



## DIRECTORS' REMUNERATION POLICY AND CLARIFICATION STATEMENT

**MAKING  
SUSTAINABLE  
LIVING  
COMMONPLACE**



# DIRECTORS' REMUNERATION POLICY

## POLICY REPORT

### POLICY TABLE

The following sets out our Directors' Remuneration Policy (the Policy). This Policy was approved by shareholders at the 2014 AGMs held on 14 May 2014 and applies to payments made after that date. There have been no changes in the Policy since the 2014 AGMs. The supporting information column herein has been updated to reflect the reward decisions for 2015 to provide contextual information to the reader. These changes are highlighted in bold.

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES	SUPPORTING INFORMATION <sup>†</sup>
<p><b>BASE SALARY:</b> Supports the recruitment and retention of Executive Directors of the calibre required to implement our strategy. Reflects the individual's skills, experience, performance and role within the Group.</p>	<p>Set by the Boards on the recommendation of the Committee and generally reviewed once a year, with new salaries usually effective from 1 January (although increases may be awarded at any other time if the Committee considers that is appropriate).</p> <p>Salaries are paid in cash.</p> <p>Salaries are set at an appropriate level to attract and retain Executive Directors of the required calibre, taking into account:</p> <p>(i) our policy to generally pay at around the median of an appropriate peer group of other global companies of a similar financial size and complexity to Unilever*;</p> <p>(ii) the individual's skills, experience and performance; and</p> <p>(iii) pay and conditions across the wider organisation.</p>	<p>Increases will normally be in line with the range of increases awarded to other employees within the Group.</p> <p>Increases may be above this level or applied more frequently in certain circumstances, such as:</p> <ul style="list-style-type: none"> <li>• where there is, in the Committee's opinion, a significant change in an Executive Director's scope or role;</li> <li>• where a new Executive Director has been appointed to the Boards on a salary lower than the typical market level for such a role and larger increases are justified as the Executive Director becomes established in the role, subject to performance and market conditions; and</li> <li>• where it is considered necessary to reflect significant changes in market practice.</li> </ul> <p>The Committee will consider the factors outlined above and will determine the maximum amount that would be paid in base salary during the policy period. Any significant increase would be subject to prior shareholder consultation with our major shareholders.</p>	<p>n/a</p>	<p><sup>†</sup> This column does not form part of the binding policy report. It is intended to provide additional contextual information for the reader.</p> <p>For <b>2015</b> base salaries for Executive Directors are as follows:</p> <ul style="list-style-type: none"> <li>• CEO – <b>£1,010,000 (remains unchanged from 2014).</b></li> <li>• CFO – <b>£714,000 (remains unchanged from 2014).</b></li> </ul>
<p><b>FIXED ALLOWANCE:</b> Provides a simple competitive alternative to the provision of itemised benefits and pension, not linked to base salary.</p>	<p>The fixed allowance is reviewed periodically by the Committee and changes are usually effective from 1 January.</p> <p>Set at an appropriate level taking into account the median of an appropriate peer group in line with the approach to base salary and individual circumstances (such as whether they have been required to relocate to undertake their role).</p> <p>Normally, paid monthly in cash.</p>	<p>The Boards retain discretion to amend or increase the fixed allowances as is considered appropriate, taking into account relevant market data and individual circumstances. Any significant increase would be subject to prior shareholder consultation with our major shareholders.</p>	<p>n/a</p>	<p>For <b>2015</b>, fixed allowances for Executive Directors are:</p> <ul style="list-style-type: none"> <li>• CEO – £250,000</li> <li>• CFO – <b>£220,000</b></li> </ul>

\* The current peer group includes: BASF, Bayer, BHP Billiton, BMW, BP, British American Tobacco, BT, Centrica, Daimler, Danone, GlaxoSmithKline, **Henkel (XET)**, Imperial Tobacco, L'Oréal, National Grid, Nestlé, Novartis, Reckitt Benckiser Group, Roche, Royal Dutch Shell, Sanofi, **SABMiller**, Tesco, Total, Vodafone, Volkswagen. The peer group used for benchmarking purposes is reviewed regularly and companies are added and/or removed at the Committee's discretion to ensure that it remains appropriate.

# DIRECTORS' REMUNERATION REPORT CONTINUED

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES	SUPPORTING INFORMATION <sup>†</sup>
<p><b>OTHER BENEFITS:</b> Provides certain benefits on a cost-effective basis to aid attraction and retention of Executive Directors.</p>	<p>Provision of death, disability and medical insurance cover and actual tax return preparation costs. Other benefits may be provided in the future where it is cost-effective for Unilever to do this and it is considered appropriate by the Committee and where it is not covered by the fixed allowance.</p> <p>In the event that Unilever were to require an existing or new Executive Director to relocate, Unilever may pay appropriate relocation allowances for a specified time period of no more than three years. This may cover costs such as (but not limited to) relocation, cost of living, housing benefit, home leave, tax and social security equalisation and education assistance.</p> <p>In line with the commitments made to the current CEO upon recruitment, Unilever pays the social security obligation in the CEO's country of residence to protect him against the difference between the employee social security obligations in his country of residence versus the UK. He also receives a conditional supplemental pension accrual to compensate him for the arrangement forfeited on leaving his previous employer. This supplemental pension accrual is conditional on the CEO remaining in employment with Unilever to age 60 and subsequently retiring from active service or his death or total disability prior to retirement.</p> <p>Executive Directors are entitled to participate on the same terms as all UK employees in the Unilever PLC 2005 Sharesave Plan and the Sharebuy scheme known as the Unilever PLC Share Incentive Plan.</p>	<p>Provision of death, disability and medical insurance cover, actual tax return preparation costs and other items considered appropriate by the Committee, as per the cost to Unilever and dependent on individual circumstances.</p> <p>Social security obligation in the CEO's country of residence dependent on earnings and rates of social security.</p> <p>Conditional supplemental pension accrual for the CEO capped from 2012 onwards at 12% of the lower of actual base salary or his 2011 base salary (£920,000) plus 3% per annum as required.</p> <p>Relocation allowances – the level of such benefits would be set at an appropriate level by the Committee, taking into account the circumstances of the individual and typical market practice.</p> <p>Awards under all-employee plans may be up to HMRC approved limits.</p>	<p>n/a</p>	<p><sup>†</sup> This column does not form part of the binding policy report. It is intended to provide additional contextual information for the reader.</p> <p>For <b>2015</b>, the accrual for the CEO's conditional supplemental pension is capped at £117,123.</p> <p>For details of benefits provided during <b>2014</b>, see page <b>68</b>.<sup>1</sup></p> <p><b>No further awards will be granted under the Unilever PLC 2005 Sharesave Plan.</b></p>

