well as relevant local matters. Typically, the programme allows Non-Executive to meet management and young talent at these sites. In 2018, such site visits were held in China, Germany, the Netherlands and the US. In terms of engaging with employees, our Non-Executive Directors actively participate in our management development programme sharing knowledge and insight on a mutual basis.

www.unilever.com/investor-relations/

GENERAL MEETINGS

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

Provision 4.1.8 of the Corporate Governance Code in the Netherlands (Dutch Code) and Code Provision E.2.3 of the UK Corporate Governance Code (UK Code) require all Directors to attend both the NV and PLC AGMs. As questions asked at our AGMs tend to focus on business related matters, governance and the remit of our Board Committees, the Chairman, CEO, CFO and the Chairs of our four Committees of the Board attend both our AGMs and the remaining members of the Board attend at least one AGM.

The 2018 AGMs were held in Rotterdam and London in May and the topics raised by shareholders included: e-commerce, mergers & acquisitions, sustainability, Simplification, remuneration, total shareholder return, Brexit and data protection.

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

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

Information on the 2019 AGMs can be found within the NV and PLC AGM Notices which will be published in March 2019.

REQUIRED MAJORITIES

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

A proposal to alter the Articles of Association of NV can only be made by the NV Board. A proposal to alter the Articles of Association of PLC can be made either by the PLC Board or by requisition of shareholders in accordance with the UK Companies Act 2006. Unless expressly specified to the contrary in PLC s Articles of Association, PLC s Articles of Association may be amended by a special resolution. Proposals to alter the provisions in the Articles of Association of NV and PLC respectively relating to the unity of management require the prior approval of meetings of the holders of the NV special ordinary shares and the PLC deferred stock. The Articles of Association of both NV and PLC can be found on our website.

www.unilever.com/investor-relations/agm-and-corporate-

governance/legal-structure-and-foundation-agreements/

RIGHT TO HOLD AND TRANSFER SHARES

Unilever s constitutional documents place no limitations on the right to hold or transfer NV and PLC ordinary shares. There are no limitations on the right to hold or exercise voting rights on the ordinary shares of NV and PLC imposed by Dutch or English law.

CORPORATE GOVERNANCE COMPLIANCE

GENERAL

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

MATERIAL CONTRACTS

Under the European Takeover Directive as implemented in the Netherlands and the UK, the UK Companies Act 2006 and rules of the US Securities and Exchange Commission, Unilever is required to provide information on contracts and other arrangements essential or material to the business of the Unilever Group. Other than the Foundation Agreements referred to on page 36, we believe we do not have any such contracts or arrangements.

THE NETHERLANDS

In 2018, NV complied with almost all the principles and best practice provisions of the Dutch Code, with the exception of Dutch Code Provision 4.1.8 as noted in the General Meetings section above and the best practice provision set out below. The Dutch Code is available on the Monitoring Committee Corporate Governance Code s website.

Best Practice Provision 3.2.3

The Dutch Code provides that in case of dismissal, the remuneration of an Executive Director should not exceed one year s salary.

It is our policy to set the level of severance payments for Executive Directors at no more than one year s salary, unless the Boards, on the recommendation of the Compensation Committee, find this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law.

Corporate Governance Statements:

In addition to an explanation of non-compliance to the Dutch Code, as set out above, the Dutch Code also requires the Board to confirm, and the Board hereby confirms that:

- this Annual Report and Accounts provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the systems mentioned above provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and

this Annual Report and Accounts states those material risks and uncertainties that are relevant to the expectation of NV s continuity for the period of 12 months after the preparation of this Annual Report and Accounts.

The statements in this paragraph are not statements in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act of 2002.

Furthermore, NV is required to make a statement concerning corporate governance as referred to in article 2a of the decree on the content of the management report (Besluit inhoud bestuursverslag) (the Decree).

The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree can be found on our website.

www.commissiecorporategovernance.nl

www.unilever.com/corporategovernance

THE UNITED KINGDOM

In 2018, PLC complied with all UK Code provisions with the exception of UK Code Provision E.2.3 as noted in the General Meetings section above. The UK Code is available on the Financial Reporting Council s (FRC) website.

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

Greenhouse Gas (GHG) Emissions: Information on GHG emissions can be found on page 35.

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

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

www.frc.org.uk/

www.unilever.com/sustainable-living/values-and-values/

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CORPORATE GOVERNANCE CONTINUED

THE UNITED STATES

Both NV and PLC are listed on the New York Stock Exchange (NYSE). As such, both companies must comply with the requirements of US legislation, regulations enacted under US securities laws and the Listing Standards of the NYSE, that are applicable to foreign private issuers, copies of which are available on their websites.

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

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

Attention is drawn to the Report of the Audit Committee on pages 43 to 45. In addition, further details about our corporate governance are provided in the document entitled The Governance of Unilever which can be found on our website.

www.nyse.com/index

www.sec.gov

All senior executives and senior financial officers have declared their understanding of and compliance with Unilever s Code of Business Principles and the related Code Policies. No waiver from any provision of the Code of Business Principles or Code Policies was granted in 2018 to any of the persons falling within the scope of the SEC requirements. The Code of Business Principles and related Code Policies are published on our website.

Risk Management and Control: Following a review by the Disclosure Committee, Audit Committee and Boards, the CEO and the CFO concluded that the design and operation of the Unilever Group s disclosure controls and procedures, including those defined in the United States Securities Exchange Act of 1934 Rule 13a 15(e), as at 31 December 2018 were effective.

Unilever is required by Section 404 of the US Sarbanes-Oxley Act of 2002 to report on the effectiveness of its internal control over financial reporting. This requirement is reported on within the section entitled Management s Report on Internal Control over Financial Reporting on page 156.

In February 2017, the Group received a public potential offer by The Kraft Heinz Company for $50 per share in respect of all of NV and PLC shares. Unilever rejected the proposal.

www.unilever.com/investor-relations/agm-and-corporate-

governance/our-corporate-governance/

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REPORT OF THE AUDIT COMMITTEE

COMMITTEE MEMBERS AND ATTENDANCE

	ATTENDANCE
John Rishton Chair	8/8
Nils Andersen	8/8
Judith Hartmann	8/8

This table shows the membership of the Committee together with their attendance at meetings during 2018. 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 2018

Annual Report and Accounts

Tax regulations, provisions and disclosure

Information security, including Cyber, and IT resilience

Supply Chain flexibility and continuity of supply

Accounting for significant Mergers and Acquisitions

Acquisition Review

Spreads Disposal

IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases

PRIORITIES FOR 2019

- Tax regulations, provisions and disclosure
- Information Security, including Cyber, and IT resilience
- IFRS 16 Leases
- Accounting for significant Mergers and Acquisitions

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 and the other members are Nils Andersen and Judith Hartmann. 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, EVP Financial Control, Risk Management, Pensions & Sustainability, Chief Legal Officer and 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.

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, and relevant issues are brought 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 the nomination of the external auditors for shareholder approval; and approval of their fees, refer to note 25 on page 126;
- 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 its remit. In 2018, a session was held with Unilever Management on the acquisition of the Dollar Shave Club, which included a briefing on the acquisition case, recent performance, and key learnings that might be relevant for future acquisitions. In addition, John Rishton visited the Indian MCO in Mumbai, where the developments of routes to market, controls automation and centralisation were reviewed and discussed in detail. Mr Rishton also visited the Indian finance and IT hub in Bangalore where progress being made on monitoring systems of potential cyber threat and access controls were reviewed.

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES

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

FINANCIAL STATEMENTS

The Committee reviewed prior to publication 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. It also reviewed this Annual Report and Accounts and the Annual Report on Form 20-F 2018. These reviews incorporated the accounting policies and significant judgements and estimates underpinning the financial statements as disclosed within note 1 on pages 79 to 82. 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 pages 82 to 84;
- direct tax provisions, refer to note 6 on pages 94 to 96; and
- indirect tax provisions and contingent liabilities, refer to note 19 on page 120.

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REPORT OF THE AUDIT COMMITTEE CONTINUED

The external auditors have agreed the list of significant issues discussed by the Audit Committee. In addition to these risks KPMG, as required by auditing standards, also consider the risk of management override of controls. Nothing has come to either our attention or the attention of KPMG to suggest any material suspected or actual fraud relating to management override of controls.

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 pages 67 to 74. 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 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 (consistent with the period of the strategic plan) of the assessment.

At the request of the Boards the Committee also considered whether the Unilever Annual Report and Accounts 2018 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 Unilever Annual Report and Accounts 2018 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 issues received through the Unilever Code Support Line;
- the 2018 corporate risks for which the Audit Committee had oversight and the proposed 2019 corporate risks identified by the ULE;
- management s improvements to reporting and internal financial control arrangements, through further automation and centralisation;
- processes related to information security, including cyber security;
- tax planning, 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 2018 the Committee continued its oversight of the independent assurance work that is performed on a number of our 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 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 engaged an independent third party to perform an effectiveness review of the function. The review concluded that the function is compliant with the IIA (Chartered Institute of Internal Auditors) Standards in all material aspects. The Committee also 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. The Committee considered these views and comments and is satisfied with the treatment in the financial statements.

EXTERNAL AUDITORS

KPMG have been the Group s auditors since 2014 and shareholders approved their re-appointment as the Group s external auditors at the 2018 AGMs. On the recommendation of the Committee, the Directors will be proposing the re-appointment of KPMG at the AGMs in May 2019.

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. Both the KPMG partners with overall responsibility for the audit of NV and PLC will rotate off the assignment after completion of the 2018 year-end financial statements. One of the new partners already has experience of the Unilever global audit, and the other partner underwent an induction programme through much of this year-end to ensure a smooth transition. KPMG has issued a formal letter to the Committee outlining the general procedures to safeguard independence and objectivity, disclosing the relationship with the Company and confirming their audit independence.

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:
  - audit and assurance certificates / statements
  - bond issue comfort letters
  - internal control reviews.

Unilever has for many years maintained a policy which prescribes in detail the types of engagements for which the external auditors can be used and prohibits several types of engagements, 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
- staff secondments of any kind;
- Payroll tax;
- Customs duties; and
- Tax services (except in exceptional and rare circumstances such as where they are the only firm able to provide the service).

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 EVP Financial Control, Risk Management, Pension & Sustainability. These authorities are reviewed regularly and, where necessary, updated in the light of internal developments, external developments and best practice. Since the appointment of KPMG in 2014 to 2016 the level of non-audit fees has been below 7% of the annual audit fee. In 2017 and 2018 the level of non-audit fees has been higher at 41% and 31% respectively due to assurance work relating to the disposal of our Spreads business and the Simplification project.

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 2018, the Boards evaluated the performance of the Committee. The Committee also carried out an assessment of its own performance in 2018. While overall the Committee members concluded that the Committee is performing effectively, the Committee agreed that to further enhance its effectiveness it needed to ensure the Committee members continued to develop their knowledge of the Group s operations which would involve further knowledge sessions and site visits.

John Rishton

Chair of the Audit Committee

Nils Andersen

Judith Hartmann

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REPORT OF THE CORPORATE

RESPONSIBILITY COMMITTEE

COMMITTEE MEMBERS AND ATTENDANCE

	ATTENDANCE
Strive Masiyiwa (Member since April 2017) Chair	4/4
Youngme Moon	4/4
Feike Sijbesma	3/4

This table shows the membership of the Committee together with their attendance at meetings during 2018. 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 2018

- Competition and anti-bribery compliance
- Third-party compliance
- Product quality and safety
- Unilever Sustainable Living Plan (USLP)

PRIORITIES FOR 2019

Compliance with Unilever policies on fair competition and anti-bribery and requirements for third parties

Product quality and safety

Unilever Sustainable Living Plan (USLP) including plastic packaging

ROLE OF THE COMMITTEE

The Corporate Responsibility Committee oversees Unilever s conduct as a responsible global business. As the Unilever Sustainable Living Plan (USLP) is at the heart of Unilever s vision to grow its business whilst decoupling its environmental footprint from its growth and increasing its positive social impact, the Committee tracks the progress and potential risks associated with the USLP.

The Committee is also charged with ensuring that Unilever s reputation is protected and enhanced. Therefore a central element of its role is the need to identify any external developments that are likely to have an influence upon Unilever s standing in society, and to ensure that appropriate and effective communications policies are in place to support the company s reputation.

The Committee s discussions are informed by the experience of the senior leaders invited to the Committee to share their views on a variety of topics and external trends. Many of these leaders are members of the Unilever Sustainable Living Plan Steering Team, the group of senior executives accountable for driving sustainable growth through Unilever s brands and operations. These discussions ensure the Committee stays abreast of current and emerging trends and any potential risks arising from sustainability issues. This enables the Boards to draw on a well-rounded view of issues.

During 2018 the Committee reviewed its terms of reference and approved minor changes to the terms.

The Committee s responsibilities are complemented by those of the Audit Committee, which is responsible for reviewing significant breaches of the Code of Business Principles as part of its remit to review risk management and for overseeing the independent assurance programme for the USLP.

The Committee s terms of reference are set out www.unilever.com/ corporategovernance and details of the USLP Steering Team at www.unilever.com/sustainable-living/our-strategy/our-sustainability-governance/

MEMBERS OF THE COMMITTEE

The Corporate Responsibility Committee comprises three Non-Executive Directors: Strive Masiyiwa (Chair), Feike Sijbesma and Youngme Moon. The Chief Marketing & Communications Officer and the Chief Sustainability Officer attend the Committee s meetings. The Chief Business Integrity Officer also attends to present Unilever s company report that covers cases under Unilever s Code of Business Principles (the Code) as well as updates on third-party compliance, product quality and safety.

MEETINGS

Meetings are held quarterly and ad hoc as required four were held in 2018. The Committee Chairman is responsible for reporting the findings from meeting to the Boards, thus ensuring that the Boards can fulfil their oversight responsibilities.

Following the Committee s terms of reference and Unilever s principal risks and priorities, the Committee s agenda covers the Code and third-party compliance, alongside litigation, occupational and product safety, the USLP and corporate reputation as well as a range of strategic and current issues. In addition to the areas listed below, in 2018 the Committee also reviewed topics such as media communications, the process for integrating business acquisitions and progress on alternatives to animal testing.

CODE OF BUSINESS PRINCIPLES

The Code and associated Code Policies set out the standards of conduct expected of all Unilever employees in their business endeavours. Compliance with these is an essential element in ensuring Unilever s continued business success and is identified as an ethical and legal and regulatory risk to Unilever.

While the Chief Executive Officer is responsible for implementing these principles, supported by the Global Code and Policy Committee, the Corporate Responsibility Committee is responsible for oversight of the Code and Code Policies, ensuring that they remain fit for purpose and are appropriately applied. It maintains close scrutiny of the mechanisms for implementing the Code and Code Policies. This is vital as compliance is essential to promote and protect Unilever s values and standards, and hence the good reputation of the Group. At each meeting the Committee reviews an analysis of investigations into non-compliance with the Code and Code Policies and is alerted to any trends arising from these investigations.

The Chief Legal Officer and Group Secretary reports to the Committee on litigation and regulatory matters which may have a reputational impact including environmental issues, bribery and corruption compliance and competition law compliance. The Committee studied how compliance was achieved during 2018. For further information please see notes 19 and 20 to the consolidated financial statements.

As another of its other priorities in 2018, the Committee also scrutinised the mechanisms for anti-bribery compliance. The primary mechanism is to understand the profiles of the markets Unilever operates in and to ensure that there are robust internal and third-party compliance programmes in place. These are complemented by training for all employees in tandem with advanced capacity building for those in the Business Integrity and Legal functions.

PRINCIPLES AND STANDARDS FOR THIRD PARTIES

The Committee retained its focus on third-party compliance in 2018. Extending Unilever s values to third parties remains a priority, not only to generate continued responsible growth and a positive social impact on the industry, but to counter the significant risk that non-compliance by third parties can pose, particularly in the context of increasing regulation around the world.

The Committee tracks compliance with Unilever s Responsible Sourcing Policy (RSP) for suppliers and its Responsible Business Partner Policy (RBPP) for customers and distributors. Together they set out Unilever s requirements that third parties conduct business with integrity, openness and respect for universal human rights and core labour principles. Sourcing 100% of Unilever s procurement spend in line with the RSP is also a target within the USLP.

The policies enable Unilever to evaluate risk and provide the right measures to address the diversity of market conditions in which it operates and the range of third parties it works with. The Committee was briefed on progress. For the RSP, this detailed the number of suppliers making a positive commitment to the policy, greater alignment on industry standards via the process of mutual recognition and a substantial increase in site audits and resulting corrective action plans. Enhanced anti-bribery and corruption screening was also put in place. The training and enhancements developed for the RBPP include new IT tools launched in over 180 countries, simpler assessment processes, enhanced due diligence and risk mitigation plans.

SAFETY

Sustainable growth is only achieved if Unilever also grows responsibly by providing safe, high quality products, and protecting employees and the people and communities in which it operates. Safe and high quality products are one of Unilever s principal risks, see page 31.

Occupational safety continues to be the personal and everyday responsibility of all those working at Unilever. Reducing Unilever s Total Recordable Frequency Rate (TRFR) is also a target within the USLP. In 2018 TRFR continued to decrease from 0.89 accidents per 1 million hours worked in 2017 to 0.69 in 2018 (measured 1 October 2017 to 30 September 2018).

In factories, Unilever s World Class Manufacturing programme hardwires safety into all aspects of the production process by enabling good design principles, engineering and operating practices to be applied from the start of any project. This focus drove a reduction of 39.5% in process safety incidents in 2018. Capacity building and leadership also improved safety for contractors (those who work on Unilever sites under the direct supervision of their own management), reducing their recordable injuries by half 51% over 2014-2018 (measured by Lost-Time Injuries Frequency Rate, LTIFR).

Unilever s approach to product safety is based on risk identification and mitigation. This approach covers all aspects of the value chain from development, sourcing, manufacture and transport to consumer use and disposal of the product and is centred on the application of rigorous standards based on sound science and the principle of Safe by Design and Safe in Execution. Thanks to a strong focus on product quality, a significant improvement was achieved in 2018 with potentially serious marketplace incidents reduced by 40%. Over 2017-2018, potentially serious marketplace incidents originating in manufacturing have been reduced by 88% and those originating in suppliers of raw and packing materials have been halved.

HUMAN RIGHTS

By addressing strategic human rights issues and helping the business tackle and prevent endemic abuses in global value chains, Unilever is seeking to deliver a positive social impact alongside business growth.

Unilever s human rights aims are part of the Enhancing Livelihoods goal of the USLP and human rights are included within the company s sustainability and ethical risks. See pages 29 and 33.

In 2018 Unilever continued to embed human rights with a focus on its eight salient issues (ie those at risk of the most severe negative impact through Unilever s activities or business relationships). These are set out in Unilever s Human Rights Report 2017, with an update on further progress at the end of 2018. The Committee noted that Unilever s approach to this work is sophisticated and that while there is still much to do, it is making good progress in this complex field. See page 14 for more.

