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Dear Ms O'Sullivan

Consultation on audit firms providing non-audit services to listed companies that they audit

Thank you for the opportunity to comment on this consultation, which I regard as particularly important, since it could have far-reaching consequences for the quality of service that I receive from external auditors, and for the costs that are incurred in securing appropriately knowledgeable and qualified people to provide non-audit services.

I consider the potential problems summarised in the paper as essentially being perception issues. Therefore, to address the risk of wrong perceptions by investors and other users of accounts, the right approach is to improve the quality of disclosure of (i) the nature of non-audit services that are provided and (ii) the rigorous principles that audit committees apply in deciding whether the auditor should provide them.

The paper rightly highlights issues in consistency and comparability of disclosure that have arisen, since this leads to a lack of transparency around the nature of the services provided by auditors. I therefore support the Institute of Chartered Accountants of Scotland's initiative in setting up a working group to recommend improvements in disclosure of non-audit fees. I understand that this is likely to result in additional voluntary disclosures which are designed to improve investors' understanding of the nature and governance around non-audit services. I will certainly encourage the companies that I work with to consider adopting these recommendations once they have been finalised.

Many non-audit services are required by law to be provided by the auditor because they are seen to complement the audit work and can be most effectively carried out by individuals who have a strong knowledge of the business. Unilever regularly uses its auditors for services that are closely associated with the audit but has also recognised that it is often appropriate to use them more widely.

In such circumstances, we take into consideration the expertise and knowledge of the individuals in the audit firm, value for money and the safeguards that the audit team and the individuals providing the other services have put in place to protect the independence of the auditor. We also have close regard for competitors offerings and invariably pursue a competitive proposal strategy for significant pieces of work.

Any additional restrictions on the use of our audit firm would be likely to increase the cost of obtaining the services and add additional burdens on our staff, both of which would be particularly unwelcome in the current environment, when boards of directors are rightly focussed on developing and implementing strategies to cope with a recession.

I regard the use of auditors for other services as primarily a governance matter. The paper gives background information on the strong governance framework that is in place in relation to procurement of non-audit services and my personal experience is that audit committees have been taking their responsibilities in this area seriously and have not been awarding contracts for non-audit services to auditors without due consideration of other providers. They recommend to the board suitable providers of services, whilst keeping foremost in mind the preservation of the independence and objectivity of the auditor. Policies on the award of such services to the auditor are disclosed in annual reports. There may be scope for enhancement of these disclosures, but this is a more acceptable way forward than seeking to undermine the power of audit committees to exercise their judgement in an informed way, having regard to the existing robust ethical standards.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James A Lawrence', with a long, sweeping horizontal line extending to the right.

James A Lawrence