<sup>1</sup> References to pages are references to the applicable pages of the Directors' Remuneration Report.

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES	SUPPORTING INFORMATION†
<p><b>ANNUAL BONUS:</b> Incentivises year-on-year delivery of stretching short-term financial, strategic and operational objectives and personal performance objectives selected to support our annual business strategy and the ongoing enhancement of shareholder value.</p> <p>The ability to recognise performance through annual bonus enables us to control our cost base flexibly and react to events and market circumstances.</p>	<p>Unilever performance measures and personal goals for the Executive Directors are set by the Committee on an annual basis to ensure that they are appropriately stretching for the delivery of threshold, target and maximum performance.</p> <p>The Committee has discretion to adjust the overall bonus award but may not exceed the maximum potential.</p> <p>Unless otherwise determined by the Committee, Executive Directors are required to invest at least 25% and can invest up to a maximum of 60% of their gross annual bonus earned in Unilever shares under the MCIP [see page 4 of the Remuneration Policy].</p> <p>Claw-back provisions apply.<sup>1</sup></p>	<p>Target bonus opportunities (as percentage of base salary) are:</p> <ul style="list-style-type: none"> <li>• CEO – 120%</li> <li>• other Executive Directors – 100%</li> </ul> <p>Maximum bonus opportunities (as percentage of base salary) are:</p> <ul style="list-style-type: none"> <li>• CEO – 200%</li> <li>• other Executive Directors – 150%</li> </ul> <p>Bonuses start to be earned from 0% of salary for achieving threshold performance.</p>	<p>Performance targets for the initial assessment of performance are normally financial in nature, however, the Committee may introduce non-financial measures in the future subject to a minimum of 50% of targets being financial in nature. When determining payouts the Committee may also consider performance against personal performance goals and the quality of results delivered in terms of both business results and leadership.</p> <p>Performance is normally measured over a one-year period in line with the financial year end.</p>	<p>† This column does not form part of the binding policy report. It is intended to provide additional contextual information for the reader.</p> <p>For <b>2015</b> bonuses, financial performance will be assessed against the following measures:</p> <ul style="list-style-type: none"> <li>• underlying sales growth (1/3);</li> <li>• <b>free cash flow</b> (1/3); and</li> <li>• core operating margin improvement (1/3).</li> </ul> <p>In addition, when determining annual bonus awards, the Committee will also consider personal performance and the quality of results in terms of both business results and leadership, including corporate social responsibility and progress against the delivery of USLP goals.</p> <p><b>The Committee determined that free cash flow would replace underlying volume growth as a performance measure for 2015. This change will assist Unilever in focusing on cost reduction and improving cash generation, as well as top-line growth, in a challenging market environment.</b></p> <p>The Committee has set the targets for the <b>2015</b> bonuses, but has chosen not to disclose the details in this Report as it is the opinion of the Committee that it may be seriously prejudicial to the interests of Unilever to do so. However, the specific targets and the extent to which the targets have been met, will be disclosed in next year's Directors' Remuneration Report.</p>