PALM OIL

Palm oil is one of Unilever s most significant raw materials and Unilever is one of the world s major buyers of palm oil. Alongside sustainability and supply chain, Unilever has identified climate change as one of its principal risks (see page [29]) and is committed to eliminating the deforestation associated with unsustainable palm oil production. Securing supplies of sustainable palm oil is therefore a critical element in Unilever s business and climate strategy and represents a significant target in the USLP.

The Committee was briefed on plans for driving transformational change in the palm oil sector. Unilever s Sustainable Palm Oil Sourcing Policy has a focus on the implementation of No Deforestation, No Peat, No Exploitation of people or communities (NDPE) commitments by 2020. However, implementation and enforcement remain challenging. To support the transformation of the sector and the implementation of its Policy, Unilever is investing in multiple initiatives. One example is the &Green Fund which is designed to kick-start investments in deforestation-free agriculture in countries that are working to reduce deforestation and peat degradation. Unilever was announced as the first investor. The Fund aims to protect over 5 million hectares of forest and peatlands by 2020, by de-risking private capital investments into large-scale deforestation-free production, protection and inclusion initiatives. With an aim to trigger $1.6 billion in private capital investments, the Fund is an opportunity to jointly shape solutions to mitigate deforestation and a good illustration of the collaborative, transformational approaches the company is seeking to scale.

To promote transparency and traceability of palm oil sourcing, in 2018 Unilever was also the first consumer goods company to publish the names of its suppliers and a map of the 1,400 palm oil mills in its extended supply chain on its website. This was accompanied by a more visible grievance mechanism to facilitate the reporting of issues of non-compliance in the supply chain.

Another important step was an industry-first partnership with Indonesian government-owned palm oil plantation company PT Perkebunan Nusantara (PTPN). The partnership is designed to support local mills and smallholder farmers to produce palm oil according to the NDPE standards that are key to multi-sector efforts to transform the palm oil industry.

PACKAGING WASTE

Packaging waste, particularly post-consumer plastic packaging waste in oceans and waterways, has never been higher on the global agenda than in 2018. Plastic packaging now sits alongside climate change as a major environmental challenge and is identified as a risk for Unilever s business, see page 30.

Unilever has reduced the waste associated with the disposal of its products by 31% since 2010 (measured as impact per consumer use, towards a target of 50%) and is making strong progress in its own operations and product design. However, the challenge for post-consumer waste is in having the right infrastructure in place to ensure materials are collected and processed, while encouraging consumers to segregate and recycle them.

To support its specific, time-bound targets, at the beginning of 2018 Unilever introduced a new three-part framework designed to sharpen thinking on plastic packaging and innovation: i) Less Plastic means using lighter, stronger and better materials which have a lower environmental impact; ii) Better Plastic entails eliminating problematic materials and using recyclable plastics with a minimum 25% recycled content; iii) No Plastic involves using alternative materials, new packaging formats and alternative models of consumption such as vending to help reduce use of single-use plastics through innovation, behaviour change and new business models. See page 15 for more.

MCIP

Unilever s Reward Framework includes the Management Co-investment Plan (MCIP), a long-term incentive plan that is linked to financial and USLP performance (see page 53). Corporate Responsibility Committee members shared their views on the context and progress of the USLP and sustainability initiatives with the Compensation Committee to help inform its recommendation on MCIP.

EVALUATION OF THE CORPORATE RESPONSIBILITY COMMITTEE

As part of the internal board evaluation carried out in 2018, the Boards evaluated the performance of the Committee. The Committee also carried out an assessment of its own performance in 2018. While overall the Committee members concluded that the Committee is performing effectively, the Committee has agreed to further enhance its effectiveness by keeping close track on progress on the ambitious Unilever Sustainable Living Plan. This will ensure the Group maintains its sustainability momentum and leadership.

Strive Masiyiwa

Chair of the Corporate Responsibility Committee

Youngme Moon

Feike Sijbesma

Further details on the USLP will be set out in Unilever s online Sustainable Living Report 2018, to be published in April 2019.

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REPORT OF THE NOMINATING AND

CORPORATE GOVERNANCE COMMITTEE

COMMITTEE MEMBERS, MEMBERSHIP STATUS AND ATTENDANCE

	ATTENDANCE
Marijn Dekkers Chair	5/5
Laura Cha	5/5
Feike Sijbesma (Chair until May 2018)	5/5

This table shows the membership of the Committee together with their attendance at meetings during 2018. 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 2018

Continued focus on development of a strong pipeline of potential Non-Executive and Executive Director candidates and managing succession

CEO succession

Follow up on actions agreed from the 2017 external Board evaluation

Continued focus on Board Diversity

PRIORITIES FOR 2019

Continued focus on development of a strong pipeline of potential Non-Executive and Executive Director candidates and managing succession, with focus on Board Diversity

Follow up on actions agreed from the 2018 external Board evaluation

Continued focus on Corporate Governance

ROLE AND MEMBERSHIP OF THE COMMITTEE

The Nominating and Corporate Governance Committee is responsible for evaluating the balance of skills, experience, independence, diversity and knowledge on the Boards and for drawing up selection criteria, ongoing succession planning and appointment procedures for both internal and external appointments. It also has oversight of all matters relating to corporate governance and brings any issues in this respect to the attention of the Boards.

The Committee s terms of reference are set out in The Governance of Unilever which can be found on our website at www.unilever.com/corporategovernance. During the year, the Committee reviewed its own terms of reference to determine whether its responsibilities are properly described. The amended terms became effective on 1 January 2019.

The Committee is comprised of two Non-Executive Directors and the Chairman. The Group Secretary acts as secretary to the Committee. Other attendees at Committee meetings in 2018 (or part thereof) were the Chief Executive Officer and the Chief HR Officer.

In 2018 the Committee met five times. At the start of the year the Committee considered the results of the Committee s annual self-evaluation for 2017 and its priorities for the year and used these to help create an annual plan for meetings for 2018.

APPOINTMENT AND REAPPOINTMENT OF DIRECTORS AND ULE

Reappointment: All Directors (unless they are retiring) are nominated by the Boards for re-election at the AGMs each year on the recommendation of the Committee who, in deciding whether to nominate a Director, take into consideration the outcomes of the Chairman s discussions with each Director on individual performance, the evaluation of the Boards and its Committees and the continued good performance of individual Directors. Non-Executive Directors normally serve for a period of up to nine years. The average tenure of the Non-Executive Directors who have retired from the Boards over the past ten years has been seven years. The schedule the Committee uses for orderly succession planning of Non-Executive Directors can be found on our website at unilever.com/committees. Ann Fudge did not put herself forward for re-election at the AGMs in May 2018. She had served nine years on the Boards. The Committee proposed the reappointment of all other Directors and the Directors were appointed by shareholders by a simple majority vote at the AGMs.

The Committee also recommends to the Boards candidates for election as Chairman and Senior Independent Director/Vice-Chairman. After being reappointed as Non-Executive Directors at the 2018 AGMs, Youngme Moon became the Senior Independent Director/Vice-Chairman and John Rishton and Strive Masiyiwa remained Chairs of the Audit Committee and the Corporate Responsibility Committee respectively. Vittorio Colao became Chair of the Compensation Committee and Marijn Dekkers became Chair of the Nominating and Corporate Governance Committee.

Succession Planning and Appointment: In consultation with the Committee, the Boards review the adequacy of succession planning processes and the actual succession planning at Board level.

When recruiting, the Committee will take into account the profile of Unilever s Boards of Directors set out in The Governance of Unilever which is in line with the recommendations of applicable governance regulations and best practice. Pursuant to the profile the Boards should comprise a majority of Non-Executive Directors who are independent of Unilever, free from any conflicts of interest and able to allocate sufficient time to carry out their responsibilities effectively. With respect to composition and capabilities, the Boards should be in keeping with the size of Unilever, its strategy, portfolio, consumer base, culture, geographical spread and its status as a listed company and have sufficient understanding of the markets and business where Unilever is active in order to understand the key trends and developments relevant for Unilever. The objective pursued by the Boards is to have a variety of nationality, race, gender, ethnicity and relevant skills and expertise. It is important that the Boards have sufficient global experience and outlook, and financial literacy. As discussed later in this Report, Unilever currently has diverse Boards in terms of gender and nationality and, as can be seen from the subset of the mapping that this Committee has done of the current Non-Executive Directors skills and capabilities on page 3, composition and capabilities in line with our Board profile described above.

2018 appointments: The Committee recommended to the Boards to nominate Andrea Jung as a new Non-Executive Director at the 2018 AGMs taking into account the views of Egon Zehnder. In May 2018 the AGMs resolved to appoint Andrea Jung with immediate effect. She has further strengthened the Boards in the areas of consumer/FMCG insights, sales & marketing and leadership of global entities.

Upon Paul Polman s notice of retirement as CEO and Executive Director effective 31 December 2018, the Committee recommended to appoint Alan Jope as his successor. In forming its recommendation, the Committee had reviewed the selection criteria which had been developed as part of succession planning and the extensive slate of potential candidates and their respective capabilities by reference to those criteria. Considering Alan Jope s skills set, depth of understanding and experience of Unilever and the sector and markets in which the Group operates, as well as his track record of delivering high quality performance, the Committee recommended that Alan Jope be nominated by the Boards as the new CEO effective 1 January 2019, which appointment was approved by the Board of Directors in November 2018. Alan Jope will be proposed to be appointed as Executive Director at the AGMs in May 2019.

Unilever Leadership Executive (ULE) Succession Planning and Appointment: In consultation with the Committee, the Boards review the adequacy of succession planning processes and the actual succession planning at ULE level. In 2018 the Boards were consulted by the Chief Executive Officer upon the selection criteria and appointment procedures for senior management changes.

DIVERSITY POLICY

Unilever has long understood the importance of diversity within our workforce because of the wide range of consumers we connect with globally. This goes right through our organisation, starting with the Boards. Unilever s Board Diversity Policy, which is reviewed by the Committee each year, is reflected on our website at www.unilever.com/boardsofunilever. The Boards feel that, while gender and ethnicity are an important part of diversity, Unilever Directors will continue to be selected on the basis of their wide-ranging experience, backgrounds, skills, knowledge and insight.

In 2018 the Committee also reviewed and considered relevant recommendations on diversity and remains pleased that 45% of our Non-Executive Directors are women and that there are nine nationalities represented on the Boards.

CORPORATE GOVERNANCE DEVELOPMENTS

The Committee reviews relevant proposed legislation and changes to relevant corporate governance codes at least twice a year. It carefully considers whether and how the proposed laws/rules would impact upon Unilever and whether Unilever should participate in consultations on the proposed changes. For example, during 2018, developments of the Dutch and the UK Corporate Governance Codes, the EU Shareholders Rights Directive and Boardroom diversity were discussed by the Committee.

EVALUATION

As part of the Board evaluation carried out in 2018, the Boards evaluated the performance of the Committee. The Committee also carried out an assessment of its own composition and performance in 2018. The Committee members concluded that the Committee is performing effectively.

Marijn Dekkers

Chair of the Nominating and Corporate

Governance Committee

Laura Cha

Feike Sijbesma

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DIRECTORS REMUNERATION REPORT

COMPENSATION COMMITTEE

MEMBERS AND ATTENDANCE

	ATTENDANCE
Vittorio Colao Chair (since May 2018)	5/5
Marijn Dekkers	5/5
Mary Ma	5/5
Andrea Jung (Member since May 2018)	2/2
Ann Fudge (Member and Chair until May 2018)	3/3

This table shows the membership of the Committee together with their attendance at meetings during 2018. 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.

LETTER FROM THE CHAIR

DEAR SHAREHOLDERS,

As the new Compensation Committee Chair, I am pleased to present Unilever s Directors Remuneration Report (DRR) 2018. In the sections below, I set out the Committee s activities in 2018, including remuneration outcomes for 2018 and describe our Executive Director changes. I also reflect on the feedback we received on our new Remuneration Policy which was approved at the 2018 AGMs and detail our remuneration decisions for 2019.

BUSINESS PERFORMANCE AND REMUNERATION OUTCOMES FOR 2018

ANNUAL BONUS

In determining the Underlying Sales Growth (USG) target for the annual bonus plan we assumed a full year of Argentinian price growth. Due to the application of IAS 29 hyperinflationary accounting from 1 July and the consequent removal of Argentinian pricing in our reported USG of 2.9%, we have included the Argentinian pricing to give a sales growth of 3.4% for the bonus calculation. Underlying Operating Margin (UOM) improved by 90bps to 18.4% driven by 50bps gross margin improvement and 30 bps of overheads reduction reflecting both the impact of our innovations and ongoing savings programmes. In 2018 we delivered over 2 billion of savings. In determining the Free Cash Flow (FCF) target for the annual bonus plan we assumed that Unilever would retain the working capital balances related to the Spreads business at closing. However as part of the deal we received payment for the working capital, thus the reported FCF of 5.0 billion was adjusted to 5.6 billion for the bonus calculation to both include the cash tax on disposals (0.2 billion) per the definition and cash received (0.4 billion) in respect of the transfer of working capital to KKR at closing.

These results are solid, demonstrating Unilever s ability to continue to grow profitably and keep generating value in challenging market conditions. Performance against 2018 targets resulted in an outcome for the 2018 annual bonus of 76% of target. Accordingly, having assessed the quality of results and satisfied itself that this outcome reflected the underlying performance of the business in 2018, the Committee confirmed a bonus of 76% of target opportunity (114% of Fixed Pay against a target of 150%) for the former CEO, Paul Polman, and of 76% of target opportunity (91% of Fixed Pay against a target of 120%) for the CFO, Graeme Pitkethly, as detailed on page 55.

GLOBAL SHARE INCENTIVE PLAN (GSIP) AND MANAGEMENT CO-INVESTMENT PLAN (MCIP)

Unilever has delivered consistent top and bottom line growth with USG at an average of 3.4% over the past three years, and margin improvement at an average of +83 basis points. Unilever also generated strong cumulative operating cash flow of 19.1 billion and finished 5th out of 19 in our peer group for total shareholder return (TSR). This performance against 2016-2018 targets resulted in an outcome for GSIP and MCIP of 132%. Having confirmed that this outcome reflected the underlying performance of the business over

HIGHLIGHTS OF 2018

Review and adaptation of Unilever s new Reward Framework for our Executive Directors, with an emphasis on alignment with strategy and long-term value creation, personal investment in Unilever shares, and simplified variable pay with safeguards to prevent high levels of pay not justified by performance.

Constructive engagement with shareholders and shareholder representative bodies during the year both before and after the implementation of this new Reward Framework for our Executive Directors.

Executive Director changes, with the announcement of Paul Polman s retirement and his replacement by Alan Jope as CEO.

the plan duration, the Committee confirmed a vesting ratio of 132% (corresponding to 66% of maximum for GSIP and 88% of maximum for MCIP, which is capped at 150% for the Executive Directors), as detailed on page 56.

The Committee did not apply any discretionary adjustments to annual bonus or GSIP/MCIP outcomes.

EXECUTIVE DIRECTOR CHANGES

Paul Polman stepped down from the role of CEO and Executive Director on 31 December 2018 and will retire from employment on 2 July 2019. He will continue to be paid in line with our Remuneration Policy during this period. Paul was awarded a bonus for 2018, and his GSIP and MCIP 2016-2018 awards vested on 11 February 2019, as set out below. His other inflight long-term incentive awards will vest on their normal timeframe based on Unilever s performance and will be pro-rated to his retirement date. No new incentive awards (neither bonus nor MCIP) will be made to Paul Polman. Further details are set out on page 60.

Alan Jope has been appointed CEO effective 1 January 2019 and will be proposed for election as Executive Director to the Boards at the AGMs in May 2019. Alan Jope s Fixed Pay for his role as CEO has been set at 1,450,000, with annual bonus and MCIP opportunity in line with our Remuneration Policy. Further details of Alan Jope s remuneration package are set out on page 52.

UNILEVER S REMUNERATION POLICY

Unilever s Remuneration Policy is based on simplicity and transparency with just three elements: Fixed Pay, annual bonus and the MCIP through which executives must invest their bonus (after having paid tax) in Unilever shares to receive match shares that may vest based on Unilever s performance over the following four years.

The Policy was approved at our May 2018 AGMs with a significant minority voting against. Through the year we undertook extensive consultation with our shareholders and their representative bodies to ensure we fully understood the concerns that some investors had with our Policy.

I was very encouraged that most shareholders appreciated the direction our Remuneration Policy is taking in terms of simplification, increased share ownership commitment and lengthened timeframes for performance measurement. However, the extent of the changes we made over the previous two years clearly led to an impression of complexity, which we underestimated.

The Committee carefully considered all of the feedback received, both negative and positive. I summarise below the principal issues together with the Committee s decisions, highlighting where we have made changes to the implementation of the Remuneration Policy to reflect shareholders feedback and where we concluded that the Policy supports the achievement of Unilever s strategy and shareholders interests.

Increase of 2018 fixed pay, annual bonus and maximum pay opportunity of former CEO Paul Polman: This concern was largely addressed by Paul s decision not to accept the proposed 5% increase in Fixed Pay. Alan Jope has been appointed CEO at a Fixed Pay level 14% lower than Paul s previous rate.

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www.unilever.com/investor-relations/agm-and-corporate-governance/ (Statement on Remuneration Policy)

In addition, the Committee retains the additional safeguard outlined in the 2017 DRR: if the result of combined annual bonus and MCIP performance outcomes exceeds 75% of the maximum total opportunity (excluding the effects of share price change and dividends on share awards) the Committee will review rigorously the quality and sustainability of underlying performance and then may apply its discretion to reduce or cap the MCIP performance outcome applicable to the Executive Directors. For Alan Jope, this handbrake test consequently would apply when his total pay level reaches approximately 8.8m (a level more than 20% below Paul Polman s previous maximum pay opportunity), as indicated in the CEO Pay Comparison table below.

The Committee has decided to apply no increases to Executive Directors Fixed Pay levels for 2019. It is the Committee s intention to review remuneration levels and award Fixed Pay increases in future years subject to the development and performance of the Executive Directors in their role.

CEO Pay Comparison table:

	CEO Target Total Pay m p.a.		
	Alan Jope	Paul Polman	Paul Polman Previous Policy
Fixed Pay	1.450	1.689	1.689
Annual Bonus	2.175	2.534	1.487
MCIP* Match Share Award	2.175	2.534	0.892
GSIP Share Award			2.478
Total	**5.800**	**6.757**	**6.546**
Personal MCIP* Investment in Unilever shares	1.450	1.689	0.892

	CEO Maximum Total Pay m p.a.		
	Alan Jope	Paul Polman	Paul Polman Previous Policy
Fixed Pay	1.450	1.689	1.689

Annual Bonus	3.263	3.801	2.478
MCIP* Match Share Award	6.525	7.602	2.230
GSIP Share Award			4.956
Total	**11.238**	**13.092**	**11.353**
Personal MCIP* Investment in Unilever shares	2.175	2.534	1.652
75% Safeguard Test (Handbrake)	8.791	10.241	

* MCIP at maximum investment

Consolidation of pension and allowances into a single Fixed Pay number: The consolidation of all fixed pay elements into one single number provides simplicity and transparency and since 2017 applies across the Unilever Leadership Executive (ULE) and our Top 100 managers. We continue to position Fixed Pay levels for our Executive Directors conservatively against our peer group. The Committee will therefore continue with the consolidated Fixed Pay approach.

