

## Report of the Audit Committee

The role of the Audit Committee is to assist the Unilever Boards in fulfilling their oversight responsibilities regarding the integrity of Unilever's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the performance of the internal audit function. During the year ended 31 December 2007 the principal activities of the Committee were as follows:

### Financial statements

The Committee considered reports from the Chief Financial Officer on the quarterly and annual financial statements including other financial statements and disclosures prior to their publication, issues reviewed by the Disclosure Committee, and reviewed the Annual Report and Accounts and Annual Report on Form 20-F prior to publication.

### Audit of the Annual Accounts

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

### Risk management and internal control arrangements

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

- review of level of disclosure in quarterly financial results announcements;
- review of accounting principles and judgements with respect to financial statements, including the annual impairment review of goodwill and intangibles;
- Corporate Audit's interim and year-end reports on the Status of Risk Management and Control, and management's response;
- annual report from the Chief Financial Officer on business risks and positive assurance on operating controls and corporate policies; and a quarterly review of business risks and safeguards;
- the interim and year-end reports from the Code of Business Principles Compliance Committee;
- monitoring the resolution of complaints received through the global Ethics hotline including procedures for handling complaints and concerns relating to accounting, internal control and auditing matters;
- quarterly review of progress of the application of the requirements under Section 404 of the US Sarbanes-Oxley Act of 2002 with respect to internal controls over financial reporting;
- review of the application of information and communication technology;
- a review of the annual pension report and pensions related accounting and proposals;
- annual review of anti-fraud arrangements;
- a review of tax planning policy; and
- review of treasury policies, the annual financial plan and consideration of proposals relating to debt issuance, investment hedge, dividends and a review of the financial implications of acquisitions.

### External auditors

The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process. The Committee has approved the extension of the current external audit contract by one year, and recommended to the Boards the reappointment of the external auditors. On the recommendation of the Audit

Committee, the Directors will be proposing the reappointment of PricewaterhouseCoopers at the AGMs in May 2008 (see pages 131 and 136).

Both Unilever and the auditors have for many years had safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee reviewed the report from PricewaterhouseCoopers on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Unilever.

The Committee also reviewed the statutory audit, other audit, tax and other services provided by PricewaterhouseCoopers, and compliance with Unilever's policy, which prescribes in detail the types of engagements for which the external auditors can and cannot be used:

- statutory audit services – as detailed above, including audit of subsidiaries;
- other audit services – work which regulations or agreements with third parties require the auditors to undertake e.g. in connection with borrowings and shareholder services;
- other services – statutory auditors may carry out work that they are best placed to undertake, including internal control reviews;
- acquisition and disposal services – where the auditors are best placed to do this work;
- tax services – all significant tax consulting work is put to tender, except where the auditors are best placed to do this; and
- general consulting – external auditors may not tender for general consulting work.

All engagements over €100 000 require specific advance approval of the Audit Committee Chairman. The overall policy is regularly reviewed and, where necessary, updated in the light of internal developments, external developments and best practice.

The Committee held independent meetings with the external auditors during the year.

### Internal audit function

The Committee engaged in discussion and review of the Corporate Audit Department's audit plan for the year, and approved its budget and resource requirements.

The Committee carried out a formal evaluation of the performance of the internal audit function and confirmed that they were satisfied with their relationship with the Chief Auditor.

The Committee held independent meetings with the Chief Auditor during the year.

### Audit Committee terms of reference

The Audit Committee's terms of reference can be viewed on Unilever's website at [www.unilever.com](http://www.unilever.com) or supplied on request. In June 2007, the terms of reference were updated to include the review of 'other financial statements and disclosures' prior to their publication.

### Board Assessment of the Audit Committee

The Board evaluated the performance of the Committee and the Committee carried out a self assessment of its performance.

**Kees Storm** Chairman of the Audit Committee  
**Wim Dik**  
**Charles Golden**  
**Byron Grote**