# DIRECTORS' REMUNERATION REPORT CONTINUED

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES	SUPPORTING INFORMATION <sup>†</sup>
<p><b>MANAGEMENT CO-INVESTMENT PLAN (MCIP)</b></p> <p>The MCIP encourages senior management to focus firmly on the sustained delivery of high performance results over the longer term by requiring them to invest a portion of their after-tax annual bonus in Unilever's shares.</p> <p>The key terms of the MCIP were approved by the shareholders at the 2010 AGMs.</p>	<p>Executive Directors are required to buy Unilever's shares out of their after-tax annual bonus. They must invest at least 25% and may invest up to 60% of the value of their gross annual bonus earned in Unilever's shares (investment shares – which are held in the individual's name).</p> <p>Executive Directors are able to choose whether they invest in PLC or NV shares or a 50/50 mix. Executive Directors receive a corresponding number of performance-related shares (matching shares)<sup>2</sup>. Matching shares will be awarded in the same form as the investment shares (ie in PLC or NV shares or a 50/50 mix). Matching shares will normally vest after the end of the three-year performance period subject to:</p> <ul style="list-style-type: none"> <li>• Unilever's performance against long-term MCIP targets over the performance period and the quality of results delivered;</li> <li>• continued employment; and</li> <li>• maintenance of the underlying investment shares.</li> </ul> <p>Claw-back provisions apply.<sup>1</sup></p> <p>Dividend equivalents are reinvested under the plan.<sup>3</sup></p> <p>Ultimate Remedy provisions apply.<sup>4</sup></p> <p>The Committee shall operate the MCIP in accordance with the plan rules. The Committee may adjust and/or amend awards to take account of variations in the share capital, a change in the certification of Unilever N.V. shares, demerger, a special dividend, rights issues or other corporate events affecting the value of an award in accordance with the MCIP rules. Prior shareholder approval will be required for amendments that are materially to the advantage of participants under the MCIP in respect of provisions relating to eligibility, limits, form of award or the adjustments of awards.</p>	<p>Vesting of the matching shares ranges between 0% and 150% of the grant level, dependent on actual performance against long-term MCIP targets.</p> <p>As such, the maximum award of matching shares for the CEO and CFO (as a percentage of base salary at grant), assuming a maximum bonus, maximum deferral under the MCIP and maximum performance under the MCIP, would be 180% of base salary and 135% of base salary respectively.</p> <p>31% of the grant level would pay out at threshold performance. However, this may be amended at the discretion of the Committee if the number of companies in the TSR comparator group changes.</p>	<p>The Committee sets three-year performance targets for each MCIP matching share award.</p> <p>Performance measures are linked to Unilever's clearly stated growth ambition and our long-term business strategy and vest subject to sales, margin, cash generation and relative shareholder return measures. Performance measures are equally weighted.</p> <p>The Committee has discretion to determine that other performance measures may be used for future awards and that a different weighting of measures may apply. Any such change which is material would be subject to prior shareholder consultation with our major shareholders. The specific performance measures will be disclosed in the year in which the award is granted. The extent to which the performance targets have been met will be disclosed in the Directors' Remuneration Report following the end of each respective performance period.</p>	<p><sup>†</sup> This column does not form part of the binding policy report. It is intended to provide additional contextual information for the reader.</p> <p>Performance measures for <b>2015</b> awards which are assessed over the three-year period <b>2015-2017</b> are described under the GSIP on page <b>65 to 66</b>.</p> <p>The Committee considers that using the same performance measures across both the MCIP and GSIP is appropriate, as the performance measures used reflect our key strategic goals and maintain the alignment of our incentive plans to delivering our clearly stated growth ambition. Given that we use four different performance measures, the Committee believes that the proportion of remuneration linked to each performance measure is not excessive.</p>

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE MEASURES	SUPPORTING INFORMATION <sup>†</sup>
<p><b>GLOBAL SHARE INCENTIVE PLAN (GSIP):</b> The GSIP incentivises Executive Directors to achieve Unilever's clearly stated growth ambition by delivering sustained high performance and sustainable returns for shareholders over the longer term.</p> <p>The key terms of the GSIP were approved by shareholders at the 2007 AGM.</p>	<p>Awards<sup>2</sup> of shares are normally made annually with vesting conditional on Unilever's performance against long-term targets over a three-year performance period and the quality of results delivered.</p> <p>Prior to vesting Executive Directors are able to choose whether they receive any shares that are due to vest in PLC or NV shares or a 50/50 mix.</p> <p>Claw-back provisions apply.<sup>1</sup></p> <p>Dividend equivalents are reinvested under the plan.<sup>3</sup></p> <p>Ultimate Remedy provisions apply.<sup>4</sup></p> <p>The Committee shall operate the GSIP in accordance with the plan rules. The Committee may adjust and/or amend awards to take account of variations in the share capital, a change in the certification of Unilever N.V. shares, demerger, a special dividend, rights issues or other corporate events affecting the value of an award in accordance with the GSIP rules. Prior shareholder approval will be required for amendments that are materially to the advantage of participants under the GSIP in respect of provisions relating to eligibility, limits, form of award or the adjustments of awards.</p>	<p>Target awards of conditional shares under the GSIP each year (as a percentage of base salary) are limited to:</p> <ul style="list-style-type: none"> <li>• CEO – 200%</li> <li>• other Executive Directors – 178%</li> </ul> <p>The vesting range for awards of conditional shares is between 0% and 200% of the grant level. Accordingly, the maximum award of shares under the GSIP is (as a percentage of base salary at grant):</p> <ul style="list-style-type: none"> <li>• CEO – 400%</li> <li>• other Executive Directors – 356%</li> </ul> <p>31% of the grant level would pay out at threshold performance. However, this may be amended at the discretion of the Committee if the number of companies in the TSR comparator group changes.</p> <p>In accordance with the GSIP rules, under exceptional circumstances the Committee may award higher than the maximum awards set out above. <b>Reference is made to the clarification statement the Committee issued at the request of The Investment Association (previously: IMA and ABI), see page 12 of the Remuneration Policy.</b></p>	<p>The Committee sets three-year performance targets for each conditional GSIP award.</p> <p>Performance measures are linked to Unilever's clearly stated growth ambition and our long-term business strategy and vest subject to sales, margin, cash generation and relative shareholder return measures. Performance measures are equally weighted.</p> <p>The Committee has discretion to determine that other performance measures may be used for future awards and that a different weighting of measures may apply. Any such change which is material, would be subject to prior shareholder consultation with our major shareholders. The specific performance measures will be disclosed in the year in which the award is granted. The extent to which the performance targets have been met will be disclosed in the Directors' Remuneration Report following the end of the respective performance period.</p>	<p><sup>†</sup> This column does not form part of the binding policy report. It is intended to provide additional contextual information for the reader.</p> <p>For <b>2015</b>, the CEO's target award will be 200% of salary and his maximum award will be 400% of salary. The CFO's target award will be 175% of salary (which is the current operational maximum) and his maximum award will be 350% of salary.</p> <p>Awards made in <b>2015</b> are subject to four equally weighted long-term performance measures over the three-year period <b>2015-2017</b>:</p> <ul style="list-style-type: none"> <li>• underlying sales growth;</li> <li>• core operating margin improvement;</li> <li>• cumulative operating cash flow; and</li> <li>• relative total shareholder return.</li> </ul> <p>For the three business focused measures, 25% of awards vest for threshold performance and for maximum performance 200% of the GSIP awards vest (capped at 150% for the MCIP).</p> <p>Against the TSR comparator group, comprising 18 other companies (19 including Unilever), 50% vests if Unilever is ranked 10th, 100% vests if Unilever is ranked 7th and 200% of the GSIP award vests if Unilever is ranked 3rd or above (this is capped at 150% for the MCIP).</p> <p>Further details of the TSR comparator group are set out on page <b>65 to 66</b>.</p>