Mandatory minimum threshold of 33% of bonus investment into MCIP: In response to feedback received, the Committee will reintroduce a requirement for members of the ULE, including CEO and CFO to invest at least 33% of their bonus in Unilever shares through MCIP.

Sustainability Progress Index assessment: Many investors wanted to know how we will assess our progress on sustainability, which was introduced as a performance measure for MCIP from 2017. The Committee will provide an annual progress report in the DRR providing transparency on the assessment of the Sustainability Progress Index, based on a joint assessment conducted with the Corporate Responsibility Committee. On page 53 we report the update for 2017 and 2018 performance.

Buy-out awards for Executive Directors: The Committee s intention in normal circumstances is to use only transition awards when hiring executive directors from outside Unilever to replace awards forgone. The Committee intends to state this position formally in the Remuneration Policy when it is next renewed.

Overall, the Committee has concluded that the Remuneration Policy supports the reshaping of our business and acceleration of our transformation as we move towards achieving our strategic 2020 objectives. In implementing the Policy, the Committee will continue to seek investors feedback and review any concerns. We will ensure that the Policy continues to provide strong and clear links between Unilever s business strategy, shareholders interests and executives incentives.

During the coming year, the Committee will continue to monitor developments in remuneration policy and prevailing market practice, including the implementation of the changes to the UK Corporate Governance Code and remuneration reporting regulations. We value a continuing dialogue with institutional investors, employees and other stakeholders to make sure that our Remuneration Policy remains fit for purpose and aligned to support the delivery of Unilever s strategy.

ENGAGING WITH EMPLOYEES

The Committee is aware of and takes into consideration reward conditions elsewhere in the Group. We are proud of the Framework for Fair Compensation introduced by Unilever as part of the USLP, which includes the target to achieve living wage compliance for all our employees globally by 2020, a goal we are on track to complete earlier than planned:

www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/fairness-in-the-workplace/fair-compensation/

The Committee welcomes recent UK corporate governance developments, which apply from 1 January 2019 and we are working towards implementing and reporting against these new standards. We have decided to adopt early the key features of the new remuneration reporting regulations including disclosure of the CEO pay ratio, which can be found on page 63. We already comply with many of the principles of the new UK Corporate Governance Code.

The Boards decided to share the responsibility for workforce engagement among all Non-Executive Directors as a collective point of contact. We have developed a number of initiatives to ensure that the Non-Executive Directors are able to engage with the workforce and get a sense of employee sentiment. These will include the chance to meet and hear from cohorts of employees of all levels, face-to-face, allowing for an open discussion on issues important to our employees.

We are also looking at ways we can use technology to give the Committee clear visibility of all employees pay across the Unilever Group, so that the Committee can better consider colleagues pay and their views on it to provide for the best possible alignment with Executive pay.

IMPLEMENTATION REPORT

The Annual Remuneration Report overleaf describes the implementation of our Remuneration Policy in 2018 and our remuneration decisions for 2019. Both PLC and NV shareholders will have an advisory vote on the implementation of our Remuneration Policy at the 2019 AGMs.

On behalf of the Committee and the entire Board, I thank all shareholders and their representatives for the constructive engagement in 2018 and 2019 and the valuable feedback and suggestions. We are grateful for your continuing support and welcome any future guidance.

Vittorio Colao

Chair of the Compensation Committee

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DIRECTORS REMUNERATION REPORT CONTINUED

ANNUAL REMUNERATION REPORT

The following sets out how Unilever s remuneration policy (which was approved by shareholders at the May 2018 AGMs and is available on our website) was implemented in 2018, and how it will be implemented in 2019.

www.unilever.com/remuneration-policy

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2019 FOR OUR CEO (ALAN JOPE) AND CFO (GRAEME PITKETHLY)

ELEMENTS OF REMUNERATION

ALAN JOPE

Alan Jope became CEO on 1 January 2019. He will be proposed for election as an Executive Director of the Boards of NV and PLC at the AGMs in May 2019. The Committee approved the remuneration package for Alan Jope set out in the table below (shown as for CEO), which came into effect from 1 January 2019, and will remain unchanged if he is appointed as an Executive Director at the May 2019 AGMs. His remuneration package is in accordance with the approved Remuneration Policy. The Committee believes that the positioning of the package represents an acceptable balance in view of various considerations, such as Paul Polman s package, competitive external market pay rates across Unilever s peer group and Alan s previous package and experience.

ELEMENTS OF REMUNERATION	AT A GLANCE	ADDITIONAL INFORMATION
FIXED PAY	Annual Fixed Pay effective from January 2019: CEO: 1,450,000 CFO: 1,102,874	Details of the rationale for our Executive Directors Fixed Pay amounts can be found above and in the Chair Letter on page 51.
OTHER BENEFIT ENTITLEMENTS	Implemented in line with the 2018 Remuneration	n/a

	Policy.	
ANNUAL BONUS	Implemented in line with the 2018 Remuneration Policy. Target annual bonus of 150% of Fixed Pay for the CEO and 120% of Fixed Pay for the CFO. Business Performance Multiplier of between 0% and 150% based on achievement against business targets over the year. Maximum annual bonus is 225% of Fixed Pay for the CEO and 180% for the CFO.	For 2019, the Business Performance Multiplier will be based on the following metrics: A 0% multiplier will be applied for threshold performance, and up to 150% multiplier for maximum performance. Performance target ranges are considered to be commercially sensitive and will be disclosed in full with the corresponding performance outcomes retrospectively following the end of the relevant performance year.
MCIP	Implemented in line with the 2018 Remuneration Policy. With effect from the 2018 bonus Executive Directors are required to invest a minimum of 33% of their bonus into MCIP. Matching shares are awarded based on performance up to a maximum of 3 x matching shares. MCIP award to be made on 23 April 2019, vesting 9 February 2023 (with a requirement to hold vested matching shares for a further one-year retention period). Alan Jope and Graeme Pitkethly both elected to invest the maximum value of their 2018 bonus into	Performance conditions are assessed over a four-year period. The performance conditions and target ranges for 2019 awards under the MCIP will be as follows: Performance at threshold results in no matching shares being awarded, target performance results in an award of 1.5 x matching shares, up to a maximum award of 3 x matching shares, with straight-line vesting between threshold and maximum. Participants are required to hold all their own investment shares and remain employed by Unilever for the duration of the relevant performance period.

	MCIP investment shares, giving a maximum value from the matching shares for the CEO of 1,748,972 and for the CFO of 2,021,700.	

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ELEMENTS OF REMUNERATION	AT A GLANCE	ADDITIONAL INFORMATION
MCIP (CONTINUED)		The target range for ROIC has been reduced by 50bps from the MCIP 2018- 21 cycle to reflect the dilutive impact of IFRS16 Lease Accounting. The target range for UEPS was increased in previous MCIP cycles to reflect the benefit of the Share Buyback programmes in 2017 and 2018 and the significant step up in margin required to achieve an Underlying Operating Margin of 20% by 2020. The target range has now been normalised to reflect the reduction in operational leverage following the earlier years of margin improvement and the reduction in benefit from the Share Buyback programmes over the 2019-2022 performance cycle. Accordingly, the UEPS target range returns towards the levels originally set for MCIP 2017-2020 of 5% to 10%. The range has been widened to reflect the impact of exchange rate volatility in delivering current currency UEPS over a four-year plan cycle. The Committee views 6% compound annual growth in UEPS as a stretching but achievable target for 2019-2022. It should also be noted that the Remuneration Policy provides the Committee with the ability to adjust the formulaic outcome of MCIP by +/- 10% to reflect the underlying performance of the business. **Performance update on Sustainability Progress Index for MCIP:** With effect from 2017, one of the performance measures for MCIP is our progress on sustainability, measured by the sustainability progress index (SPI). The SPI is an assessment made jointly by the Compensation Committee and the Corporate Responsibility Committee (CRC) taking into account Unilever s wider progress on sustainability together with progress towards the targets in our reported USLP scorecard. The Committees determine a numerical rating for the previous year s SPI in the range of zero to 200%; annual ratings will then

be tallied as an average SPI Index for each four-year MCIP performance period. At the end of the year, the Committees will disclose a progress report on the year s SPI performance assessment. At the end of the MCIP performance period the Committee will disclose a narrative setting out the SPI performance achieved and the corresponding outcome that the Committee has determined for the SPI over the four-year cycle.

The SPI score for MCIP performance years 2017 and 2018 (relating to the USLP reports of 2016 and 2017 respectively) is set out below.

To avoid over-focus on a small number of elements, the 2017 SPI assessment was undertaken on a holistic basis. USLP targets were assessed on progress towards the target s end date, rather than in the year. Each target was rated as: on-plan for target date achievement; off-plan for target date; and percentage achieved by target date (where the target date has already passed).

For the 2018 assessment, the SPI was reviewed in terms of: (i) progress towards the 10 USLP pillar targets; (ii) Unilever s transformational change agenda; (iii) our performance on sustainable living brands; and (iv) the impact of Unilever s activity on Sustainability. Thereby, the SPI assessment included progress of important workstreams as well as towards wider ambitions which flow from the USLP about how we should lead industry and coalition groups to drive change. This recognises major problems that are central to our business, such as for example the contribution of Palm Oil to deforestation and climate change, or the damage to the oceans, food chains and fresh water supplies from single use plastics.

MCIP performance year (USLP Report year)	**SPI score**	**Summary of rationale for SPI score**
2017 (USLP Report 2016)	120	2016 saw good progress across the USLP with 80% of our detailed targets on track , and seven of the nine pillar targets on track. We continued to pursue our transformational change agenda with

impact, driving action on Water Sanitation and Hygiene (WASH), climate change, sustainable agriculture and empowering women at the same time as driving business growth through more purpose-led brands. Our Sustainable Living Brands grew 50% faster than the rest of the business. We had the top position in the most important independent rankings and indices worldwide.

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DIRECTORS REMUNERATION REPORT CONTINUED

ELEMENTS OF REMUNERATION	AT A GLANCE	ADDITIONAL INFORMATION
MCIP (CONTINUED)		

MCIP performance year (USLP Report year)	SPI score	Summary of rationale for SPI score
2018 (USLP Report 2017)	120	In 2017 we made significant progress on our transformational change agenda with impact, driving action on WASH, climate change, sustainable agriculture, empowering women and responsible digital marketing. We also improved our progress on brands with purpose, with Sustainable Living Brands contributing 70% of turnover growth. Unilever s activities remained highly influential with consistently high scores on independent rankings and indices worldwide. Internally our employee engagement scores showed very strong affiliation with our USLP and sustainable growth. We remained on track for seven of the nine pillar targets (except Water and the Inclusive Business pillar) and around 80% of our 50+ USLP targets. A number have been achieved well in advance of their target date.

For 2019, the CRC will again review which elements should be included in the SPI performance assessment. Throughout 2019 the CRC will review progress on sustainability with a view to providing the Committee with their annual SPI assessment and recommendation.

ULTIMATE REMEDY/MALUS AND CLAW-BACK

Grants under the GSIP and MCIP are subject to ultimate remedy as explained in the Remuneration Policy. Malus and claw-back apply to all performance-related payments as explained in the Remuneration Policy.

In 2018, the Committee did not reclaim or claw back any of the value of awards of performance-related payments to Executive Directors.

SINGLE FIGURE OF REMUNERATION AND IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018 FOR OUR CEO (PAUL POLMAN) AND CFO (GRAEME PITKETHLY)

The table below shows a single figure of remuneration for each of our Executive Directors for the years 2017 and 2018. The year-on-year comparison reflects the implementation of our new Reward Framework for Executive Directors in May 2018, and so is impacted by both mid-year structural change (with prior figures refreshed to provide a comparison point as detailed in the explanatory footnotes) and ongoing fluctuation in the exchange rates used to convert pay elements denominated in pounds sterling to euros for reporting purposes. A full overview of our Fixed Pay model as it now applies to our Executive Directors is set out in the Chair Letter on page 50.

		Paul Polman CEO (UK) (000)		Graeme Pitkethly CFO (UK) (000)	
		2018	2017	**2018**	2017
Fixed Pay elements	(A) Fixed Pay[(a)]	**1,602**	1,439	**1,058**	978
	(B) Conditional supplemental pension[(b)]	**44**	134		
Fixed Pay elements (sub-total)		**1,646**	1,573	**1,058**	978
(C) Other benefits		**526**	613	**26**	24
(D) Annual bonus		**1,926**	2,307	**1,006**	1,124
Long-term incentives	(E) MCIP matching shares (required by UK law)	**2,742**	2,042	**683**[(c)]	285[(c)]
	(F) GSIP performance shares (required by UK law)	**4,886**	5,126	**2,267**[(c)]	704[(c)]
Long-term incentives (sub-total)		**7,628**	7,168	**2,950**	989
Total remuneration paid (required by UK law) (A+B+C+D+E+F)		**11,726**	11,661	**5,040**	3,115
(G) Share awards (required by Dutch law)		**4,535**	7,154	**1,774**	2,187
Total remuneration paid (required by Dutch law) (A+B+C+D+G)		**8,633**	11,647	**3,864**	4,313

(a) Fixed Pay for these purposes comprises each individual s basic salary and fixed allowance paid in the period prior to May 2018 and each individual s Fixed Pay paid thereafter following the implementation of our new Reward Framework for Executive Directors. 2017 numbers are restated to provide a comparison point, with the 2017 figure for Fixed Pay comprising base salary plus fixed allowance accordingly (with 2017 Fixed Pay of 1,439 for Paul Polman comprising 1,154 base salary plus 285 fixed allowance, and 2017 Fixed Pay of 978 for Graeme Pitkethly comprising 750 base salary plus 228 fixed allowance (all figures in 000)).

(b) Conditional Supplemental Pension for these purposes comprises the conditional supplemental pension paid to Paul Polman in the period prior to May 2018, at which point it was incorporated into his Fixed Pay as described in last year s Directors Remuneration Report.

(c) Graeme Pitkethly s GSIP and MCIP values in the above single figure table for 2017 include GSIP performance shares and MCIP matching shares previously granted to him in 2015 before his appointment as an Executive Director, and include gross delivery costs (including tax and social security).

Where relevant, amounts for 2018 have been translated into euros using the average exchange rate over 2018 (1 = £0.8835 / CHF 1.1573), excluding amounts in respect of MCIP and GSIP which have been translated into euros using the exchange rate at vesting date of 11 February 2019 (1 = £0.8784). Amounts for 2017 have been translated into euros using the average exchange rate over 2017 (1 = £0.8756 / CHF 1.1061), excluding amounts in respect of MCIP and GSIP which have been translated into euros using the exchange rate at vesting date of 13 February 2018 (1 = £0.8882).

We do not grant our Executive Directors any personal loans or guarantees.

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ELEMENTS OF SINGLE FIGURE REMUNERATION 2018

(A) FIXED PAY

For 2018, this comprises each individual s base salary and fixed allowance paid prior to 1 May 2018 (translated into euros where necessary using the average exchange rate over 2018 of 1 = £0.8835), and each individual s Fixed Pay paid from 1 May 2018 onwards following the implementation of our new Reward Framework for Executive Directors (paid in euros), for a total of:

CEO	1,601,582
CFO	1,058,298

(B) CONDITIONAL SUPPLEMENTAL PENSION

CEO (Paul Polman): Conditional supplemental pension provision agreed with Paul Polman on hiring, which will be paid on his retirement (or his death or total disability prior to retirement). Contributions were made for the period up to 1 May 2018 (when this item was discontinued upon the implementation of our new Reward Framework for Executive Directors) at the rate of 12% of a capped salary equivalent to £976,028, resulting in contributions for 2018 of £39,041.

(C) OTHER BENEFITS

For 2018 this comprises:

	Paul Polman CEO (UK) ( )[a] 2018	**Graeme Pitkethly CFO (UK) ( )[a] 2018**
Medical insurance cover and actual tax return preparation costs	**44,896**	**17,702**
Provision of death-in-service benefits and administration	**11,707**	**8,340**
Payment to protect against difference between employee social security obligations in country of residence versus UK	**469,788**	**0**
Total	**526,391**	**26,042**

[a] The numbers in this table are quoted in euros (translated where necessary using the average exchange rate over 2018 of 1 = £0.8835 / CHF 1.1573.

(D) ANNUAL BONUS

Annual bonus 2018 actual outcomes

CEO 1,925,810 (which is 51% of maximum, 114% of Fixed Pay).
CFO 1,005,821 (which is 51% of maximum, 91% of Fixed Pay).

This includes cash and the portion of annual bonus that Executive Directors have indicated will be re-invested in shares under the MCIP (satisfying the requirement now effective to invest at least 33%). See below for details.

Performance against targets:

Further details of the annual bonus outcomes are described in the Chair Letter on page 50. The calculated pay-out for Unilever s 2018 performance ratio of 76% was endorsed by the Committee as representing a balanced assessment of underlying performance of the business.

Paul Polman

*Figure reflects Paul Polman s decision not to accept the 5% increase in Fixed Pay proposed at the 2018 AGMs.

Graeme Pitkethly

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DIRECTORS REMUNERATION REPORT CONTINUED

Annual bonus measures are not impacted by share price growth. Paul Polman s annual bonus was paid to him wholly in Unilever N.V. shares (after deduction for tax withholding) which he will be required to hold until the second anniversary of his retirement date (see page 60 for further details about leaving arrangements for Paul Polman).

(E) MCIP UK LAW REQUIREMENT

2018 OUTCOMES

This includes MCIP matching shares granted on 11 February 2016 (based on the percentage of 2015 annual bonus that Paul Polman and Graeme Pitkethly had invested in Unilever shares, as well as performance in the three-year period to 31 December 2018) which vested on 11 February 2019. Further details of the performance measures (including the impact of our April 2017 toughening of performance measures to align the non- GAAP margin measure from COM to UOM) are disclosed below in note (F).

The values included in the single figure table for 2018 are calculated by multiplying the number of shares granted on 11 February 2016 (including additional shares in respect of accrued dividends through to 31 December 2018) by the level of vesting (132% of target award) and the share prices on the date of vesting (NV 48.55 and PLC £42.06). Performance measures and performance against them are as set out in the table under heading (F) below. These have been translated into euros using the exchange rate on the date of vesting (1 = £0.8784). These results indicate a value of 669,930 delivered through performance and 2,072,491 delivered through share price growth for Paul Polman, and a value of 188,506 delivered through performance and 492,950 delivered through share price growth for Graeme Pitkethly.

(F) GSIP UK LAW REQUIREMENT

2018 OUTCOMES

This includes GSIP performance shares granted on 11 February 2016, based on performance in the three-year period to 31 December 2018, which vested on 11 February 2019.

