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The Board  
Financial Reporting Council  
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31 March 2011

Dear Sirs

**Consultation on effective company stewardship**

We are grateful to have the opportunity to comment on the FRC's consultation on effective company stewardship.

Unilever takes company stewardship and financial reporting very seriously and we regularly review our reporting to reflect current and relevant information that is useful to readers.

We agree with the underlying principles of the consultation. We have concerns, however, over the expanded audit report and greater investor involvement as noted in our detailed comments on each of the key recommendations in the attachment to this letter.

If you wish to discuss any of the views, please contact me in writing.

Yours sincerely

PB Balaji  
Group Chief Accountant

- 1. Directors should take full responsibility for ensuring that an Annual Report, viewed as a whole, provides a fair and balanced report on their stewardship of the business.**

We support this proposal. We consider that Unilever already complies with these proposals in our annual report and accounts.

- 2. Directors should describe in more detail the steps that they take to ensure:**
  - the reliability of the information on which the management of a company, and therefore directors' stewardship of the company, is based; and**
  - transparency about the activities of the business and any associated risks.**

We support this proposal. We consider that Unilever already complies with these proposals in our annual report and accounts.

- 3. The growing strength of Audit Committees in holding management and auditors to account should be reinforced by greater transparency through:**
  - fuller reports by Audit Committees explaining, in particular, how they discharged their responsibilities for the integrity of the Annual Report and other aspects of their remit (such as their oversight of the external audit process and appointment of external auditors); and**

We are broadly supportive of the topic areas that the FRC has proposed Audit Committees should report on; however for most companies this is likely to lead to additional disclosure rather than less. In preparing these additional disclosures many companies will seek neutral or boilerplate disclosures. We therefore do not believe that there will be an increase in the quality and relevance of narrative reporting.

We note that the FRC's Cutting Clutter discussion paper has not yet been published and would propose that the results of both consultations should be aligned.

- an expanded audit report that:**
  - includes a separate new section on the completeness and reasonableness of the Audit Committee report; and**

We do not support this proposal. We believe that this will simply add boilerplate language which does not add any value to shareholders and will result in unnecessary work and cost. Additionally, it is inappropriate in certain circumstances such as where the auditor would report on the disclosures relating to its own appointment.

- identifies any matters in the Annual Report that the auditors believe are incorrect or inconsistent with the information contained in the financial statements or obtained in the course of their audit.**

We do not support this proposal. The Board of Directors and the Audit Committee are responsible for preparing and reviewing the annual report and accounts. This process provides sufficient comfort over the accuracy of the information in the annual report.

The current audit report already requires the auditors to confirm that the information given in the Report of the Directors is consistent with the Group financial statements. This process provides sufficient comfort that any material error or inconsistency would be identified and avoids placing a further time and cost burden on companies.

**4. Companies should take advantage of technological developments to increase the accessibility of the Annual Report and its components.**

We support this proposal. In the context of the FRC's Cutting Clutter discussion paper, we would also encourage the use of technological developments in order to reduce the length of companies' annual report and accounts, eg by using other communications to streamline the information included.

**5. There should be greater investor involvement in the process by which auditors are appointed.**

We do not support this proposal. In our view, the process for auditor appointment is satisfactorily covered by existing governance structures, namely the shareholder vote at the AGM on a proposal from the Directors, supported by a recommendation from the Audit Committee. The selection of the auditor requires intimate knowledge of the current auditor's capabilities, the company's views of other potential candidates and other implications such as cost. Any consultation outside of the company is therefore very difficult and likely to add little, if any, value.

**6. The FRC's responsibilities should be developed to enable it to support and oversee the effective implementation of its proposals.**

We support this proposal.

**7. The FRC should establish a market participants group to advise it on market developments and international initiatives in the area of corporate reporting and the role of assurance and on promoting best practice.**

We support this proposal.