<sup>1</sup> **Claw-back:** The Committee has discretion to reclaim or claw back some or all of the value of awards of performance-related payments to Executive Directors in the event of a significant downward restatement of the financial results of Unilever. This includes the annual bonus together with any awards that have been made and/or vested shares under the Share Matching Plan, the GSIP and the MCIP. This claw-back may be effected **up to two years from vesting** by reducing outstanding awards or requiring the return of the net value of vested awards to Unilever.

<sup>2</sup> **Form of Awards:** Awards may take the form of conditional awards, nil-cost options and forfeitable shares under the GSIP and the MCIP. Awards may be settled in cash.

<sup>3</sup> **Dividends:** Notional dividends accrue on awards under the GSIP and MCIP matching shares between grant and vesting of awards, delivered as shares or cash at the discretion of the Committee, but will only be paid out to the extent that the underlying shares vest. The Committee shall have discretion to determine how notional dividend awards shall be calculated, which may include the deemed reinvestment of these dividends in Unilever's shares on a cumulative basis.

<sup>4</sup> **Ultimate Remedy / Malus:** Grants under the GSIP and MCIP are subject to ultimate remedy. Upon vesting of an award, the Committee shall have the discretionary power to adjust the value of the award if the award, in the Committee's opinion taking all circumstances into account, produces an unfair result. In exercising this discretion, the Committee may take into account Unilever's performance against non-financial measures. The Committee will only adjust the value of a vesting **GSIP and MCIP** award upwards after obtaining shareholder consent. **With effect from the 2015 GSIP and MCIP awards the Committee may apply malus to reduce an award or determine that it will not vest or only vest in part in the event of a significant downward restatement of the financial results of Unilever, gross misconduct or gross negligence, material breach of Unilever's Code of Business Principles or any of the Unilever Code Policies or conduct by the individual which results in significant losses or serious reputation damage to Unilever. With effect from the 2015 annual bonus (based on 2014 performance), the annual bonus will also be subject to malus on the same grounds as apply for GSIP and MCIP awards.**

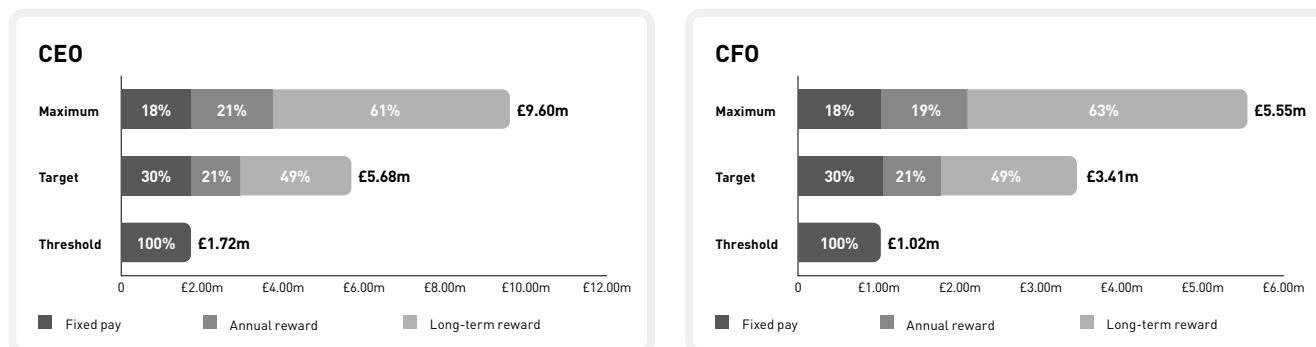
# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION SCENARIOS – OUR EMPHASIS ON PERFORMANCE-RELATED PAY

It is Unilever's policy that the total remuneration package for Executive Directors should be competitive with other global companies and that a significant proportion should be performance-related.

The Committee typically reviews, on at least an annual basis, the impact of different performance scenarios on the potential reward opportunity and payouts to be received by Executive Directors and the alignment of these with the returns that might be received by shareholders. The Committee believes that the level of remuneration that can be delivered in the various scenarios is appropriate for the level of performance delivered and the value that would be delivered to shareholders.

The charts below show hypothetical values of the remuneration package for Executive Directors under three assumed performance scenarios:



## DETAILS OF FIXED ELEMENT OF REMUNERATION FOR CEO AND CFO AND ASSUMPTIONS FOR SCENARIO CHARTS

### FIXED REMUNERATION

Consists of base salary, fixed allowance and other benefits (plus the conditional supplemental pension for the CEO)

- Base salary effective from 1 January 2014.
- Fixed allowance based on policy for 2014.
- Other benefits based on the cost as reported in the single figure for 2013, excluding one-off amounts paid to the CFO in 2013.
- CEO conditional supplemental pension based on maximum accrual for 2014 (£117,123).