The values included in the single figure table for 2018 are calculated by multiplying the number of shares granted on 11 February 2016 (including additional shares in respect of accrued dividends through to 31 December 2018) by the level of vesting (132% of target award) and the share price on the date of vesting (NV 48.55 and PLC £42.06). These have been translated into euros using the exchange rate on the date of vesting (1 = £0.8784). These results indicate a value of 1,347,596 delivered through performance and 3,524,011 delivered through share price growth for Paul Polman, and a value of 625,424 delivered through performance and 1,635,506 delivered through share price growth for Graeme Pitkethly.

Performance against targets:

(a) For the relative TSR measure, Unilever s TSR is measured against a comparator group of other consumer goods companies. TSR measures the return received by a shareholder, capturing both the increase in share price and the value of dividend income (assuming dividends are reinvested). The TSR results are measured on a common currency basis to better reflect the shareholder experience. The current TSR peer group consists of 18 companies (19 including Unilever) as follows:

Avon	Colgate-Palmolive	Henkel	L Oréal	Reckitt Benckiser
Beiersdorf	Danone	Kao	Nestlé	Shiseido
Campbell Soup	General Mills	Kellogg s	PepsiCo	
Coca-Cola	Estée Lauder	Kimberly-Clark	Procter & Gamble	

The Committee may change the TSR vesting levels set out above if the number of companies in the TSR comparator group changes (eg via M&A activity etc).

Further details of the GSIP and MCIP outcomes are described in the Chair Letter on page 50, with details of our stepped-up plans for shareholder value creation (and related treatment of inflight legacy awards) available on our website:

www.unilever.com/ara2017/downloads (Compensation Committee Statement: Alignment of Performance Measures for 2017)

On the basis of this performance, the Committee determined that the GSIP and MCIP awards to the end of 2018 will vest at 132% of initial target award levels (ie 66% of maximum for GSIP and 88% of maximum for MCIP (which is capped at 150% for the Executive Directors)).

(G) SHARE INCENTIVES DUTCH LAW REQUIREMENT

As per the Dutch requirements, these costs are non-cash costs and relate to the expenses recognised for the period following IFRS 2. This is based on share prices on grant dates and a 98% adjustment factor for GSIP shares and MCIP matching shares awarded in 2018, 2017 and 2016.

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SCHEME INTERESTS AWARDED IN THE YEAR

PLAN	MCIP	GSIP
	Conditional matching share award made on 3 May 2018	**Conditional share award made on 16 February 2018**
BASIS OF AWARD	Based on the level of 2017 annual bonus paid in 2018 invested by the CEO and CFO. The following numbers of matching shares were awarded on 3 May 2018[(a)]:	The CEO received a target award of 200% of base salary at the time (as disclosed in the Directors Remuneration Report 2017).
	CEO: PLC 0 NV 50,519	**CEO:** PLC 26,209 NV 26,209
	CFO: PLC 12,408 NV 12,408	The CFO received a target award of 150% of base salary at the time (as disclosed in the Directors Remuneration Report 2017).
	Maximum vesting results in 150% of the above awards vesting.	**CFO:** PLC 12,772 NV 12,772

		Maximum vesting results in 200% of target awards vesting, which translates to a maximum vesting of 400% of base salary for the CEO and 300% of base salary for the CFO.
MAXIMUM FACE VALUE OF AWARDS	**CEO:** 3,469,898[b] **CFO:** 1,685,412[b]	**CEO:** 4,560,247[c] **CFO:** 2,222,270[c]
THRESHOLD VESTING (% OF TARGET AWARD)	Four equally weighted long-term performance measures. 0% of the target award vests for threshold performance.	Four equally weighted long-term performance measures. For the three business-focused metrics, 25% of the target award vests for threshold performance. For the TSR measure, 50% of the target award vests for threshold performance.
PERFORMANCE PERIOD	1 January 2018 31 December 2021 (with a requirement to hold vested matching shares for a further one-year retention period).	1 January 2018 31 December 2020 (with a requirement to hold vested shares for a further one-year retention period).
DETAILS OF PERFORMANCE MEASURES	Subject to four equally weighted performance measures: Participants are required to hold all their own investment shares and normally to remain employed by Unilever for the duration of the relevant performance period.	Subject to four equally weighted performance measures:

(a) Under MCIP, Executive Directors invest in NV or PLC shares, and receive a corresponding number of performance-related matching shares. On 3 May 2018, the CEO invested 67% (£1,353,400) and the CFO invested 67% (£659,531) of their 2017 annual bonus in MCIP investment shares (the CEO elected to invest fully in NV shares, and the CFO elected to receive an equal number of shares in each of PLC and NV, in line with the share choice provisions in operation at the time).

(b) Face values are calculated by multiplying the number of shares granted on 3 May 2018 by the share price on that day of PLC £39.55 and NV 45.79 respectively, assuming maximum performance and therefore maximum vesting of 150% for MCIP and then translating into euros using an average exchange rate over 2018 of 1 = £0.8835.

(c) Face values are calculated by multiplying the number of shares granted on 16 February 2018 by the share price on that day of PLC £38.02 and NV 43.97 respectively, assuming maximum performance and therefore maximum vesting of 200% for GSIP and then translating into euros using an average exchange rate over 2018 of 1 = £0.8835.

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MINIMUM SHAREHOLDING REQUIREMENT AND EXECUTIVE DIRECTOR SHARE INTERESTS (UNAUDITED)

The remuneration arrangements applicable to our Executive Directors require them to build and retain a personal shareholding in Unilever (by the later of 2018 or five years from their date of appointment) to align their interests with those of Unilever s shareholders. Incoming Executive Directors will be required to retain all shares vesting from any share awards made since their appointment until their minimum shareholding requirements have been met in full.

The table below shows the Executive Directors share ownership against the minimum shareholding requirements as at 31 December 2018 and the interest in NV and PLC ordinary shares of Executive Directors and their connected persons as at 31 December 2018.

When calculating an Executive Director s personal shareholding the following methodology is used:

- Fixed Pay at the date of measurement, in line with the application of the new Reward Framework to our Executive Directors (resulting in a de facto increase in the share ownership requirement applicable to them from the previous multiple of base salary).
- Shares in either Unilever PLC or Unilever N.V. (or a combination of both) will qualify provided they are personally owned by the Executive Director, by a member of his (immediate) family or by certain corporate bodies, trusts or partnerships as required by law from time to time (each a connected person).
- Shares purchased under the MCIP, whether from the annual bonus or otherwise, will qualify as from the moment of purchase as these are held in the individual s name and are not subject to further restrictions.
- Shares or entitlements to shares that are subject only to the Director remaining in employment will qualify on a net of tax basis.
- Shares awarded on a conditional basis by way of the GSIP or MCIP will not qualify until the moment of vesting (ie once the precise number of shares is fixed after the three-year vesting period for the GSIP, or a four-year vesting period for the MCIP, has elapsed).
- The shares will be valued on the date of measurement or, if that outcome fails the personal shareholding test, on the date of acquisition.

The share price for the relevant measurement date will be based on the average closing share prices and the euro/sterling/US dollar exchange rates from the 60 calendar days prior to the measurement date.

Executive Directors are required to hold shares to the value of 100% of their shareholding requirement for 12 months post cessation of employment at Unilever, and 50% of these shares for 24 months post cessation of employment with Unilever. ULE members are required to build a shareholding of 400% of Fixed Pay (500% for the CEO). This requirement is 150% of Fixed Pay for the Top 100 management layer below ULE.

EXECUTIVE DIRECTORS AND THEIR CONNECTED PERSONS INTERESTS IN SHARES AND SHARE OWNERSHIP

Share	Actual share	Shares held as at	Shares held as at 31 December 2018[b]

	Shareholding guideline as % of Fixed Pay (as at 31 December 2018)	Have guidelines been met (as at 31 December 2018)?	ownership as a % of Fixed Pay (as at 31 December 2018)[a]	NV	PLC	NV (1 January 2018[b])	PLC (1 January 2018[b])
CEO: Paul Polman	500	Yes	4,116%	952,374	314,130	1,118,459	324,351
CFO: Graeme Pitkethly	400	Yes	471%	44,496	55,797	35,340	73,495

(a) Calculated based on the minimum shareholding requirements and methodology set out above and the headline Fixed Pay for the CEO and CFO as at 31 December 2018 (ie 1,689,307 for the CEO and 1,102,874 for the CFO).

(b) NV shares are ordinary 0.16 shares and PLC shares are ordinary 3 1/9p shares.

During the period between 31 December 2018 and 21 February 2019, the following changes in interests have occurred:

- Graeme Pitkethly purchased 6 PLC shares under the Unilever PLC ShareBuy Plan: 3 on 9 January 2019 at a share price of £40.88, and a further 3 on 8 February 2019 at a share price of £41.75; and
- as detailed under headings (E) and (F) on page 56, on 11 February 2019:
  - Paul Polman acquired 56,487 NV shares following the vesting of his 2016 MCIP award, and 101,887 NV shares following the vesting of his 2016 GSIP award; and
  - Graeme Pitkethly acquired 7,057 NV shares and 7,118 PLC shares following the vesting of his 2016 MCIP award, and 46,729 PLC shares following the vesting of his 2016 GSIP award.

The voting rights of the Directors (Executive and Non-Executive) and members of the ULE who hold interests in the share capital of NV and PLC are the same as for other holders of the class of shares indicated. As at 21 February 2019 none of the Directors (Executive and Non-Executive) or other ULE members shareholdings amounted to more than 1% of the issued shares in that class of share, excluding the holdings of the Leverhulme Trust and the Leverhulme Trade Charities Trust, which amounted to 4.19%. All shareholdings in the table above are beneficial. In addition, 46,931,182 shares are held by the Leverhulme Trust and 2,035,582 shares are held by the Leverhulme Trade Charities Trust, of which Paul Polman is a director.

INFORMATION IN RELATION TO OUTSTANDING SHARE INCENTIVE AWARDS

As at 31 December 2018, Paul Polman held awards over a total of 317,936 shares which are subject to performance conditions, and Graeme Pitkethly held awards over a total of 139,570 shares which are subject to performance conditions. There are no awards of shares without performance conditions and no awards in the form of options.

MANAGEMENT CO-INVESTMENT PLAN

The following conditional shares vested during 2018 or were outstanding at 31 December 2018 under the MCIP:

		Balance of conditional shares at 1 January 2018	Conditional shares awarded in 2018[a]							Balance of conditional shares at 31 December 2018
			Performance period							
	Share type	Original award	1 January 2018 to 31 December 2021	Price at award	Dividend shares accrued during the year[d]	Vested in 2018[e]	Additional shares earned in 2018	Price at vesting	Shares lapsed	No. of shares
Paul Polman	NV	100,071[b]	50,519	45.79	3,477	46,878	15,204	43.57	0	122,393
	PLC	0[b]	0	£ 39.55	0	0	0	£ 37.91	0	0
Graeme Pitkethly	NV	10,678[c]	12,408	45.79	653	0	0	43.57	0	23,739
	PLC	13,154[c]	12,408	£ 39.55	688	3,454	1,023	£ 37.91	0	23,819

(a) Each award of conditional matching shares vests four years after the date of the award, subject to performance conditions and an additional retention period (further details can be found on page 57). Awards are all subject to continued employment and maintenance of the underlying investment shares. Under MCIP, Executive Directors are able to choose whether they invest in PLC or NV shares or an equal number of shares in each, and receive a corresponding number of performance-related matching shares (currently 1.5 x matching shares for each investment share purchased). Matching shares will be awarded in the same form as the investment shares (ie in PLC shares, NV shares or an equal number of shares in each). On 3 May 2018, Paul Polman and Graeme Pitkethly each invested in the MCIP 67% of their annual bonus earned during 2017 and paid in 2018, and received a corresponding award of 1.5 x matching shares (which will vest, subject to performance, on 16 February 2022).

(b) This includes a grant of 29,128 NV shares made on 13 February 2015 (which vested on 13 February 2018), a grant of 39,318 NV shares made on 11 February 2016 (which vested on 11 February 2019), a grant of 26,578 NV shares made on 17 May 2017 (vesting on 16 February 2021), and 5,047 NV shares from reinvested dividends accrued in prior years in respect of awards.

(c) This includes grants that were made to Graeme Pitkethly before his appointment as Executive Director on 21 April 2016 (being a grant of 2,215 PLC shares made on 13 February 2015 (which vested on 13 February 2018) and a grant of 4,912 of each of NV and PLC shares made on 11 February 2016 (which vested on 11 February 2019), a grant of 5,423 of each of NV and PLC shares made on 17 May 2017 (vesting on 16 February 2021) and 343 NV shares and 604 PLC shares from reinvested dividends accrued in prior years in respect of awards.

(d) Reflects reinvested dividend equivalents accrued during 2018 and subject to the same performance conditions as the underlying matching shares.

(e) The 13 February 2015 grant vested on 13 February 2018 at 148% for Paul Polman and 142% for Graeme Pitkethly. In accordance with Unilever s existing remuneration policy, Executive Directors are able to choose whether they receive any shares due to vest under MCIP in PLC or NV shares or an equal number of shares in each. Paul Polman elected for share choice and chose to receive his shares in the form of 100% NV shares, and Graeme Pitkethly elected to receive his shares in the form of an equal number of shares in each of PLC and NV.

GLOBAL SHARE INCENTIVE PLAN

The following conditional shares vested during 2018 or were outstanding at 31 December 2018 under the GSIP:

	Share type	Balance of conditional shares at 1 January 2018	Conditional shares awarded in 2018[a] Original award Performance period 1 January 2018 to 31 December 2020	Price at award	Dividend shares accrued during the year[d]	Vested in 2018[e]	Additional shares earned in 2018	Price at vesting	Shares lapsed	Balance of conditional shares at 31 December 2018 No. of shares
Paul Polman	NV	107,885[b]	26,209	43.970	3,100	58,738	19,051	43.57	0	97,507
	PLC	108,583[b]	26,209	£ 38.015	3,309	59,294	19,231	£ 37.91	0	98,038
Graeme Pitkethly	NV	35,149[c]	12,772	43.970	1,459	4,966	1,469	43.57	0	45,883
	PLC	35,332[c]	12,772	£ 38.015	1,557	5,013	1,482	£ 37.91	0	46,130

(a) Each award of conditional shares vests three years after the date of the award, subject to performance conditions (further details can be found on page 57). The 2018 award was made on 16 February 2018 (vesting 17 February 2021).

(b) This includes a grant of 36,497 of each of NV and PLC shares made on 13 February 2015 (which vested on 13 February 2018), a grant of 35,115 of each of NV and PLC shares made on 11 February 2016 (which vested on 11 February 2019), a grant of 30,532 of each of NV and PLC shares made on 13 February 2017 (vesting on 13 February 2020) and 5,741 NV shares and 6,439 PLC shares from reinvested dividends accrued in prior years in respect of awards.

(c) This includes grants that were made to Graeme Pitkethly before his appointment as Executive Director on 21 April 2016 (being a grant of 3,216 of each of NV and PLC shares made on 13 February 2015 (which vested on 13 February 2018) and a grant of 16,297 of each of NV and PLC shares made on 11 February 2016 (which vested on 11 February 2019)), a grant of 14,171 of each of NV and PLC shares made on 13 February 2017 (vesting on 13 February 2020), and 1,465 NV shares and 1,648 PLC shares from reinvested dividends accrued in prior years in respect of awards.

(d) Reflects reinvested dividend equivalents accrued during 2018, subject to the same performance conditions as the underlying GSIP shares.

(e) The 13 February 2015 grant vested on 13 February 2018 at 148% for Paul Polman and 142% for Graeme Pitkethly. In accordance with Unilever s existing remuneration policy, Executive Directors are able to choose whether they receive any shares due to vest under GSIP in PLC or NV shares or an equal number of shares in each. Paul Polman elected for share choice and chose to receive his shares in the form of 100% NV shares. Therefore, upon vesting, his 13 February 2015 PLC award was cancelled and converted and delivered to him as 58,234 NV shares (resulting in a total vesting for the 13 February grant of 116,972 NV shares). Graeme Pitkethly elected to receive his shares in the form of an equal number of shares in each of PLC and NV.

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EXECUTIVE DIRECTORS SERVICE CONTRACTS

Starting dates of our Executive Directors service contracts:

- Paul Polman (CEO and Executive Director to 31 December 2018): 1 October 2008 (signed on 7 October 2008, and terminated due to retirement with effect from 2 July 2019); and
- Graeme Pitkethly: 1 October 2015 (signed on 16 December 2015).

Arrangements for Alan Jope will be in line with our Remuneration Policy and effective from his date of appointment as CEO on 1 January 2019.

Service contracts are available to shareholders to view at the AGMs or on request from the Group Secretary, and can be terminated with 12 months notice from Unilever or six months notice from the Executive Director. A payment in lieu of notice can be made of no more than one year s base salary, fixed allowance and other benefits. Other payments that can be made to Executive Directors in the event of loss of office are disclosed in our Remuneration Policy which is available on our website.

www.unilever.com/remuneration-policy

PAYMENTS TO FORMER DIRECTORS / PAYMENTS FOR LOSS OF OFFICE

There have been no payments to former Directors or payments for loss of office during the year.

Paul Polman stepped down as CEO and Executive Director with effect from 31 December 2018, and will retire from employment with Unilever effective 2 July 2019 (the Retirement Date). Until his Retirement Date he will assist with an orderly transition and handover of responsibilities.

In accordance with his service agreement and our Remuneration Policy, Paul Polman:

- will continue to receive Fixed Pay and benefits up to the Retirement Date;
- remained eligible to receive a discretionary bonus in respect of 2018, determined by the Compensation Committee in the normal way and at the normal time dependent on the Company s performance, and paid to him wholly in Unilever N.V. shares (after deduction for tax withholding) which he will be required to hold until the second anniversary of the Retirement Date (see pages 55 to 56 for details);
- will not participate in the MCIP 2019-2022 and will not receive any bonus in respect of the 2019 financial year;
- as he is retiring, will be treated as a good leaver and hence his outstanding awards under the MCIP and GSIP long term share incentive plans will remain capable of vesting in accordance with the rules of the relevant plan. Consequently, it is anticipated that these awards will be pro-rated as follows reflecting Paul Polman s actual length of service within the vesting period:

a) GSIP and MCIP 2016 2018 vested on 11 February 2019: 100% (see page 56 for details);

b) GSIP 2017 2019 vesting around 13 February 2020: 79%;

c) MCIP 2017 2020 vesting around 17 February 2021: 57%;

d) GSIP 2018 2020 vesting around 17 February 2021: 46%; and

e) MCIP 2018 2021 vesting around 16 February 2022: 31%;

and will then vest, subject to Company performance, on the respective vesting dates;

- will remain subject to the Company s minimum shareholding requirements and needs to retain Unilever shares worth at least 5 times his annual Fixed Pay level until the first anniversary of the Retirement Date and 50% of that amount until the second anniversary of the Retirement Date. Additionally, the Company will continue to pay Paul Polman s social security obligation in his country of residence on all Unilever source income arising to protect him against the difference between the employee social security obligations in his country of residence versus the UK. The precise cost of this provision will depend on Paul Polman s total earnings (which will primarily be influenced by the value of his outstanding MCIP and GSIP share awards when they vest) and applicable rates of social security;
- will continue to receive tax return preparation services in respect of total Unilever earnings;
- through to the Retirement Date or to the later date as specified below, after which such benefits will cease, will continue to receive:
  - Family Medical Cover to 31 December 2019; and
  - Death & Disability Insurance Cover.

Details of all payments made to and receivable by Paul Polman will be disclosed in the Directors Remuneration Report within the Annual Report and Accounts as required going forward.

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2019 FOR NON-EXECUTIVE DIRECTORS

The current Non-Executive Director fee levels will not be changed for 2019, and we will review fee levels for 2020 during the course of the year. The table below outlines the current fee structure with fees paid 50% by each of Unilever N.V. and Unilever PLC (at a constant exchange rate of £1 = 1.2817):

Roles and responsibilities	**Current Annual Fee**
Basic Non-Executive Director Fee	**108,949**
Chairman (all inclusive)	**801,092**
Vice Chairman (modular)	**51,270**
Member of Nominating and Corporate Governance Committee	**19,226**
Member of Compensation Committee	**19,226**
Member of Corporate Responsibility Committee	**19,226**
Member of Audit Committee	**25,635**
Chair of Nominating and Corporate Governance Committee	**38,452**
Chair of Compensation Committee	**38,452**
Chair of Corporate Responsibility Committee	**38,452**
Chair of Audit Committee	**51,270**

All reasonable travel and other expenses incurred by Non-Executive Directors in the course of performing their duties are considered to be business expenses. Non-Executive Directors also receive expenses relating to the attendance of the Director s spouse or partner, when they are invited by Unilever.

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SINGLE FIGURE OF REMUNERATION IN 2018 FOR NON-EXECUTIVE DIRECTORS

The table below shows a single figure of remuneration for each of our Non-Executive Directors, for the years 2017 and 2018.

	2018			2017		
	Fees[a]	**Benefits[b]**	**Total remuneration**	Fees[a]	Benefits[b]	Total remuneration
Non-Executive Director	**000**	**000**	**000**	PLC	NV	00
Marijn Dekkers[c]	**744**	**13**	**757**	727	13	740
Nils Andersen	**121**	**9**	**130**	109	3	112
Laura Cha	**115**		**115**	107		107
Vittorio Colao[d]	**127**		**127**	103		103
Louise Fresco[e]				38		38
Ann Fudge[f]	**50**		**50**	151	24	175
Judith Hartmann	**121**	**7**	**128**	109	3	112
Andrea Jung[g]	**80**		**80**			
Mary Ma	**115**		**115**	105		105
Strive Masiyiwa[h]	**131**		**131**	111		111
Youngme Moon	**147**		**147**	103		103
John Rishton[i]	**143**		**143**	127		127
Feike Sijbesma	**135**		**135**	127		127
Total	**2,029**	**29**	**2,058**	1,917	43	1,960

[a] This includes fees received from NV in euros and PLC in sterling for 2017 and 2018 respectively. Includes basic Non-Executive Director fee and Committee chairmanship and/or membership. Where relevant, amounts for 2018 have been translated into euros using the average exchange rate over 2018 (1 = £0.8835). Amounts for 2017 have been translated into euros using the average exchange rate over 2017 (1 = £0.8756).

[(b)] The only benefit received relates to travel by spouses or partners where they are invited by Unilever.
[(c)] Chairman and Chair of the Nominating and Corporate Governance Committee.
[(d)] Chair of the Compensation Committee from 3 May 2018.
[(e)] Chair of the Corporate Responsibility Committee until 27 April 2017 (retired from the Boards at the April 2017 AGMs).
[(f)] Vice Chairman and Chair of the Compensation Committee until 3 May 2018 (retired from the Boards at the May 2018 AGMs).
[(g)] Appointed at the May 2018 AGMs.
[(h)] Chair of the Corporate Responsibility Committee.
[(i)] Chair of the Audit Committee.

We do not grant our Non-Executive Directors any personal loans or guarantees, nor are they entitled to any severance payments.

NON-EXECUTIVE DIRECTORS INTERESTS IN SHARES

Non-Executive Directors are encouraged to build up a personal shareholding of at least 1 x their annual fees over the five years from 1 January 2012 (or appointment, if later). The table shows the interests in NV and PLC ordinary shares of Non-Executive Directors and their connected persons as at 31 December 2018. There has been no change in these interests between 31 December 2018 and 21 February 2019.

	Share typel	Shares held at January 2018	**Shares held at 31 December 2018**
Marijn Dekkers	NV NY	20,000	**20,000**
	PLC ADRs		
Nils Andersen	NV	6,014	**6,014**
	PLC		
Laura Cha	NV	660	**2,660**
	PLC	858	**858**
Vittorio Colao	NV	4,600	**4,600**
	PLC		
Ann Fudge	NV NY	282	**282**[(a)]
	PLC ADRs	5,000	**5,000**[(a)]
Judith Hartmann	NV	2,500	**2,500**
	PLC		

	Share typel	Shares held at January 2018	**Shares held at 31 December 2018**
Andrea Jung	NV	4,576[(b)]	**4,576**
	PLC		
Mary Ma	NV	860	**860**
	PLC	860	**860**
Strive Masiyiwa	NV		
	PLC	1,130	**1,130**
Youngme Moon	NV NY	2,000	**2,000**
	PLC ADRs		
John Rishton	NV	3,340	**3,340**

	PLC	2,000	**2,000**
Feike Sijbesma	NV	10,000	**10,000**
	PLC		

[(a)] Shares held at 3 May 2018 (the date by which Ann Fudge retired from the Boards).
[(b)] Shares held at 3 May 2018 (the date when Andrea Jung was appointed to the Boards).

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DIRECTORS REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS LETTERS OF APPOINTMENT

All Non-Executive Directors were reappointed to the Boards at the 2018 AGMs, with the exception of Andrea Jung (who was appointed for the first time) and Ann Fudge (who retired from the Boards).

Non-Executive Director	Date first appointed to the Boards	Effective date of current appointment[(a)]
Marijn Dekkers	**21 April 2016**	**3 May 2018**
Nils Andersen	**30 April 2015**	**3 May 2018**
Laura Cha	**15 May 2013**	**3 May 2018**
Vittorio Colao	**1 July 2015**	**3 May 2018**
Ann Fudge	**14 May 2009**	**n/a**
Judith Hartmann	**30 April 2015**	**3 May 2018**
Andrea Jung	**3 May 2018**	**3 May 2018**
Mary Ma	**15 May 2013**	**3 May 2018**
Strive Masiyiwa	**21 April 2016**	**3 May 2018**
Youngme Moon	**21 April 2016**	**3 May 2018**
John Rishton	**15 May 2013**	**3 May 2018**
Feike Sijbesma	**1 November 2014**	**3 May 2018**

(a) The unexpired term for all Non-Executive Directors letters of appointment is the period up to the 2019 AGMs, as they all, unless they are retiring, submit themselves for annual reappointment.

OTHER DISCLOSURES RELATED TO DIRECTORS REMUNERATION

SERVING AS A NON-EXECUTIVE ON THE BOARD OF ANOTHER COMPANY

Executive Directors serving as non-executive directors on the boards of other companies are permitted to retain all remuneration and fees earned from outside directorships subject to a maximum of one outside listed directorship (see Independence and Conflicts on page 37 for further details).

Paul Polman is a non-executive director of DowDuPont Inc. (formerly The Dow Chemical Company) and received an annual fee of 97,051 ($115,000) based on the average exchange rate over the year 2018 of 1 = $1.1850. In addition, he received a restricted award of 2,680 ordinary shares with a nominal value of $2.50 per share in the capital of DowDuPont Inc. The shares include the rights to vote and to receive dividends thereon. The shares cannot be sold or transferred until Paul Polman leaves the board of directors of DowDuPont Inc., and in any case not earlier than

25 April 2020.

TEN-YEAR HISTORICAL TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE

The graph below includes:

- growth in the value of a hypothetical £100 holding over ten years   FTSE 100 comparison based on 30-trading-day average values; and
- growth in the value of a hypothetical   100 investment over ten years   AEX comparison based on 30-trading-day average values.

The Committee has decided to show Unilever   s performance against the FTSE 100 Index, London and also the Euronext 100 index (AEX), Amsterdam as these are the most relevant indices in the UK and the Netherlands where we have our principal listings. Unilever is a constituent of both these indices.

TEN-YEAR HISTORICAL TSR PERFORMANCE

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CEO SINGLE FIGURE TEN-YEAR HISTORY

The table below shows the ten-year history of the CEO single figure of total remuneration:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
EO ingle figure f total emuneration 000)	3,859	6,292	6,010	7,852	7,740	9,561	10,296	8,370	11,661	**11,726**
nnual bonus ward rates gainst aximum pportunity	82%	80%	68%	100%	78%	66%	92%	92%	100%	**51%**
SIP erformance hares vesting ates against aximum pportunity	n/a	47%	44%	55%	64%	61%	49%	35%	74%	**66%**
ICIP atching hares vesting ates against aximum pportunity	n/a	n/a	n/a	n/a	n/a	81%	65%	47%	99%	**88%**
hare latching Plan esting rates gainst aximum pportunity[a]	100%	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

[a] Shown in year of award.

PERCENTAGE CHANGE IN REMUNERATION OF EXECUTIVE DIRECTORS (CEO/CFO)

The table below shows the percentage change from 2017 to 2018 for Fixed Pay, other benefits (excluding pension) and bonus for the CEO, CFO and all UK and Dutch management in Unilever. The subset of UK and Dutch management has been used as a fair representation of our dual listing status.

% change from 2017 to 2018	Fixed Pay	Bonus	Other benefits (not including pension)
CEO[(a)(b)]	11.3%	-16.5%	-19.2%
CFO[(a)(c)]	8.2%	-10.5%	8.3%
UK and Dutch management[(d)]	8.0%	4.9%	-0.2%

(a) Calculated using the data from the Executive Directors single figure table on page 54 (for information on exchange rates please see the footnotes in that table).

(b) The CEO Fixed Pay and other benefits figures reflect the implementation of our new Reward Framework in 2018, including the consolidation of conditional supplemental pension accrual into Fixed Pay from the 2018 AGMs, and changes in the relevant sterling:euro exchange rates. The reduction in benefits value is also due to variations in charges for social security and tax return preparation fees, both of which decreased in 2018.

(c) The increase in Fixed Pay shown for the CFO reflects the implementation of our new Reward Framework in 2018, including a 5% increase in Fixed Pay with effect from the 2018 AGMs, and changes in the relevant sterling:euro exchange rates. The increase in benefits value is due to an increase in private medical insurance costs.

(d) For the UK and Dutch management population, Fixed Pay numbers have been restated to include cash-related benefits employees receive as part of their total compensation, to ensure we can accurately compare Fixed Pay for the management population against that of the CEO and CFO. Figures are also affected by changes in the average sterling:euro exchange rates for 2017 and 2018, as well as a lower bonus performance ratio in 2018 compared to 2017.

EXECUTIVE DIRECTORS (CEO/CFO) PAY RATIO COMPARISON

The table below shows how pay for the CEO compares to our UK employees at the 25th percentile, median and 75th percentile.

Year		25th Percentile	Median Percentile	75th Percentile	**Mean Pay Ratio**
Year ending 31 December 2018	Salary:	£28,804	£37,000	£50,021	
	Pay and benefits (excluding pension):	£34,400	£41,443	£57,800	
	Pay ratio (Option A):	301	250	179	**147**

Figures for the CEO are calculated using the data from the Executive Directors single figure table on page 54 (where relevant, translated into pounds using the average exchange rate over 2018 (1 = £0.8835)).

Option A was used to calculate the pay and benefits (excluding pension) of the 25th percentile, median and 75th percentile UK employees because the data was readily available for all UK employees of the group and Option A is the most accurate method (as it is based on total full-time equivalent total reward for all UK employees for the relevant financial year). Figures are calculated by reference to 31 December 2018, and the respective salary and pay and benefits (excluding pension) figures for each quartile are set out in the table above. Full-time equivalent figures are calculated on a pro-rated basis.

Annual bonus and long-term incentives (GSIP and MCIP) were not calculated following the statutory method for single-figure pay. Instead, variable pay figures were calculated using:

- target annual bonus values multiplied by the actual bonus performance ratio for the respective year (so disregarding personal performance multipliers, which equal out across the population as a whole);
- target GSIP values (multiplied by the actual GSIP performance ratio for the respective year, based on closing share prices on the vesting date); and
- MCIP values calculated at an appropriate average for the relevant Work Level of employees, ie an average 45% investment of bonus for WL3 employees; 60% for WL4-5 employees (with vesting again at actual MCIP performance ratio, based on closing share prices on the vesting date); and for WL6, based on actual variable pay awards and corresponding vesting rates.

The reason for this is it would be unduly onerous to recalculate these figures when, based on a sample, the impact of such recalculation is expected to be limited.

We expect to report on trends in these figures and links to wider pay, reward and progression policies in future years in line with relevant reporting requirements.

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DIRECTORS REMUNERATION REPORT CONTINUED

The table below provides a more detailed breakdown of the fixed and variable pay elements for each of our UK and Dutch Work Levels, showing how each Work Level compares to the CEO and CFO in 2018 (with equivalent figures from 2017 included for comparison purposes).

Figures for the CEO and CFO are calculated using the data from the Executive Directors single figure table on page 54. Accordingly, the year-on-year comparison reflects the implementation of our new Reward Framework for Executive Directors in May 2018, and so is impacted by both mid-year structural change and ongoing fluctuation in the exchanges rates used to convert pay elements denominated in pounds sterling to euros for reporting purposes.

For our other Work Levels, variable pay figures are calculated on the basis set out in the preceding paragraphs. Fixed Pay figures reflect all elements of pay (including allowances) and benefits paid in cash, but exclude pensions. This year, we have also expanded the table to include data for our WL1 (non-management) staff in the UK and Netherlands.

Changes in pay ratios between 2017 and 2018 reflect a lower bonus performance ratio in 2018 (90%, compared to 122% in 2017), and lower GSIP and MCIP vesting outcomes (which play an increasing part in total reward from WL3 upwards, particularly with the introduction of the new Reward Framework for our WL4-6 employees in 2017 and our WL3 employees in 2018, with an invitation to participate in MCIP extended to WL2 employees in 2018 as well). Year-on-year comparisons also reflect changes in the average sterling:euro exchange rates for 2017 and 2018; where relevant, amounts for 2018 have been translated using the average exchange rate over 2018 (1 = £0.8835), and amounts for 2017 have been translated using the average exchange rate over 2017 (1 = £0.8756).

RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below shows the relative spend on pay compared with dividends paid to Unilever shareholders and underlying earnings. Underlying earnings represent the underlying profit attributable to Unilever shareholders, adjusted to eliminate various items, and provides a good reference point to compare spend on pay.

* In calculating underlying profit attributable to shareholders equity, net profit attributable to shareholders equity is adjusted to eliminate the post-tax impact of non-underlying items in operating profit and any other significant unusual terms within net profit but not operating profit (see note 7 on page 96 for details).

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THE COMPENSATION COMMITTEE

The Committee s membership was further refreshed in 2018. Vittorio Colao, Marijn Dekkers and Mary Ma served throughout this period, with Vittorio Colao being appointed Chair on 3 May 2018, upon Ann Fudge s retirement; Andrea Jung joined the Committee on the same date.

The Committee reviewed its terms of reference during the year. The Committee s revised terms of reference are contained within The Governance of Unilever , and are also set out on our website.

www.unilever.com/investor-relations/agm-and-corporate-governance/

As part of the Board evaluation carried out in 2018, the Boards evaluated the performance of the Committee. The Committee also carried out an assessment of its own performance in 2018. While overall the Committee members concluded that the Committee is performing effectively, the Committee has agreed to further enhance its effectiveness by monitoring the responsiveness of the Reward Framework to rapidly evolving market conditions and adding a finance briefing session on the continued appropriateness of performance measures for incentive plans.

ADVISERS

While it is the Committee s responsibility to exercise independent judgement, the Committee does request advice from management and professional advisers, as appropriate, to ensure that its decisions are fully informed given the internal and external environment.

Tom Gosling of PricewaterhouseCoopers (PwC) provided the Committee with independent advice on various matters it considered. During 2018, the wider PwC firm has also provided tax and consultancy services to Unilever including tax compliance, transfer pricing, other tax-related services, contract compliance reviews, internal audit advice and secondees, third-party risk and compliance advice, cyber security advice, sustainability assurance and consulting; PwC has also been assisting with financial due diligence on M&A transactions undertaken by the Unilever Group. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK, which is available online.

www.remunerationconsultantsgroup.com (Code of Conduct: Executive Remuneration Consulting)

The Committee is satisfied that the PwC engagement partner and team, which provide remuneration advice to the Committee, do not have connections with Unilever N.V. or Unilever PLC that might impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. The fees paid to PwC in relation to advice provided to the Committee in the year to 31 December 2018 were £146,650. This figure is calculated based on time spent and expenses incurred for the majority of advice provided, but on occasion for specific projects a fixed fee may be agreed.

During the year, the Committee also sought input from the CEO (Paul Polman), the Chief Human Resources Officer (Leena Nair) and the EVP Global Head of Reward (Peter Newhouse) on various subjects including the remuneration of senior management. No individual Executive Director was present when their own remuneration was being determined to ensure a conflict of interest did not arise, although the Committee has separately sought and obtained Executive Directors own views when determining the amount and structure of their remuneration before recommending individual packages to the Boards for approval. The Committee also received legal and governance advice from the Chief Legal Officer and Group Secretary (Ritva Sotamaa) and the General Counsel Executive Remuneration & Employment (Margot Fransen).

SHAREHOLDER VOTING

Unilever remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to Directors remuneration, Unilever would seek to understand the reasons for any such vote and would set out in the following Annual Report and Accounts any actions in response to it (as set out in the Letter from the Chair on page 50 in relation to our further engagement with shareholders following last year s voting on our Remuneration Policy). The following table sets out actual voting in respect of our previous report:

Voting outcome (% of votes)		For	Against
2017 Directors Remuneration Report (excluding the Directors Remuneration Policy) (2018 AGM)[a]	PLC	97.19%	2.81%
2017 Directors Remuneration Policy (2018 AGM)[b]	PLC	64.19%	35.81%
2017 Directors Remuneration Policy (2018 AGM)[c]	NV	73.06%	26.94%

[a] 18,758,929 votes were withheld (approximately 2.09% of share capital represented on 2 May 2018).

[b] 38,734,868 votes were withheld (approximately 4.31% of share capital represented on 2 May 2018).

[c] 15,018,135 votes were withheld (approximately 1.03% of share capital represented on 3 May 2018).

The Directors Remuneration Report is not subject to a shareholder vote in the Netherlands. It has been approved by the Boards, and signed on their behalf by Ritva Sotamaa, Chief Legal Officer and Group Secretary.