£ '000	Base	Fixed allowance	Other benefits	Supplemental pension	Total fixed
CEO	£1,010	£250	£344	£117	£1,721
CFO	£714	£260	£47	n/a	£1,021

### VARIABLE REMUNERATION

#### BELOW THRESHOLD

- No bonus payout and no vesting under the MCIP or GSIP.

#### ON TARGET

- Target payout of the annual bonus (120% of base salary for the CEO and 100% of base salary for the CFO).
- Target vesting under the MCIP (72% of base salary for the CEO and 60% of base salary for the CFO assuming target performance under the bonus) and GSIP (200% of base salary for the CEO and 175% of base salary for the CFO).

#### MAXIMUM

- Maximum payout of the annual bonus (200% of base salary for the CEO and 150% of base salary for the CFO).
- Maximum vesting under the MCIP (150% of target award assuming maximum performance under the annual bonus) and GSIP (200% of target award).

#### NOTES TO VARIABLE REMUNERATION

- In all scenarios it is assumed that the Executive Directors invest the maximum possible under the MCIP.
- The actual amount delivered to Executive Directors under the above scenarios will depend on share price performance over the three-year vesting period for the MCIP and the GSIP. For the purposes of these illustrations, no share price growth is assumed.
- Participation in all-employee plans has not been included.



## REMUNERATION POLICY – SUPPLEMENTARY INFORMATION

### CLAW-BACK, DISCRETION AND FLEXIBILITY

On 1 January 2014 claw-back and ultimate remedy were enacted in Dutch law. Variable remuneration may be reclaimed if it has been paid on the basis of incorrect information regarding the achievements or the circumstances on which the remuneration depends. The Boards, acting on the proposal of the Committee, are authorised to adjust the value of variable remuneration (upwards and downwards) if payment of such remuneration would be unacceptable in accordance with the principles of reasonableness and fairness.

For awards under the MCIP, the Committee may change the terms of a performance measure or target in accordance with its terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so. For awards under the GSIP, the Committee, with the consent of the Boards, may change the terms of a performance measure or target during the performance period to take into account any structural changes relating to the shares or the Group (eg rights issues) in accordance with established market practice.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any relevant discretions) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before the Policy came into effect or (ii) at a time when the relevant individual was not a Director of Unilever N.V. or PLC and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of Unilever N.V. or PLC. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

### LEGACY PLAN – SHARE MATCHING PLAN

Prior to their participation in the MCIP, Executive Directors were required to invest 25% of their bonus into shares and hold them for a minimum period of three years under the Share Matching Plan. The Executive Directors would then receive a corresponding matching award in the form of NV and PLC shares. The matching shares would normally vest after three years, provided the underlying shares have been retained during this period and the Executive Director has not resigned or been dismissed. The last award under the Share Matching Plan was made in 2011, relating to the annual bonus earned for 2010, and will vest in March 2014 (see page 72 for details).

**This Plan was terminated in 2014.**

### PERFORMANCE MEASURES AND THE LINK TO STRATEGY

Performance measures are selected to align with Unilever's clearly stated growth ambition and our long-term business strategy. Unilever's primary business objective is to generate a sustainable improvement in business performance through increasing the underlying value and volume of sales while steadily improving core operating margins and cash flow.

The measures chosen for the annual and long-term incentives support the delivery of this objective. Performance measures focus management on the delivery of a combination of top-line revenue growth and bottom-line profit growth that Unilever believes will build shareholder value over the longer term. Total shareholder return measures Unilever's success relative to peers. The following sets out the performance measures for short- and long-term executive incentive plans to be awarded in 2014 as well as the business performance and the behaviours that they drive.

INCENTIVE PLAN	PERFORMANCE MEASURE	LINK TO STRATEGY
<b>SHORT TERM: ANNUAL BONUS</b>	Underlying sales growth	Supports the achievement of Unilever's growth ambition
	<b>Free cash flow</b>	<b>Supports the achievement of Unilever's cash generation ambition and focus on cost reduction</b>
	Core operating margin improvement	Supports the achievement of profitable growth
<b>LONG TERM: MCIP AND GSIP</b>	Underlying sales growth	Supports the achievement of Unilever's ambition to deliver sustainable growth over the longer term
	Core operating margin improvement	Supports the achievement of Unilever's ambition to deliver sustainable profitable growth over the longer term
	Cumulative operating cash flow	Supports the achievement of Unilever's ambition to deliver shareholder value
	Relative total shareholder return	Supports the achievement of Unilever's ambition to deliver greater long-term shareholder value than our competitors

# DIRECTORS' REMUNERATION REPORT CONTINUED

## **APPROACH TO TARGET SETTING**

The Committee sets performance targets for incentive plans, taking into account internal budgets, business priorities and external forecasts so that the targets are sufficiently stretching. Good performance results in target payout while maximum payout is only achieved for delivering exceptional performance.

The Committee retains the discretion to amend the performance targets in exceptional circumstances. If discretion is exercised in this way, the Committee will consult with major shareholders as appropriate.

## **INCENTIVE AWARDS GRANTED TO EXECUTIVE DIRECTORS THAT ARE NOT SUBJECT TO PERFORMANCE MEASURES**

No incentive awards were made without performance measures in **2014**.

## **SUMMARY OF ANY CHANGES TO THE REMUNERATION POLICY**

There have been no changes to the remuneration policy during **2014**.