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FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS RESPONSIBILITIES

ANNUAL ACCOUNTS

The Directors are required by Part 9 of Book 2 of the Civil Code in the Netherlands and by the UK Companies Act 2006 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, and the NV and PLC entities, as at the end of the financial year and of the profit or loss and cash flows for that year.

The Directors consider that, in preparing the accounts, the Group and the NV and PLC entities have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards as adopted by the EU and as issued by the International Accounting Standards Board (in the case of the consolidated financial statements), Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and Dutch law (in the case of the NV parent company accounts) which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that NV and PLC keep accounting records which disclose with reasonable accuracy their financial position and which enable the Directors to ensure that the accounts comply with the relevant legislation. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the Independent Auditors reports, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

A copy of the financial statements of the Unilever Group is placed on our website at www.unilever.com/investorrelations. The maintenance and integrity of the website are the responsibility of the Directors, and 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 UK and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

UK law sets out additional responsibilities for the Directors of PLC regarding disclosure of information to auditors. To the best of each of the Directors knowledge and belief, and having made appropriate enquiries, all information relevant to enabling the auditors to provide their opinions on PLC s consolidated and parent company accounts has been provided. Each of the Directors has taken all reasonable steps to ensure their awareness of any relevant audit information and to establish that Unilever PLC s auditors are aware of any such information.

DIRECTORS RESPONSIBILITY STATEMENT

Each of the Directors confirms that, to the best of his or her knowledge:

- The Unilever Annual Report and Accounts 2018, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group s position and performance, business model and strategy;
- The financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and as issued by the International Accounting Standards Board (in the case of the consolidated financial statements) and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and UK accounting standards and Part 9 of Book 2 of the Dutch Civil Code (in the case of the NV parent company accounts), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors and their roles are listed on pages 3 and 36.

GOING CONCERN

The activities of the Group, together with the factors likely to affect its future development, performance, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 1 to 26. In addition, we describe in notes 15 to 18 on pages 104 to 120 the Group s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. Although not assessed over the same period as going concern, the viability of the Group has been assessed on page 28.

The Group has considerable financial resources together with established business relationships with many customers and suppliers in countries throughout the world. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain outlook.

After making enquiries, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report and Accounts.

INTERNAL AND DISCLOSURE CONTROLS AND PROCEDURES

Please refer to pages 28 and 29 for a discussion of Unilever s principal risk factors and to pages 29 to 33 for commentary on the Group s approach to risk management and control.

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INDEPENDENT AUDITORS REPORTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

To the Shareholders and Board of Directors

Unilever N.V. and Unilever PLC:

OPINIONS ON THE CONSOLIDATED FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the accompanying consolidated balance sheets of the Unilever Group (Unilever N.V. and Unilever PLC, together with their subsidiaries) as of 31 December 2018 and 2017, the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated cash flow statements for each of the years in the three-year period ended 31 December 2018, and the related notes on pages 75 to 127 of the Unilever Group s Annual Report (excluding note 25 on page 126) and the Guarantor financial information included in the Guarantor Statements on pages 158 to 162 of this Form 20-F (hereafter referred to as Consolidated Financial Statements). We also have audited the Unilever Group s internal control over financial reporting as of 31 December 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Unilever Group as of 31 December 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended 31 December 2018, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in conformity with IFRS as adopted by the European Union. Also in our opinion, the Unilever Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Unilever Group acquired Adityaa Milk, Equilibra, Betty Ice, Denny Ice and Vegetarian Butcher on 27 September 2018, 1 October 2018,

1 November 2018, 3 December 2018 and 31 December 2018, respectively, and management excluded from its assessment of the effectiveness of the Unilever Group s internal control over financial reporting as of 31 December 2018, Adityaa Milk, Equilibra, Betty Ice, Denny Ice and Vegetarian Butcher s internal control over financial reporting associated with approximately 0.5% of the Unilever Group s total assets and approximately 0.02% of the Unilever Group s turnover included in the Consolidated Financial Statements of the Unilever Group as of and for the year ended 31 December 2018. Our audit of internal control over financial reporting of the Unilever Group also excluded an evaluation of the internal control over financial reporting of Adityaa Milk, Equilibra, Betty Ice, Denny Ice and

Vegetarian Butcher.

BASIS FOR OPINIONS

The Unilever Group s management is responsible for these Consolidated Financial Statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting included on page 156 of this Form 20-F. Our responsibility is to express an opinion on the Unilever Group s Consolidated Financial Statements and an opinion on the Unilever Group s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the Consolidated Financial Statements included performing procedures to assess the risks of material misstatement of the Consolidated Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

/s/ KPMG Accountants N.V.

KPMG LLP
London, United Kingdom

KPMG Accountants N.V.
Amsterdam, the Netherlands

We have served as the Unilever Group s auditors since 2014.

6 March 2019

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CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	Notes	**million** 2018	million 2017	million 2016
Turnover	2	**50,982**	53,715	52,713
Operating profit	2	**12,535**	8,857	7,801
After (charging)/crediting non-underlying items	3	**3,176**	(543)	(823)
Net finance costs	5	**(481)**	(877)	(563)
Finance income		**135**	157	115
Finance costs		**(591)**	(556)	(584)
Pensions and similar obligations		**(25)**	(96)	(94)
Net finance cost non-underlying items	3		(382)	
Net monetary gain/(loss) arising from hyperinflationary economies	1	**122**		
Share of net profit/(loss) of joint ventures and associates	11	**185**	155	127
After crediting non-underlying items	3	**32**		
Other income/(loss) from non-current investments and associates		**22**	18	104
Profit before taxation		**12,383**	8,153	7,469
Taxation	6A	**(2,575)**	(1,667)	(1,922)
After (charging)/crediting tax impact of non-underlying items	3	**(288)**	655	213

Net profit		**9,808**	6,486	5,547
Attributable to:				
Non-controlling interests		**419**	433	363
Shareholders equity		**9,389**	6,053	5,184
Combined earnings per share	7			
Basic earnings per share ( )		**3.50**	2.16	1.83
Diluted earnings per share ( )		**3.48**	2.15	1.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	**million** **2018**	million 2017	million 2016
Net profit		**9,808**	6,486	5,547
Other comprehensive income	6C			
Items that will not be reclassified to profit or loss, net of tax:				
Gains/(losses) on equity instruments measured at fair value through other comprehensive income[a]		**51**		
Remeasurement of defined benefit pension plans	15B	**(328)**	1,282	(980)
Items that may be reclassified subsequently to profit or loss, net of tax:				
Gains/(losses) on cash flow hedges		**(55)**	(68)	
Currency retranslation gains/(losses)	15B	**(861)**	(983)	217
Fair value gains/(losses) on financial instruments[a]	15B		(7)	(15)
Total comprehensive income		**8,615**	6,710	4,769
Attributable to:				
Non-controlling interests		**407**	381	374
Shareholders equity		**8,208**	6,329	4,395

[a] Classification has changed following adoption of IFRS 9. See note 1 for further details.
References in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet and consolidated cash flow statement relate to notes on pages 79 to 127, which form an integral part of the consolidated financial statements.

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CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity	million Called up share capital	million Share premium account	million Other reserves	million Retained profit	million Total	million Non-controlling interests	million Total equity
31 December 2015	484	152	(7,816)	22,619	15,439	643	16,082
Profit or loss for the period				5,184	5,184	363	5,547
Other comprehensive income net of tax:							
Fair value gains/(losses) on financial instruments[(a)]			(15)		(15)		(15)
Remeasurement of defined benefit pension plans net of tax				(980)	(980)		(980)
Currency retranslation gains/(losses)			189	17	206	11	217
Total comprehensive income			174	4,221	4,395	374	4,769
Dividends on ordinary capital				(3,600)	(3,600)		(3,600)
Movements in treasury shares[(d)]			(45)	(213)	(258)		(258)
Share-based payment credit[(e)]				198	198		198
Dividends paid to non-controlling interests						(364)	(364)
Currency retranslation gains/(losses) net of tax		(18)			(18)		(18)
Other movements in equity			244	(46)	198	(27)	171
31 December 2016	484	134	(7,443)	23,179	16,354	626	16,980
Profit or loss for the period				6,053	6,053	433	6,486
Other comprehensive income net of tax:							
Fair value gains/(losses) on financial instruments[(a)]			(76)		(76)	1	(75)
Remeasurement of defined benefit pension plans net of tax				1,282	1,282		1,282
Currency retranslation gains/(losses)			(903)	(27)	(930)	(53)	(983)
Total comprehensive income			(979)	7,308	6,329	381	6,710

Dividends on ordinary capital				(3,916)	(3,916)		(3,916)
Repurchase of shares[b]			(5,014)		(5,014)		(5,014)
Other movements in treasury shares[d]			(30)	(174)	(204)		(204)
Share-based payment credit[e]				284	284		284
Dividends paid to non-controlling interests						(345)	(345)
Currency retranslation gains/(losses) net of tax		(4)			(4)		(4)
Other movements in equity			(167)	(33)	(200)	96	(104)
31 December 2017	**484**	**130**	**(13,633)**	**26,648**	**13,629**	**758**	**14,387**
Hyperinflation restatement to 1 January 2018 (see note 1)				**393**	**393**		**393**
1 January 2018 after restatement	**484**	**130**	**(13,633)**	**27,041**	**14,022**	**758**	**14,780**
Profit or loss for the period				**9,389**	**9,389**	**419**	**9,808**
Other comprehensive income, net of tax:							
Gains/(losses) on:[a]							
Equity instruments			**51**		**51**		**51**
Cash flow hedges			**(56)**		**(56)**	**1**	**(55)**
Remeasurement of defined benefit pension plans				**(330)**	**(330)**	**2**	**(328)**
Currency retranslation gains/(losses)			**(836)**	**(10)**	**(846)**	**(15)**	**(861)**
Total comprehensive income			**(841)**	**9,049**	**8,208**	**407**	**8,615**
Dividends on ordinary capital				**(4,081)**	**(4,081)**		**(4,081)**
Repurchase of shares[b]			**(6,020)**		**(6,020)**		**(6,020)**
Cancellation of treasury shares[c]	**(20)**		**5,069**	**(5,049)**			
Other movements in treasury shares[d]			**(8)**	**(245)**	**(253)**		**(253)**
Share-based payment credit[e]				**196**	**196**		**196**
Dividends paid to non-controlling interests						**(342)**	**(342)**
Currency retranslation gains/(losses) net of tax		**(1)**			**(1)**		**(1)**
Hedging gain/(loss) transferred to non-financial assets			**71**		**71**		**71**
Other movements in equity[f]			**76**	**(646)**	**(570)**	**(103)**	**(673)**
31 December 2018	**464**	**129**	**(15,286)**	**26,265**	**11,572**	**720**	**12,292**

[a] Classification in 2018 has changed following adoption of IFRS 9. See note 1 for further details.

[b] Repurchase of shares reflects the cost of acquiring ordinary shares as part of the share buyback programmes announced on 19 April 2018 and 6 April 2017.

[c] During 2018 122,965,077 PLC ordinary shares were cancelled. The amount paid to repurchase these shares was initially recognised in other reserves and is transferred to retained profit on cancellation.

[d] Includes purchases and sales of treasury shares other than the share buyback programme, transfer from treasury shares to retained profit of share-settled schemes arising from prior years and differences between exercise and grant price of share options.

[e] The share-based payment credit relates to the non-cash charge recorded in operating profit in respect of the fair

value of share options and awards granted to employees.

(f) Includes a 662 million premium paid for purchase of the non-controlling interest in Unilever South Africa from Remgro.

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CONSOLIDATED BALANCE SHEET

as at 31 December

	Notes	million 2018	million 2017
Assets			
Non-current assets			
Goodwill	9	**17,341**	16,881
Intangible assets	9	**12,152**	11,520
Property, plant and equipment	10	**10,347**	10,411
Pension asset for funded schemes in surplus	4B	**1,728**	2,173
Deferred tax assets	6B	**1,117**	1,085
Financial assets	17A	**642**	675
Other non-current assets	11	**648**	557
		43,975	43,302
Current assets			
Inventories	12	**4,301**	3,962
Trade and other current receivables	13	**6,485**	5,222
Current tax assets		**472**	488
Cash and cash equivalents	17A	**3,230**	3,317
Other financial assets	17A	**874**	770
Assets held for sale	22	**119**	3,224
		15,481	16,983
Total assets		**59,456**	60,285
Liabilities			
Current liabilities			
Financial liabilities	15C	**3,235**	7,968
Trade payables and other current liabilities	14	**14,457**	13,426
Current tax liabilities		**1,445**	1,088
Provisions	19	**624**	525
Liabilities held for sale	22	**11**	170
		19,772	23,177

Non-current liabilities			
Financial liabilities	15C	**21,650**	16,462
Non-current tax liabilities		**174**	118
Pensions and post-retirement healthcare liabilities:			
Funded schemes in deficit	4B	**1,209**	1,225
Unfunded schemes	4B	**1,393**	1,509
Provisions	19	**697**	794
Deferred tax liabilities	6B	**1,923**	1,913
Other non-current liabilities	14	**346**	700
		27,392	22,721
Total liabilities		**47,164**	45,898
Equity			
Shareholders equity			
Called up share capital	15A	**464**	484
Share premium account		**129**	130
Other reserves	15B	**(15,286)**	(13,633)
Retained profit		**26,265**	26,648
		11,572	13,629
Non-controlling interests		**720**	758
Total equity		**12,292**	14,387
Total liabilities and equity		**59,456**	60,285

These financial statements have been approved by the Directors.

The Board of Directors

6 March 2019

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CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

	Notes	**million 2018**	million 2017	million 2016
Net profit		**9,808**	6,486	5,547
Taxation		**2,575**	1,667	1,922
Share of net profit of joint ventures/associates and other income/(loss) from non-current investments and associates		**(207)**	(173)	(231)
Net monetary gain arising from hyperinflationary economies		**(122)**		
Net finance costs	5	**481**	877	563
Operating profit		**12,535**	8,857	7,801
Depreciation, amortisation and impairment		**1,747**	1,538	1,464
Changes in working capital:		**(793)**	(68)	51
Inventories		**(471)**	(104)	190
Trade and other receivables		**(1,298)**	(506)	142
Trade payables and other liabilities		**976**	542	(281)
Pensions and similar obligations less payments		**(128)**	(904)	(327)
Provisions less payments		**55**	200	65
Elimination of (profits)/losses on disposals		**(4,299)**	(298)	127
Non-cash charge for share-based compensation		**196**	284	198
Other adjustments[(a)]		**(266)**	(153)	(81)
Cash flow from operating activities		**9,047**	9,456	9,298
Income tax paid		**(2,294)**	(2,164)	(2,251)
Net cash flow from operating activities		**6,753**	7,292	7,047
Interest received		**110**	154	105
Purchase of intangible assets		**(203)**	(158)	(232)

Purchase of property, plant and equipment		**(1,329)**	(1,509)	(1,804)
Disposal of property, plant and equipment		**108**	46	158
Acquisition of group companies, joint ventures and associates		**(1,336)**	(4,896)	(1,731)
Disposal of group companies, joint ventures and associates		**7,093**	561	30
Acquisition of other non-current investments		**(94)**	(317)	(208)
Disposal of other non-current investments		**151**	251	173
Dividends from joint ventures, associates and other non-current investments		**154**	138	186
(Purchase)/sale of financial assets		**(10)**	(149)	135
Net cash flow (used in)/from investing activities		**4,644**	(5,879)	(3,188)
Dividends paid on ordinary share capital		**(4,066)**	(3,916)	(3,609)
Interest and preference dividends paid		**(477)**	(470)	(472)
Net change in short-term borrowings		**(4,026)**	2,695	258
Additional financial liabilities		**10,595**	8,851	6,761
Repayment of financial liabilities		**(6,594)**	(2,604)	(5,213)
Capital element of finance lease rental payments		**(10)**	(14)	(35)
Buyback of preference shares			(448)	
Repurchase of shares	24	**(6,020)**	(5,014)	
Other movements on treasury shares		**(257)**	(204)	(257)
Other financing activities		**(693)**	(309)	(506)
Net cash flow (used in)/from financing activities		**(11,548)**	(1,433)	(3,073)
Net increase/(decrease) in cash and cash equivalents		**(151)**	(20)	786
Cash and cash equivalents at the beginning of the year		**3,169**	3,198	2,128
Effect of foreign exchange rate changes		**72**	(9)	284
Cash and cash equivalents at the end of the year	17A	**3,090**	3,169	3,198

[a] 2018 includes a non-cash credit of 277 million from early settlement of contingent consideration relating to Blueair.

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the Group cash flow statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP

1. ACCOUNTING INFORMATION AND POLICIES

The accounting policies adopted are the same as those which were applied for the previous financial year, except as set out below under the heading Recent accounting developments .

UNILEVER

The two parent companies, NV and PLC, together with their group companies, operate as a single economic entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC have the same Directors and are linked by a series of agreements, including an Equalisation Agreement, which are designed so that the positions of the shareholders of both companies are as closely as possible the same as if they held shares in a single company.

The Equalisation Agreement provides that both companies adopt the same accounting principles. It also requires that dividends and other rights and benefits attaching to each ordinary share of NV, be equal in value to those rights and benefits attaching to each ordinary share of PLC, as if each such unit of capital formed part of the ordinary share capital of one and the same company.

BASIS OF CONSOLIDATION

Due to the operational and contractual arrangements referred to above, NV and PLC form a single reporting entity for the purposes of presenting consolidated financial statements. Accordingly, the financial statements of Unilever are presented by both NV and PLC as their respective consolidated financial statements. Group companies included in the consolidation are those companies controlled by NV or PLC. Control exists when the Group has the power to direct the activities of an entity so as to affect the return on investment.

The net assets and results of acquired businesses are included in the consolidated financial statements from their respective dates of acquisition, being the date on which the Group obtains control. The results of disposed businesses are included in the consolidated financial statements up to their date of disposal, being the date control ceases.

Intra-group transactions and balances are eliminated.

COMPANIES LEGISLATION AND ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and IFRIC Interpretations. They are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

These financial statements are prepared under the historical cost convention unless otherwise indicated.

These financial statements have been prepared on a going concern basis. Refer to the going concern statement on page 66.

ACCOUNTING POLICIES

Accounting policies are included in the relevant notes to the consolidated financial statements. These are presented as text highlighted in grey on pages 79 to 127. The accounting policies below are applied throughout the financial statements.

FOREIGN CURRENCIES

The consolidated financial statements are presented in euros. The functional currencies of NV and PLC are euros and sterling respectively. Items included in the financial statements of individual group companies are recorded in their respective functional currency which is the currency of the primary economic environment in which each entity operates.

Foreign currency transactions in individual group companies are translated into functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions, and from translation of monetary assets and liabilities at year-end exchange rates, are recognised in the income statement except when deferred in equity as qualifying hedges.

In preparing the consolidated financial statements, the balances in individual group companies are translated from their functional currency into euros. Apart from the financial statements of group companies in hyperinflationary economies (see below), the income

statement, the cash flow statement and all other movements in assets and liabilities are translated at average rates of exchange as a proxy for the transaction rate, or at the transaction rate itself if more appropriate. Assets and liabilities are translated at year-end exchange rates.