## **DIFFERENCES IN PAY POLICY FOR DIRECTORS AND OTHER EMPLOYEES GENERALLY**

Remuneration arrangements are determined throughout the Group based on the same principle – that reward should support our business strategy and should be sufficient to attract and retain high-performing individuals without paying more than is necessary. Unilever is a global organisation with employees at a number of different levels of seniority and in a number of different countries and, while this principle underpins all reward arrangements, the way it is implemented varies by geography and level.

In principle, all our managers participate in the same Unilever annual bonus scheme with the same performance measures based on Unilever's overall performance. All middle and senior management are invited to participate in the MCIP and receive awards under the GSIP. All other employees will have the opportunity to participate in the global employee share plan following its implementation.

## **CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP**

When determining the pay of Executive Directors, the Committee considers the pay arrangements for other employees in the Group, including considering the average global pay review budget for the management population, to ensure that remuneration arrangements for Executive Directors remain reasonable.

Unilever employs over 170,000 people in 98 countries and, given this geographic spread and other factors, the Committee did not consider that it was appropriate to consult employees on the remuneration policy for Executive Directors during the year. However, Unilever takes the views of its employees seriously and on an ongoing basis we operate the 'Rate-My-Reward' survey to gauge the views of employees on the different parts of their reward package.

## **CONSIDERATION OF SHAREHOLDER VIEWS**

The Committee takes the views of shareholders very seriously. These views have been influential in shaping our policy and practice over the last few years. We maintain an open and regular dialogue with our shareholders on remuneration matters, including consulting with our largest shareholders in the UK and the Netherlands, when we are considering making material changes to our remuneration policy.

## **REMUNERATION POLICY FOR NEW HIRES**

In the event of hiring a new Executive Director, the Committee will align the remuneration package with the above Policy. In addition, the Committee retains the discretion to make awards to the new Executive Director to buy out on a like-for-like basis remuneration terms forfeited on leaving a previous employer (buy out awards). We will inform shareholders of any such buy out awards when announcing the appointment.

For an internal appointment, any variable remuneration element awarded in respect of a prior role may be paid out according to its original terms. In addition, any other ongoing remuneration obligations existing prior to appointment to the Boards may continue to be honoured.

## **MINIMUM SHAREHOLDING REQUIREMENT**

The remuneration arrangements applicable to our Executive Directors require them to build and retain a personal shareholding in Unilever (by the later of 2015 or five years from the date of appointment) to align their interests with those of Unilever's long-term shareholders.

## SERVICE CONTRACTS

### POLICY IN RELATION TO EXECUTIVE SERVICE CONTRACTS AND PAYMENTS IN THE EVENT OF LOSS OF OFFICE

PROVISION	CURRENT SERVICE CONTRACTS
NOTICE PERIOD	<ul style="list-style-type: none"> <li>• 12 months' notice from Unilever;</li> <li>• 6 months' notice from the Executive Director.</li> </ul> <p>This is in line with both the practice of many comparable companies and the entitlement of other senior executives in Unilever. The intention is that the notice period for any new Executive Directors would reflect the above policy.</p>
EXPIRY DATE	<ul style="list-style-type: none"> <li>• Starting dates of the service contracts: CEO: 1 October 2008 (signed on 7 October 2008); CFO: 1 February 2010 (signed on 19 March 2010).</li> <li>• Both service contracts shall end upon termination.</li> <li>• The service agreements are available to shareholders to view at the AGMs or on request from the Company Secretary.</li> </ul>
TERMINATION PAYMENTS	<ul style="list-style-type: none"> <li>• A payment in lieu of notice can be made of no more than one year's base salary, fixed allowance and other benefits unless the Boards, at the proposal of the Committee, find this manifestly unreasonable given the circumstances or unless dictated by applicable law.</li> <li>• If applicable, the Executive Director shall be credited with 12 months' service for the purposes of any pension schemes based on length of service.</li> </ul>
OTHER ELEMENTS	<ul style="list-style-type: none"> <li>• Executive Directors may, at the discretion of the Boards, remain eligible to receive an annual bonus for the financial year in which they cease employment. Such annual bonus will be determined by the Committee taking into account time in employment and performance.</li> <li>• Treatment of share awards as set out below.</li> <li>• All-employee share arrangements will be treated in accordance with HMRC-approved terms.</li> <li>• Other payments, such as legal or other professional fees, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate.</li> </ul>

# DIRECTORS' REMUNERATION REPORT CONTINUED

## LEAVER PROVISIONS IN PLAN RULES

	<b>'GOOD LEAVERS' AS DETERMINED BY THE COMMITTEE IN ACCORDANCE WITH THE PLAN RULES*</b>	<b>LEAVERS IN OTHER CIRCUMSTANCES*</b>	<b>CHANGE OF CONTROL</b> Such circumstances include (but may not be limited to) a takeover or a merger of the Group.
<b>INVESTMENT SHARES (MCIP)</b>	<ul style="list-style-type: none"> <li>Investment shares are transferred in full upon termination (and are transferred to the personal representative of the Executive Director in the event of his or her death).</li> </ul>	<ul style="list-style-type: none"> <li>Investment shares are transferred in full upon termination.</li> </ul>	<ul style="list-style-type: none"> <li>Investment shares are transferred in full at the time of the change of control.</li> <li>Alternatively, participants may be required to exchange the investment shares for equivalent shares in the acquiring company in the event of a reorganisation of the Group.</li> </ul>
<b>MATCHING SHARES (MCIP) AND PERFORMANCE SHARES (GSIP)</b>	<ul style="list-style-type: none"> <li>Awards will normally vest following the end of the original performance period, taking into account performance and pro-rated for time in employment (unless the Boards on the proposal of the Committee determine otherwise).</li> <li>Alternatively, the Boards may determine that awards shall vest upon termination based on performance at that time and pro-rated for time in employment (unless the Boards on the proposal of the Committee determine otherwise).</li> </ul>	<ul style="list-style-type: none"> <li>Awards will normally lapse upon termination.</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with Dutch law, matching shares and performance shares are shares that are obtained as part of the Executive Director's remuneration. Therefore their value is frozen in a period for four weeks before an announcement of a public offer and four weeks after the conclusion of a public offer. Any increase in value in this period has to be reclaimed by Unilever from the Executive Director upon retirement or sale of these shares, if at that time the value of the shares is higher than the value four weeks before the announcement of the public offer.</li> <li>Awards will vest based on performance at the time of the change of control and the Boards, at the proposal of the Committee, have the discretion to pro-rate for time.</li> <li>Alternatively, participants may be required to exchange the awards for equivalent awards over shares in the acquiring company in the event of a reorganisation of the Group.</li> </ul>

\* An Executive Director will usually be treated as a good leaver if he or she leaves due to death, ill-health, injury or disability, retirement with Unilever's agreement or redundancy. The Boards may decide to treat an Executive Director who leaves in other circumstances as a good leaver. An Executive Director will not be treated as a good leaver if he chooses to leave for another job elsewhere, if he is summarily dismissed or leaves because of concerns about performance. In deciding whether or not to treat an Executive Director as a good leaver, the Boards will have regard to his or her performance in the role.

If Unilever is affected by a demerger, special distribution or other transaction which may affect the value of awards, the Committee may allow matching shares under the MCIP and performance shares under the GSIP to vest early over such number of shares as it shall determine (to the extent any performance conditions have been met) and may be pro-rated to reflect the acceleration of vesting at the Committee's discretion.

## NON-EXECUTIVE DIRECTORS

### KEY ASPECTS OF UNILEVER'S 2015 FEE POLICY FOR NON-EXECUTIVE DIRECTORS

<b>APPROACH TO SETTING FEES</b>	<p>Non-Executive Directors receive annual fees from Unilever N.V. and PLC. The Boards determine non-executive fee levels within total annual limits as approved by shareholders (currently PLC £2,000,000, also specified in PLC's Articles of Association, and NV €3,000,000).</p> <p>Unilever's policy is to set fees at a level which is sufficient to attract, motivate and retain high-class talent of the calibre required to direct the strategy of the business. They are set taking into account:</p> <ul style="list-style-type: none"> <li>• Unilever's Group-wide reward philosophy;</li> <li>• the commitment and contribution expected by the Group; and</li> <li>• fee levels paid in other global non-financial services companies based in Europe.</li> </ul> <p>Fees are paid in cash.</p>																																
<b>OPERATION</b>	<p>Unilever applies a modular fee structure for Non-Executive Directors to ensure we fairly reflect the roles and responsibilities for Committee membership and Chairmanship. Our basic philosophy is to pay the Chairman and Vice-Chairman an all-inclusive fee. Other Board members receive a basic fee and additional fees for chairing or membership of various committees. The fees are split 50/50 between PLC (in sterling) and NV (in euros).</p> <p>Fees are normally reviewed annually but may be reviewed less frequently.</p>																																
<b>FEE STRUCTURE</b>	<p>The table below outlines the <b>2015</b> fee structure:</p> <table border="1" data-bbox="427 891 1452 1238"> <thead> <tr> <th data-bbox="427 891 1134 920">Role</th> <th data-bbox="1134 891 1257 920">NV</th> <th data-bbox="1257 891 1326 920">and</th> <th data-bbox="1326 891 1452 920">PLC</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 920 1134 958">Chairman</td> <td data-bbox="1134 920 1257 958">€352,474</td> <td data-bbox="1257 920 1326 958">and</td> <td data-bbox="1326 920 1452 958">£275,000</td> </tr> <tr> <td data-bbox="427 958 1134 996">Vice-Chairman</td> <td data-bbox="1134 958 1257 996">€19,226</td> <td data-bbox="1257 958 1326 996">and</td> <td data-bbox="1326 958 1452 996">£15,000</td> </tr> <tr> <td data-bbox="427 996 1134 1034">Basic Non-Executive Director fee</td> <td data-bbox="1134 996 1257 1034">€48,065</td> <td data-bbox="1257 996 1326 1034">and</td> <td data-bbox="1326 996 1452 1034">£37,500</td> </tr> <tr> <td data-bbox="427 1034 1134 1099">Membership of the Nominating and Corporate Governance, Compensation and Management Resources or Corporate Responsibility Committee</td> <td data-bbox="1134 1034 1257 1099">€6,409</td> <td data-bbox="1257 1034 1326 1099">and</td> <td data-bbox="1326 1034 1452 1099">£5,000</td> </tr> <tr> <td data-bbox="427 1099 1134 1137">Membership of the Audit Committee</td> <td data-bbox="1134 1099 1257 1137">€9,613</td> <td data-bbox="1257 1099 1326 1137">and</td> <td data-bbox="1326 1099 1452 1137">£7,500</td> </tr> <tr> <td data-bbox="427 1137 1134 1202">Chairman of the Nominating and Corporate Governance, Compensation and Management Resources or Corporate Responsibility Committee</td> <td data-bbox="1134 1137 1257 1202">€12,817</td> <td data-bbox="1257 1137 1326 1202">and</td> <td data-bbox="1326 1137 1452 1202">£10,000</td> </tr> <tr> <td data-bbox="427 1202 1134 1238">Chairman of the Audit Committee</td> <td data-bbox="1134 1202 1257 1238">€19,226</td> <td data-bbox="1257 1202 1326 1238">and</td> <td data-bbox="1326 1202 1452 1238">£15,000</td> </tr> </tbody> </table> <p>The Boards may increase these fee levels where it is considered appropriate, taking into account the principles above.</p> <p><b>The fees that were payable in 2014 can be found in the Directors' Remuneration Report 2013 on page 71.</b></p>	Role	NV	and	PLC	Chairman	€352,474	and	£275,000	Vice-Chairman	€19,226	and	£15,000	Basic Non-Executive Director fee	€48,065	and	£37,500	Membership of the Nominating and Corporate Governance, Compensation and Management Resources or Corporate Responsibility Committee	€6,409	and	£5,000	Membership of the Audit Committee	€9,613	and	£7,500	Chairman of the Nominating and Corporate Governance, Compensation and Management Resources or Corporate Responsibility Committee	€12,817	and	£10,000	Chairman of the Audit Committee	€19,226	and	£15,000
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<b>OTHER ITEMS</b>	<p>Non-Executive Directors are encouraged to build up a personal shareholding of at least 100% of their total annual fees over the five years from 1 January 2012 (or appointment if later).</p> <p>Non-Executive Directors are not entitled to participate in any of the Group's incentive plans.</p> <p>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. Other benefits or additional payments may be provided in the future if, in the view of the Boards, this was considered appropriate. Such benefits and/or payments would be within the total annual limits as approved by shareholders as described above.</p>																																