The financial statements of group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation and then translated into euros. Amounts shown for prior years for comparative purposes are not modified. To determine the existence of hyperinflation, the Group assesses the qualitative and quantitative characteristics of the economic environment of the country, such as the cumulative inflation rate over the previous three years.

The ordinary share capital of NV and PLC is translated in accordance with the Equalisation Agreement. The difference between the value for PLC and the value by applying the year-end rate of exchange is taken to other reserves (see note 15B on page 106).

The effect of exchange rate changes during the year on net assets of foreign operations is recorded in equity. For this purpose net assets include loans between group companies and any related foreign exchange contracts where settlement is neither planned nor likely to occur in the foreseeable future.

The Group applies hedge accounting to certain exchange differences arising between the functional currencies of a foreign operation and NV or PLC as appropriate, regardless of whether the net investment is held directly or through an intermediate parent. Differences arising on retranslation of a financial liability designated as a foreign currency net investment hedge are recorded in equity to the extent that the hedge is effective. These differences are reported within profit or loss to the extent that the hedge is ineffective.

Cumulative exchange differences arising since the date of transition to IFRS of 1 January 2004 are reported as a separate component of other reserves. In the event of disposal or part disposal of an interest in a group company either through sale or as a result of a repayment of capital, the cumulative exchange difference is recognised in the income statement as part of the profit or loss on disposal of group companies.

CLASSIFICATION OF ARGENTINA AS

A HYPER-INFLATIONARY ECONOMY

The Argentinian economy was designated as hyperinflationary from

1 July 2018. As a result, application of IAS 29 Financial Reporting in Hyperinflationary Economies has been applied to all Unilever entities whose functional currency is the Argentinian Peso. IAS 29 requires that adjustments are applicable from the start of the relevant entity s reporting period. For Unilever that is from 1 January 2018. The application of IAS 29 includes:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the income statement for inflation during the reporting period;
- The income statement is translated at the period end foreign exchange rate instead of an average rate; and
- Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

The main effects on the Group consolidated financial statements for 2018 are:

- Total assets increased by 538 million driven by an increase of 369 million to goodwill (see note 9) and 171 million due to property, plant and equipment (see note 10);
- Opening retained profit increased by 393 million reflecting the impact of adjusting the historical cost of non-monetary assets and liabilities from the date of their initial recognition to 1 January 2018 for the effect of inflation;
- Turnover is reduced by 75 million;
- Operating profit is reduced by 37 million; and
- A net monetary gain of 122 million is recognised from the inflation and exchange rate movements in the year on the net monetary items held in Argentinian Peso.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

1. ACCOUNTING INFORMATION AND POLICIES CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements and estimates in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The following judgements are those that management believe have the most significant effect on the amounts recognised in the Group s financial statements:

- Separate presentation of items in the income statement certain items of income or expense are presented separately as non-underlying items. These are excluded in several of our performance measures, including underlying operating profit and underlying earnings per share due to their nature and/or frequency of occurrence. See note 3 for further details.
- Utilisation of tax losses and recognition of other deferred tax assets The Group operates in many countries and is subject to taxes in numerous jurisdictions. Management uses judgement to assess the recoverability of tax assets such as whether there will be sufficient future taxable profits to utilise losses see note 6B.
- Likelihood of occurrence of provisions and contingent liabilities events can occur where there is uncertainty over future obligations. Judgement is required to determine if an outflow of economic resources is probable, or possible but not probable. Where it is probable, a liability is recognised and further judgement is used to determine the level of the provision. Where it is possible but not probable, further judgement is used to determine if the likelihood is remote, in which case no disclosures
are provided; if the likelihood is not remote then judgement is used to determine the contingent liability disclosed. Unilever does not have provisions and contingent liabilities for the same matters. External advice is obtained for any material cases. See notes 6A, 19 and 20.

The following estimates are those that management believe have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Measurement of defined benefit obligations the valuations of the Group s defined benefit pension plan obligations are dependent on a number of assumptions. These include discount rates, inflation and life expectancy of scheme members. Details of these assumptions and sensitivities are in note 4B.

Assumptions used in discounted cash flow projections estimates of future business performance, cash generation, long-term growth and discount rates are used in our assessment of impairment of assets at the balance sheet date. Details of the estimates used in the impairment reviews for significant cash generating units are set out in note 9; no reasonably plausible changes in a key assumption would cause an impairment.

Measurement of consideration and assets and liabilities acquired as part of business combinations contingent consideration depends on an acquired business achieving targets within a fixed period. Estimates of future performance are required to calculate the obligations at the time of acquisition and at each subsequent reporting date. See note 21 for further information. Additionally, estimates are required to value the assets and liabilities acquired in business combinations. Intangible assets such as brands are commonly a core part of an acquired business as they allow us to obtain more value than would otherwise be possible.

RECENT ACCOUNTING DEVELOPMENTS

ADOPTED BY THE GROUP

The Group applied for the first-time amendments to the following standards from 1 January 2018.

APPLICABLE STANDARD	KEY REQUIREMENTS	IMPACT ON GROUP
IFRS 9 Financial Instruments	This standard introduces new requirements in three areas: **Classification and measurement:** Financial assets are now classified based on 1) the objective of the Group in holding the asset and 2) the contractual cash flows. **Impairment:** A new expected credit loss model is used for calculating impairment on financial assets. A loss event does not have to occur before credit losses are	On 1 January 2018, the Group adopted IFRS 9 Financial Instruments , which replaced IAS 39 Financial Instruments Recognition and Measurement . As there was no material impact from the adoption of this standard, the Group has not restated the comparative information relating to prior years. **Classification and measurement:** On 1 January 2018, the Group reclassified its financial assets to the new categories based on the Group s reason for holding the assets and the nature of the cash flows from the assets. See note 17A for further information. There were no changes to the classification or measurement of the Group s financial liabilities.

recognised.

Hedge accounting:

New general hedge accounting requirements allow hedge accounting based on the Group s risk management policies rather than only prescribed scenarios.

Impairment:

From 1 January 2018, the Group implemented an expected credit loss impairment model for financial assets. For trade receivables, the calculation methodology has been updated to consider expected losses based on ageing profile. The adoption of the expected loss approach has not resulted in a material change in impairment provision for any financial asset.

Hedge accounting:

The Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application all of the Group s existing hedge relationships were eligible to be treated as continuing hedge relationships.

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1. ACCOUNTING INFORMATION AND POLICIES CONTINUED

APPLICABLE STANDARD	KEY REQUIREMENTS	IMPACT ON GROUP
IFRS 15 Revenue from Contracts with Customers	The standard clarifies the accounting for bundled services and identifying each performance obligation in contractual arrangements. It also provides more guidance on the measurement of revenue contracts which have discounts, rebates, payments to suppliers and consignment stock.	On 1 January 2018 the Group adopted IFRS 15 Revenue from Contracts with Customers with no impact as the accounting policies were already in line with the new standard.

All other standards or amendments to standards that have been issued by the IASB and were effective by 1 January 2018 were not applicable to Unilever.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following new standards have been released but are not yet adopted by the Group. The expected impact and progress is shown below.

APPLICABLE STANDARD	KEY REQUIREMENTS OR CHANGES IN ACCOUNTING POLICY	IMPLEMENTATION PROGRESS AND EXPECTED IMPACT
IFRS 16 Leases	This standard changes the recognition, measurement, presentation and disclosure of leases. In particular it requires lessees to record all leases on the balance sheet with exemptions	The preparations for this standard are substantially complete. The Group intends on adopting the full retrospective approach and in our 2019 reporting the

Effective from the year ended 31 December 2019

The standard has been endorsed by the EU

available for low value and short-term leases. At the commencement of a lease, a lessee will recognise lease payments (lease liability) and an asset representing the right to use the asset during the lease term (right-of-use asset). Lessees will subsequently reduce the lease liability when paid and recognise depreciation on the right-of-use asset.

A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The remeasurement normally also adjusts the right-of-use asset.

The standard has no impact on the actual cash flows of a group. However the standard requires the capitalisation, and subsequent depreciation, of costs that are currently expensed as paid which impacts disclosures of cash flows within the cash flow statement. The amounts currently expensed as operating cash outflows which will instead be capitalised are presented as financing cash outflows.

comparative information relating to prior years will be restated.

The Group has reviewed all relevant contracts to identify leases. This review included an assessment about whether the contract depends on a specific asset, whether the Group obtains substantially all the economic benefits from the use of that asset and whether the Group has the right to direct the use of that asset. Based on this assessment, we calculated the restatement impact as at the transition date. From 1 January 2019 the Group will focus on ensuring that the revised process for identifying and accounting for leases is followed.

The Group intends to use the exemptions provided by IFRS 16 for short-term leases (less than a year) and leases for low-value assets.

The estimated impact of IFRS 16 on the Group s financial statements at 31 December 2018 is as follows:

Balance sheet:

The Group estimates that the adoption of IFRS 16 will result in an increase in total assets of approximately 1.7 billion, split between land and buildings of 1.3 billion and plant and machinery of 0.4 billion.

Based on the geographies, this is approximately 0.5 billion in Europe, 0.5 billion in The Americas and 0.7 billion in Asia/AMET/ RUB.

Financial liabilities are expected to increase by approximately 1.9 billion.

Income statement:

The Group estimates that the adoption of IFRS 16 will result in increased depreciation of approximately 470 million from the right-of-use assets. This will offset the reduction in operating lease expenses of around 550 million per year, resulting in an overall increase in operating profit of 80 million. Finance costs are expected to increase by approximately 90 million per year due to the interest recognised on lease liabilities.

Statement of Cash Flows:

The Group estimates that the adoption of IFRS 16 will increase cash flows from operating activities by approximately 550 million with a related increase in cash flows used in financing activities of 550 million which relates to lease payments previously expensed as paid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

1. ACCOUNTING INFORMATION AND POLICIES CONTINUED

In addition to the above, based on an initial review the Group does not currently believe adoption of the following standard/amendments will have a material impact on the consolidated results or financial position of the Group.

APPLICABLE STANDARD	KEY REQUIREMENTS OR CHANGES IN ACCOUNTING POLICY
IFRIC 23 Uncertainty over income tax treatments *Effective from the year ended 31 December 2019* *The IFRIC Interpretation has been endorsed by the EU*	This interpretation clarifies how entities should reflect uncertainties over income tax treatments, in particular when assessing the outcome a tax authority might reach with full knowledge and information if it were to make an examination. Based on preliminary work, the impact is estimated to be immaterial.
IFRS 17 Insurance Contracts *Effective from the year ended 31 December 2021*	This standard introduces a new model for accounting for insurance contracts. Work continues to review existing arrangements to determine the impact on adoption. Based on preliminary work the impact is estimated to be immaterial.

The standard is not yet endorsed by the EU

Amendments to IAS 19 Employee Benefits	The change requires that following plan amendments, curtailments or settlements, current service and net interest costs for the remainder of the reporting period should be calculated in line with updated actuarial assumptions. The amendment is to be applied prospectively.

Effective from the year ended 31 December 2019

The standard is not yet endorsed by the EU

All other standards or amendments to standards that have been issued by the IASB and are effective from 1 January 2019 onwards are not applicable to Unilever.

2. SEGMENT INFORMATION

SEGMENTAL REPORTING

Beauty & Personal Care	primarily sales of skin care and hair care products, deodorants and oral care products.
Foods & Refreshment	primarily sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings, margarines and spreads, ice cream and tea-based beverages
Home Care	primarily sales of home care products, such as powders, liquids and capsules, soap bars and a wide range of cleaning products.

REVENUE

Turnover comprises sales of goods after the deduction of discounts, sales taxes and estimated returns. It does not include sales between group companies. Discounts given by Unilever include rebates, price reductions and incentives given to customers, promotional couponing and trade communication costs. Accumulated experience is used to estimate the provision for discounts, using the most likely amount method; revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

Turnover is recognised when control of the products being sold has transferred to our customer and when there are no longer any unfulfilled obligations to the customer. This is generally on delivery to the customer but depending on individual customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance. This is considered the appropriate point where the performance obligations in our contracts are satisfied as Unilever no longer have control over the inventory.

Our customers have the contractual right to return goods only when authorised by Unilever. At 31 December 2018, an estimate has been made of goods that will be returned and a liability has been recognised for this amount. An asset has also been recorded for the corresponding inventory that is estimated to return to Unilever using a best estimate based on accumulated experience.

Some of our customers are distributors who may be able to return unsold goods in consignment arrangements. A liability is recognised where we receive payment from a customer before transferring control of the goods being sold.

UNDERLYING OPERATING PROFIT

Underlying operating profit means operating profit before the impact of non-underlying items within operating profit (see note 3). Underlying operating profit represents our measure of segment profit or loss as it is the primary measure used for the purpose of making decisions about allocating resources and assessing performance of segments. Underlying operating margin is calculated as underlying operating profit divided by turnover.

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2. SEGMENT INFORMATION CONTINUED

The Group has revised its operating segments to align with the new structure under which the business is managed. Beginning 2018, operating segment information is provided based on three product areas: Beauty & Personal Care, Foods & Refreshment and Home Care.

	Notes	million Beauty & Personal Care	million Foods & Refreshment[a]	million Home Care	million Total
2018					
Turnover		**20,624**	**20,227**	**10,131**	**50,982**
Operating profit		**4,130**	**7,245**	**1,160**	**12,535**
Non-underlying items	3	**378**	**(3,711)**	**157**	**(3,176)**
Underlying operating profit		**4,508**	**3,534**	**1,317**	**9,359**
Share of net profit/(loss) of joint ventures and associates		**(1)**	**183**	**3**	**185**
Significant non-cash charges:					
Within underlying operating profit:					
Depreciation and amortisation		**510**	**773**	**256**	**1,539**
Share-based compensation and other non-cash charges[b]		**102**	**102**	**46**	**250**
Within non-underlying items:					
Impairment and other non-cash charges[c]		**122**	**164**	**263**	**549**
2017					

Turnover		20,697	22,444	10,574	53,715
Operating profit		4,103	3,616	1,138	8,857
Non-underlying items	3	272	121	150	543
Underlying operating profit		4,375	3,737	1,288	9,400
Share of net profit/(loss) of joint ventures and associates		8	143	4	155
Significant non-cash charges:					
Within underlying operating profit:					
Depreciation and amortisation		488	802	248	1,538
Share-based compensation and other non-cash charges[(b)]		164	174	79	417
Within non-underlying items:					
Impairment and other non-cash charges[(c)]		80	191	48	319
2016					
Turnover		20,172	22,532	10,009	52,713
Operating profit		3,704	3,148	949	7,801
Non-underlying items	3	329	357	137	823
Underlying operating profit		4,033	3,505	1,086	8,624
Share of net profit/(loss) of joint ventures and associates		(5)	131	1	127
Significant non-cash charges:					
Within underlying operating profit:					
Depreciation and amortisation		437	791	236	1,464
Share-based compensation and other non-cash charges[(b)]		134	135	86	355
Within non-underlying items:					
Impairment and other non-cash charges[(c)]		74	124	45	243

[a] Foods & Refreshment is reported together from 2018. For the prior year figures, Foods and Refreshment have been combined to align with the current structure.
[b] Other non-cash charges within underlying operating profit include movements in provisions from underlying activities, excluding movements arising from non-underlying activities.
[c] Other non-cash charges within non-underlying items includes movements in restructuring provisions, movements in certain legal provisions (in 2018 and 2017), and foreign exchange losses resulting from remeasurement of the Argentinian business (2016).

Transactions between the Unilever Group s reportable segments are immaterial and are carried out on an arm s length basis.

The Unilever Group is not reliant on revenues from transactions with any single customer and does not receive 10% or more of its revenues from transactions with any single customer.

Segment assets and liabilities are not provided because they are not reported to or reviewed by our chief operating decision-maker, which is Unilever Leadership Executive (ULE) as explained in the Corporate Governance Section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

2. SEGMENT INFORMATION CONTINUED

The home countries of the Unilever Group are the Netherlands and the United Kingdom. Turnover and non-current assets for these two countries combined, for the United States (being the largest country outside the home countries) and for all other countries are:

	million Netherlands/ United Kingdom	million United States	million Others	million Total
2018				
Turnover	**3,679**	**8,305**	**38,998**	**50,982**
Non-current assets[d]	**4,070**	**12,193**	**24,225**	**40,488**
2017				
Turnover	3,849	8,532	41,334	53,715
Non-current assets[d]	3,781	11,820	23,768	39,369
2016				
Turnover	3,819	8,263	40,631	52,713
Non-current assets[d]	4,770	11,696	23,358	39,824

[d] Non-current assets excluding financial assets, deferred tax assets and pension assets for funded schemes in surplus.

No other country had turnover or non-current assets (as shown above) greater than 10% of the Group total.

ADDITIONAL INFORMATION BY GEOGRAPHIES

Although the Group s operations are managed by product area, we provide additional information based on geographies. The analysis of turnover by geographical area is stated on the basis of origin.

	million Asia/ AMET/RUB[e]	million The Americas	million Europe	million Total
2018				
Turnover	**22,868**	**16,020**	**12,094**	**50,982**
Operating profit	**4,777**	**3,586**	**4,172**	**12,535**
Non-underlying items	**(437)**	**(892)**	**(1,847)**	**(3,176)**
Underlying operating profit	**4,340**	**2,694**	**2,325**	**9,359**
Share of net profit/(loss) of joint ventures and associates		**114**	**71**	**185**
2017				
Turnover	23,266	17,525	12,924	53,715
Operating profit	3,802	3,086	1,969	8,857
Non-underlying items	306	(23)	260	543
Underlying operating profit	4,108	3,063	2,229	9,400
Share of net profit/(loss) of joint ventures and associates	12	112	31	155
2016				
Turnover	22,445	17,105	13,163	52,713
Operating profit	3,275	2,504	2,022	7,801
Non-underlying items	254	401	168	823
Underlying operating profit	3,529	2,905	2,190	8,624
Share of net profit/(loss) of joint ventures and associates	(2)	108	21	127

[e] Refers to Asia, Africa, Middle East, Turkey, Russia, Ukraine and Belarus.

Transactions between the Unilever Group s geographical regions are immaterial and are carried out on an arm s length basis.

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3. OPERATING COSTS AND NON-UNDERLYING ITEMS

BRAND AND MARKETING INVESTMENT

Brand and marketing investment includes costs incurred for the purpose of building and maintaining brand equity and awareness. These include media, advertising production, promotional materials and engagement with consumers. These costs are charged to the income statement as incurred.

RESEARCH AND DEVELOPMENT

Expenditure on research and development includes staff costs, material costs, depreciation of property, plant and equipment and other costs directly attributable to research and product development activities. These costs are charged to the income statement as incurred, except for those development costs which meet the criteria for capitalisation - see note 9.

NON-UNDERLYING ITEMS

Non-underlying items are costs and revenues relating to gains and losses on business disposals, acquisition and disposal-related costs, restructuring costs, impairments and other one-off items within operating profit, and other significant and unusual items within net profit but outside of operating profit, which we collectively term non-underlying items due to their nature and/or frequency of occurrence. These items are significant in terms of nature and/or amount and are relevant to an understanding of our financial performance.