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY FOR NEW NON-EXECUTIVE DIRECTOR HIRES

In the event of hiring a new Non-Executive Director, the Committee will align the remuneration package with the Policy detailed in this Report.

## NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The terms of engagement of Non-Executive Directors are set out in letters of appointment which each Non-Executive Director signed with effect from the **2014** AGMs. Non-Executive Directors are currently appointed for a one-year term, subject to satisfactory performance, re-nomination at the discretion of the Boards on the recommendation of the Nominating and Corporate Governance Committee and re-election at forthcoming annual shareholder meetings. It is Unilever's expectation that Non-Executive Directors serve for a minimum of three years. The letters of appointment allow for Unilever to terminate a Non-Executive Director's appointment in cases of gross misconduct, bankruptcy or where the Non-Executive Director is prevented from occupying such a position by law. The letters do not contain provision for notice periods or compensation if their appointments are terminated by Unilever. Non-Executive Directors may terminate their engagement upon three months' notice. Except in exceptional circumstances, the Boards will not propose Non-Executive Directors for re-nomination when nine years have elapsed since the date of their appointment. Letters of appointment are available for inspection on request from the Company Secretary.

In considering appointments to the Boards, the Directors and Unilever give due consideration to the time commitment required to fulfil the role appropriately.

All Non-Executive Directors were reappointed to the Boards at the **2014** AGMs, with the exception of **Feike Sijbesma who was appointed for the first time with effect from 1 November 2014 and Charles Golden who** chose not to put himself forward for re-election.

Non-Executive Director	Date first appointed to the Board	Effective date of current letter of appointment*
Michael Treschow	16 May 2007	14 May 2014
Laura Cha	15 May 2013	14 May 2014
Louise Fresco	14 May 2009	14 May 2014
Ann Fudge	14 May 2009	14 May 2014
Charles Golden	09 May 2006	n/a
Byron Grote	09 May 2006	14 May 2014
Mary Ma	15 May 2013	14 May 2014
Hixonia Nyasulu	16 May 2007	14 May 2014
Sir Malcolm Rifkind	12 May 2010	14 May 2014
John Rishton	15 May 2013	14 May 2014
Feike Sijbesma	01 November 2014	01 November 2014
Kees Storm	09 May 2006	14 May 2014
Paul Walsh	14 May 2009	14 May 2014

\* The unexpired term for all Non-Executive Directors' letters of appointment is the period up to the 2015 AGMs, as they all, unless they are retiring, submit themselves for annual re-election.

## CLARIFICATION STATEMENT

After publication of our Directors' Remuneration Report 2013, the Committee issued a clarification statement on our website at the request of The Investment Association (previously: IMA and ABI). The text of this statement is set out below:

### FURTHER INFORMATION FOR SHAREHOLDERS REGARDING UNILEVER'S REMUNERATION POLICY

The Directors' Remuneration Report in our 2013 Annual Report and Accounts sets out the Group's Remuneration Policy in relation to our Global Share Incentive Plan (GSIP) for Executive Directors (page 66).

In response to a question from the ABI, the Compensation and Management Resources Committee has confirmed that:

#### For existing Executive Directors:

The Committee will not make share awards higher than the maximum awards stated in the Remuneration Policy without prior shareholder approval.

#### For newly hired Executive Directors:

On an ongoing basis the Committee will not make share awards higher than the maximum awards stated in the Remuneration Policy without prior shareholder approval.

In addition, in accordance with the Group's Remuneration Policy in relation to New Hires (page 69) the Committee may make awards to a newly hired Executive Director to buy out on a like-for-like basis remuneration terms forfeited on leaving the previous employer. Technically any such awards would be made under the GSIP plan rules. Consequently, under such exceptional circumstances, the aggregated GSIP share awards for the newly hired Executive Director may be higher than the maximum annual award set out in the Remuneration Policy. As stated in the Group's Remuneration Policy in relation to New Hires, we will inform shareholders of any such buy out awards when announcing the appointment.

### PAUL WALSH

Chairman – Compensation and Management Resources Committee  
1 May 2014



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**FOR FURTHER INFORMATION ABOUT  
UNILEVER, PLEASE VISIT OUR WEBSITE:**

**WWW.UNILEVER.COM**

**UNILEVER N.V.**

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