Restructuring costs are charges associated with activities planned by management that significantly change either the scope of the business or the manner in which it is conducted.

	million 2018	million 2017	million 2016
Turnover	**50,982**	53,715	52,713
Cost of sales	**(28,769)**	(30,547)	(30,229)
of which: Distribution costs	**(3,098)**	(3,241)	(3,246)

Gross profit	**22,213**	23,168	22,484
Selling and administrative expenses	**(9,678)**	(14,311)	(14,683)
of which: Brand and marketing investment	**(7,164)**	(7,566)	(7,731)
Research and development	**(900)**	(900)	(978)
Operating profit	**12,535**	8,857	7,801

NON-UNDERLYING ITEMS

Non-underlying items are disclosed on the face of the income statement to provide additional information to users to help them better understand underlying business performance.

	million 2018	million 2017	million 2016
Non-underlying items within operating profit before tax	**3176**	(543)	(823)
Acquisition and disposal-related costs[(a)]	**76**	(159)	(132)
Gain/(loss) on disposal of group companies[(b)]	**4,331**	334	(95)
Restructuring costs	**(914)**	(638)	(578)
Impairments and other one-off items[(c)]	**(317)**	(80)	(18)
Tax on non-underlying items within operating profit	**(259)**	77	213
Non-underlying items within operating profit after tax	**2,917**	(466)	(610)
Non-underlying items not in operating profit but within net profit before tax	**154**	(382)	
Premium paid on buyback of preference shares		(382)	
Share of gain on disposal of Spreads business in Portugal JV	**32**		
Net monetary gain arising from hyperinflationary economies	**122**		
Tax impact of non-underlying items not in operating profit but within net profit	**(29)**	578	
Tax on premium paid on buyback of preference shares (non deductible)			
Impact of US tax reform[(d)]	**(29)**	578	
Non-underlying items not in operating profit but within net profit after tax	**125**	196	
Non-underlying items after tax[(e)]	**3,042**	(270)	(610)
Attributable to:			
Non-controlling interest	**18**	(8)	(9)
Shareholders equity	**3,024**	(262)	(601)

[a] 2018 includes a credit of 277 million from early settlement of contingent consideration relating to Blueair.

[b] 2018 includes a gain of 4,331 million on disposal of spreads business. 2017 includes a gain of 309 million from the sale of AdeS soy beverage business in Latin America.

[c] 2018 includes a charge of 208 million relating to impairment of Blueair intangible asset. Also included is a charge of 98 million for litigation matters comprised of 48 million for UK pension obligations and 50 million for legal cases in relation to investigations by national competition authorities. 2017 includes an 80 million charge for legal cases in relation to investigations by national competition authorities including those within Italy and South Africa. 2016 includes 18 million in foreign exchange losses resulting from remeasurement of the Argentinian business.

[d] On 22 December 2017, HR1, formerly known as the Tax Cuts and Jobs Act was signed into law in the United States. As a result, tax benefit of 578 million was recognised in 2017, primarily due to re-measurement of deferred tax assets and liabilities at the new lower 21% federal tax rate.

[e] Non-underlying items after tax is calculated as non-underlying items within operating profit after tax plus non-underlying items not in operating profit but within net profit after tax.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

3. OPERATING COSTS AND NON-UNDERLYING ITEMS CONTINUED

OTHER

Other significant cost items within operating costs include:

	Notes	**million 2018**	million 2017	million 2016
Staff costs	4A	**(6,552)**	(6,712)	(6,523)
Raw and packaging materials and goods purchased for resale		**(20,526)**	(21,579)	(21,122)
Amortisation of finite-life intangible assets and software	9	**(348)**	(365)	(310)
Depreciation of property, plant and equipment	10	**(1,191)**	(1,173)	(1,154)
Exchange gains/(losses):		**(49)**	(214)	(209)
On underlying transactions		**(116)**	(51)	(28)
On covering forward contracts		**67**	(163)	(181)
Lease rentals:		**(556)**	(557)	(531)
Minimum operating lease payments		**(568)**	(568)	(536)
Less: Sub-lease income relating to operating lease agreements		**12**	11	5

4. EMPLOYEES

4A. STAFF AND MANAGEMENT COSTS

Staff costs	**million 2018**	million 2017	million 2016

Wages and salaries	**(5,346)**	(5,416)	(5,347)
Social security costs	**(571)**	(613)	(606)
Other pension costs	**(439)**	(399)	(372)
Share-based compensation costs	**(196)**	(284)	(198)
	(6,552)	(6,712)	(6,523)

Average number of employees during the year	**000 2018**	000 2017	000 2016
Asia/AMET/RUB	**88**	93	95
The Americas	**40**	41	42
Europe	**30**	31	32
	158	165	169

Key management compensation	**million 2018**	million 2017	million 2016
Salaries and short-term employee benefits	**(40)**	(34)	(31)
Post-employment benefits			(1)
Share-based benefits[a]	**(19)**	(20)	(17)
	(59)	(54)	(49)
Of which: Executive Directors	**(15)**	(14)	(13)
Other[b]	**(44)**	(40)	(36)
Non-Executive Directors fees	**(2)**	(2)	(2)
	(61)	(56)	(51)

[a] Share-based benefits are shown on a vesting basis.
[b] Other includes all members of the Unilever Leadership Executive, other than Executive Directors.
Key management are defined as the members of Unilever Leadership Executive (ULE) and the Non-Executive Directors. Compensation for the ULE includes the full-year compensation for ULE members who joined part way through the year.

4B. PENSIONS AND SIMILAR OBLIGATIONS

For defined benefit plans, operating and finance costs are recognised separately in the income statement. The amount charged to operating cost in the income statement is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements and curtailments (such events are recognised immediately in the income statement). The amount charged or credited to finance costs is a net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Any differences between the expected interest on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognised immediately in the statement of comprehensive income.

The defined benefit plan surplus or deficit on the balance sheet comprises the total for each plan of the fair value of plan assets less the present value of the defined benefit liabilities (using a discount rate based on high-quality corporate bonds, or a suitable alternative where there is no active corporate bond market).

All defined benefit plans are subject to regular actuarial review using the projected unit method, either by external consultants or by actuaries employed by Unilever. The Group policy is that the most material plans, representing approximately 84% of the defined benefit liabilities, are formally valued every year. Other material plans, accounting for a further 12% of the liabilities, have their liabilities updated each year. Group policy for the remaining plans requires a full actuarial valuation at least every three years. Asset values for all plans are updated every year.

For defined contribution plans, the charges to the income statement are the company contributions payable, as the company s obligation is limited to the contributions paid into the plans. The assets and liabilities of such plans are not included in the balance sheet of the Group.

DESCRIPTION OF PLANS

The Group increasingly operates a number of defined contribution plans, the assets of which are held in external funds. In certain countries the Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The majority of defined benefit plans are either career average, final salary or hybrid plans and operate on a funded basis. Benefits are determined by the plan rules and are linked to inflation in some countries. Our largest plans are in the UK and Netherlands. In the UK, we operate a combination of an open career average defined benefit plan with a salary limit for benefit accrual, and a defined contribution plan. In the Netherlands, we operate a collective defined contribution plan for all new benefit accrual and a closed career average defined benefit plan for benefits built up to April 2015.

The Group also provides other post-employment benefits, mainly post-employment healthcare plans in the United States. These plans are predominantly unfunded.

GOVERNANCE

The majority of the Group s externally funded plans are established as trusts, foundations or similar entities. The operation of these entities is governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the Trustees (or equivalent) and their composition. Where Trustees (or equivalent) are in place to operate plans, they are generally required to act on behalf of the plan s stakeholders. They are tasked with periodic reviews of the solvency of the fund in accordance with local legislation and play a role in the long-term investment and funding strategy. The Group also has an internal body, the Pensions and Equity Committee, that is responsible for setting the company s policies and decision-making on plan matters, including but not limited to design, funding, investments, risk management and governance.

INVESTMENT STRATEGY

The Group s investment strategy in respect of its funded plans is implemented within the framework of the various statutory requirements of the territories where the plans are based. The Group has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the Group of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The plans continue to invest a good proportion of the assets in equities, which the Group believes offer the best returns over the long term, commensurate with an acceptable level of risk. The plans expose the Group to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and, in certain markets, inflation risk. There are no unusual entity or plan-specific risks to the Group. For risk control, the pension funds also have significant investments in liability matching assets (bonds) as well as in property and other alternative assets; additionally, the Group uses derivatives to further mitigate the impact of the risks outlined above. The majority of assets are managed by a number of external fund managers with a small proportion managed in-house. Unilever has a pooled investment vehicle (Univest) which it believes offers its pension plans around the world a simplified externally managed investment vehicle to implement their strategic asset allocation models, currently for bonds, equities and alternative assets. The aim is to provide high-quality, well diversified, cost-effective, risk-controlled vehicles. The pension plans investments are overseen by Unilever s internal investment company, the Univest Company.

ASSUMPTIONS

With the objective of presenting the assets and liabilities of the pensions and other post-employment benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. The actuarial assumptions used to calculate the benefit liabilities vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value principal defined benefit plans (representing approximately 96% of total pension liabilities and other post-employment benefit liabilities).

	31 December 2018		31 December 2017	
	Defined benefit pension plans	**Other post-employment benefit plans**	Defined benefit pension plans	Other post-employment benefit plans
Discount rate	**2.7%**	**4.8%**	2.5%	4.2%
Inflation	**2.5%**	**n/a**	2.5%	n/a
Rate of increase in salaries	**2.8%**	**3.0%**	2.8%	3.0%
Rate of increase for pensions in payment (where provided)	**2.4%**	**n/a**	2.4%	n/a

Rate of increase for pensions in deferment (where provided)	**2.6%**	**n/a**	2.6%	n/a
Long-term medical cost inflation	**n/a**	**5.3%**	n/a	5.3%

The valuations of other post-employment benefit plans generally assume a higher initial level of medical cost inflation, which falls from 7% to the long-term rate within the next five years. Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

4B. PENSIONS AND SIMILAR OBLIGATIONS CONTINUED

For the UK and Netherlands pension plans, representing approximately 68% of all defined benefit pension liabilities, the assumptions used at 31 December 2018 and 2017 were:

	United Kingdom		**Netherlands**	
	2018	2017	**2018**	2017
Discount rate	**2.8%**	2.5%	**1.8%**	1.8%
Inflation	**3.2%**	3.1%	**1.6%**	1.7%
Rate of increase in salaries	**3.1%**	3.0%	**2.1%**	2.2%
Rate of increase for pensions in payment (where provided)	**3.1%**	3.0%	**1.6%**	1.7%
Rate of increase for pensions in deferment (where provided)	**3.1%**	3.0%	**1.6%**	1.7%
Number of years a current pensioner is expected to live beyond age 65:				
Men	**22.1**	22.1	**22.5**	22.5
Women	**24.0**	24.0	**24.0**	24.3
Number of years a future pensioner currently aged 45 is expected to live beyond age 65:				
Men	**22.7**	22.6	**24.4**	24.6
Women	**25.6**	25.6	**26.1**	26.6

Demographic assumptions, such as mortality rates, are set with having regard to the latest trends in life expectancy (including expectations of future improvements), plan experience and other relevant data. These assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plans. The years of life expectancy for 2018 above have been translated from the following tables:

UK: The year of use S2 series all pensioners (S2PA) tables have been adopted, which are based on the experience of UK pension schemes over the period 2004-2011. Scaling factors are applied reflecting the experience of our pension funds appropriate to the member s gender and status. Future improvements in longevity have been allowed for in line with the 2016 CMI core projections (Sk = 7.5) and a 1% pa long-term improvement rate.

Netherlands: The Dutch Actuarial Society s AG Prognosetafel 2018 table is used with correction factors (2017) to allow for the typically longer life expectancy for fund members relative to the general population. This table has an in-built allowance for future improvements in longevity.

The remaining defined benefit plans are considered immaterial. Their assumptions vary due to a number of factors including the currency and long-term economic conditions of the countries where they are situated.

INCOME STATEMENT

The charge to the income statement comprises:

	Notes	**million 2018**	million 2017	million 2016
Charged to operating profit:				
Defined benefit pension and other benefit plans:				
Current service cost		**(220)**	(245)	(226)
Employee contributions		**17**	18	17
Special termination benefits		**(16)**	(4)	(6)
Past service cost including (losses)/gains on curtailments		**(41)**	23	32
Settlements			4	(2)
Defined contribution plans		**(179)**	(195)	(187)
Total operating cost	4A	**(439)**	(399)	(372)
Finance income/(cost)	5	**(25)**	(96)	(94)
Net impact on the income statement (before tax)		**(464)**	(495)	(466)

STATEMENT OF COMPREHENSIVE INCOME

Amounts recognised in the statement of comprehensive income on the remeasurement of the net defined benefit liability.

	million 2018	million 2017	million 2016
Return on plan assets excluding amounts included in net finance income/(cost)	**(1,108)**	1,475	1,877
Actuarial gains/(losses) arising from changes in demographic assumptions	**42**	222	(217)
Actuarial gains/(losses) arising from changes in financial assumptions	**611**	(210)	(2,963)
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	**18**	133	82
Total of defined benefit costs recognised in other comprehensive income	**(437)**	1,620	(1,221)

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4B. PENSIONS AND SIMILAR OBLIGATIONS CONTINUED

BALANCE SHEET

The assets, liabilities and surplus/(deficit) position of the pension and other post-employment benefit plans at the balance sheet date were:

	million 2018		million 2017	
	Pension plans	**Other post-employment benefit plans**	Pension plans	Other post-employment benefit plans
Fair value of assets	**20,867**	**13**	22,361	21
Present value of liabilities	**(21,288)**	**(466)**	(22,420)	(523)
Pension liability net of assets	**(421)**	**(453)**	(59)	(502)
Of which in respect of:				
Funded plans in surplus:				
Liabilities	**(16,182)**		(17,132)	
Assets	**17,909**	**1**	19,302	3
Pension asset net of liabilities	**1,727**	**1**	2,170	3
Funded plans in deficit:				
Liabilities	**(4,149)**	**(30)**	(4,267)	(35)
Assets	**2,958**	**12**	3,059	18
Pension liability net of assets	**(1,191)**	**(18)**	(1,208)	(17)
Unfunded plans:				
Pension liability	**(957)**	**(436)**	(1,021)	(488)

A surplus is deemed recoverable to the extent that the Group can benefit economically from the surplus. Unilever assesses the maximum economic benefit available through a combination of refunds and reductions in future contributions in accordance with local legislation and individual financing arrangements with each of our funded defined benefit plans.

RECONCILIATION OF CHANGE IN ASSETS AND LIABILITIES

Movements in assets during the year:

The group of plans within Rest of world category in the tables below are not materially different with respect to their risks that would require disaggregated disclosure.

	UK	**Netherlands**	**Rest of world**	**million 2018 Total**	UK	Netherlands	Rest of world	million 2017 Total
1 January	**11,038**	**5,357**	**5,987**	**22,382**	9,963	5,116	6,104	21,183
Employee contributions			**17**	**17**		1	17	18
Settlements			**(1)**	**(1)**			(8)	(8)
Actual return on plan assets (excluding amounts in net finance income/charge)	**(459)**	**(303)**	**(346)**	**(1,108)**	863	275	337	1,475
Interest income	**274**	**95**	**182**	**551**	270	91	179	540
Employer contributions	**95**	**14**	**274**	**383**	778	43	284	1,105
Benefit payments	**(472)**	**(166)**	**(561)**	**(1,199)**	(457)	(169)	(613)	(1,239)
Currency retranslation	**(147)**		**12**	**(135)**	(379)		(312)	(691)
Others		**(1)**	**(9)**	**(10)**			(1)	(1)
31 December	**10,329**	**4,996**	**5,555**	**20,880**	11,038	5,357	5,987	22,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNILEVER GROUP CONTINUED

4B. PENSIONS AND SIMILAR OBLIGATIONS CONTINUED

Movements in liabilities during the year:

				million				million
				2018				2017
	UK	**Netherlands**	**Rest of world**	**Total**	UK	Netherlands	Rest of world	Total
1 January	**(10,255)**	**(4,913)**	**(7,775)**	**(22,943)**	(10,981)	(4,877)	(8,498)	(24,356)
Current service cost	**(109)**	**(4)**	**(107)**	**(220)**	(114)	(6)	(125)	(245)
Employee contributions								
Special termination benefits			**(16)**	**(16)**			(4)	(4)
Past service costs including (losses)/gains on curtailments	**(46)**	**8**	**(3)**	**(41)**	5	12	6	23
Settlements			**1**	**1**			12	12
Interest cost	**(254)**	**(87)**	**(235)**	**(576)**	(286)	(86)	(264)	(636)
Actuarial gain/(loss) arising from changes in demographic assumptions		**53**	**(11)**	**42**	312	(96)	6	222
Actuarial gain/(loss) arising from changes in financial assumptions	**351**	**84**	**176**	**611**	(189)		(21)	(210)
Actuarial gain/(loss) arising from experience adjustments	**(45)**	**37**	**26**	**18**	144	(37)	26	133
Benefit payments	**472**	**166**	**561**	**1,199**	457	169	613	1,239
Currency retranslation	**147**		**14**	**161**	397		474	871
Others		**(8)**	**18**	**10**		8		8
31 December	**(9,739)**	**(4,664)**	**(7,351)**	**(21,754)**	(10,255)	(4,913)	(7,775)	(22,943)

Movements in (deficit)/surplus during the year:

				million				million
				2018				2017
	UK	**Netherlands**	**Rest of world**	**Total**	UK	Netherlands	Rest of world	Total
1 January	**783**	**444**	**(1,788)**	**(561)**	(1,018)	239	(2,394)	(3,173)
Current service cost	**(109)**	**(4)**	**(107)**	**(220)**	(114)	(6)	(125)	(245)
Employee contributions			**17**	**17**		1	17	18
Special termination benefits			**(16)**	**(16)**			(4)	(4)
Past service costs including (losses)/gains on curtailments	**(46)**	**8**	**(3)**	**(41)**	5	12	6	23
Settlements							4	4
Actual return on plan assets (excluding amounts in net finance income/charge)	**(459)**	**(303)**	**(346)**	**(1,108)**	863	275	337	1,475
Interest cost	**(254)**	**(87)**	**(235)**	**(576)**	(286)	(86)	(264)	(636)
Interest income	**274**	**95**	**182**	**551**	270	91	179	540
Actuarial gain/(loss) arising from changes in demographic assumptions		**53**	**(11)**	**42**	312	(96)	6	222
Actuarial gain/(loss) arising from changes in financial assumptions	**351**	**84**	**176**	**611**	(189)		(21)	(210)
Actuarial gain/(loss) arising from experience adjustments	**(45)**	**37**	**26**	**18**	144	(37)	26	133
Employer contributions	**95**	**14**	**274**	**383**	778	43	284	1,105
Benefit payments								